



2023

INTEGRATED REPORT



ALTEO GROUP



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1 INTRODUCTION

1.1 Letter from the CEO

2-22

Dear Reader,

In 2023, the global political context was dominated by continuing war in the neighborhood, along with regional crises, global economic downturn, slowly decreasing inflation, and energy markets gradually showing signs of stability. Although these circumstances are far from ideal, ALTEO celebrated its 15th anniversary in April 2023 with the strongest quarter of its history, followed by equally outstanding annual performance.

Active investment activities included transactions completed for the acquisition of 100% share capital in Energikum Zrt., an entity owning the Nagykőrös Biogas Plant, as well as 33% issued capital of ECO-FIRST Kft, an active player in waste trade. ALTEO Group continued the integration of FE-GROUP INVEST Zrt., a company active in the treatment and recycling of inorganic waste, acquired in 2022 together with Blue Planet Climate Protection Venture Capital Fund. As a new subcontractor of the waste concession in Hungary, this subsidiary was a key contributor to the results of our waste management segment, and is presented in a separate chapter in the integrated report.

The ALTEO Virtual Power Plant has significantly expanded as many groundbreaking renewable energy generating technologies were deployed at our sites. First, a 5 MW electrical steam boiler was commissioned in Sopron, followed by two electric hot water boilers with a capacity of 6 MW each installed in the heating power plants in Kazincbarcika and Tiszaújváros. These boilers not only feed the produced steam and hot water into the local district heating system, they also provide a high level of flexibility for the ALTEO Virtual Power Plant through their rapid load switching capability, further increasing the Company's control potential for renewables-based power generation. Further investments are ongoing in Sopron and Győr, which involve the commissioning of an 8 MW/15 MWh battery electricity storage facility and a 3 MW and a 6 MW gas engine in the first half of 2024.

Implementation of ALTEO's 20 MWe nominal capacity solar power plant in Tereske, Nógrád County started in Fall 2023. The self-funded development project, worth more than EUR 17 million, will double the size of our solar power plant portfolio. With production due to start in H2 2024, the plant has an annual electric power generating capacity of 31 GWh, covering the annual electricity consumption of more than 10,000 households. However, the Tereske project is significant in terms of sustainability for other reasons: after the expiry of the design life of 25-30 years, the entire infrastructure can be removed and the land can be reused in accordance with the needs at that point in time, be it for agricultural or environmental purposes. In this respect, a key feature of the plant is that solutions supporting biodiversity have been integrated throughout the whole process, from design and implementation to long-term sustainable maintenance. We are planning to integrate the new solar power plant into the ALTEO renewable virtual power plant launched last May, which plays an essential role in facilitating and accelerating the uptake of renewables-based energy production.







As in previous years, the economic results achieved in the last year have enabled us to further embed ESG considerations in the operations of the Company. A key tenet of our corporate culture is the primacy of security. By 2023, ALTEO has been able to go without any accidents resulting in work days lost for over three years running. In 2023, our first CSR strategy was prepared and published. It highlights the charity donation drives and awareness raising schemes regularly engaging the employee community, and encourages voluntary activities undertaken by our staff.

All these efforts were again recognized with various awards. At the Best of BSE Awards gala honoring the most outstanding performers and players in the Hungarian capital market, ALTEO won in the category "Company with Long-term Share Price Increase"; at the Business Ethics Award, established in 2000, we came first in the category for large companies. Having obtained our initial ESG certification in 2022, among the very first in the sector in Hungary, last year our ESG Risk Rating by independent certification body Sustainalytics was changed from high to moderate risk. SCOPE Ratings GmbH also improved our corporate rating, from BB+ to BBB-.

Our approach has remained the same ever since the Company was founded in 2008: conscious that today's decisions affect the future of our children's children, we bear in mind in all circumstances that the Earth must remain a liveable and likeable place for the generations to come.

Attila Chikán Jr.
CEO of ALTEO Plc.

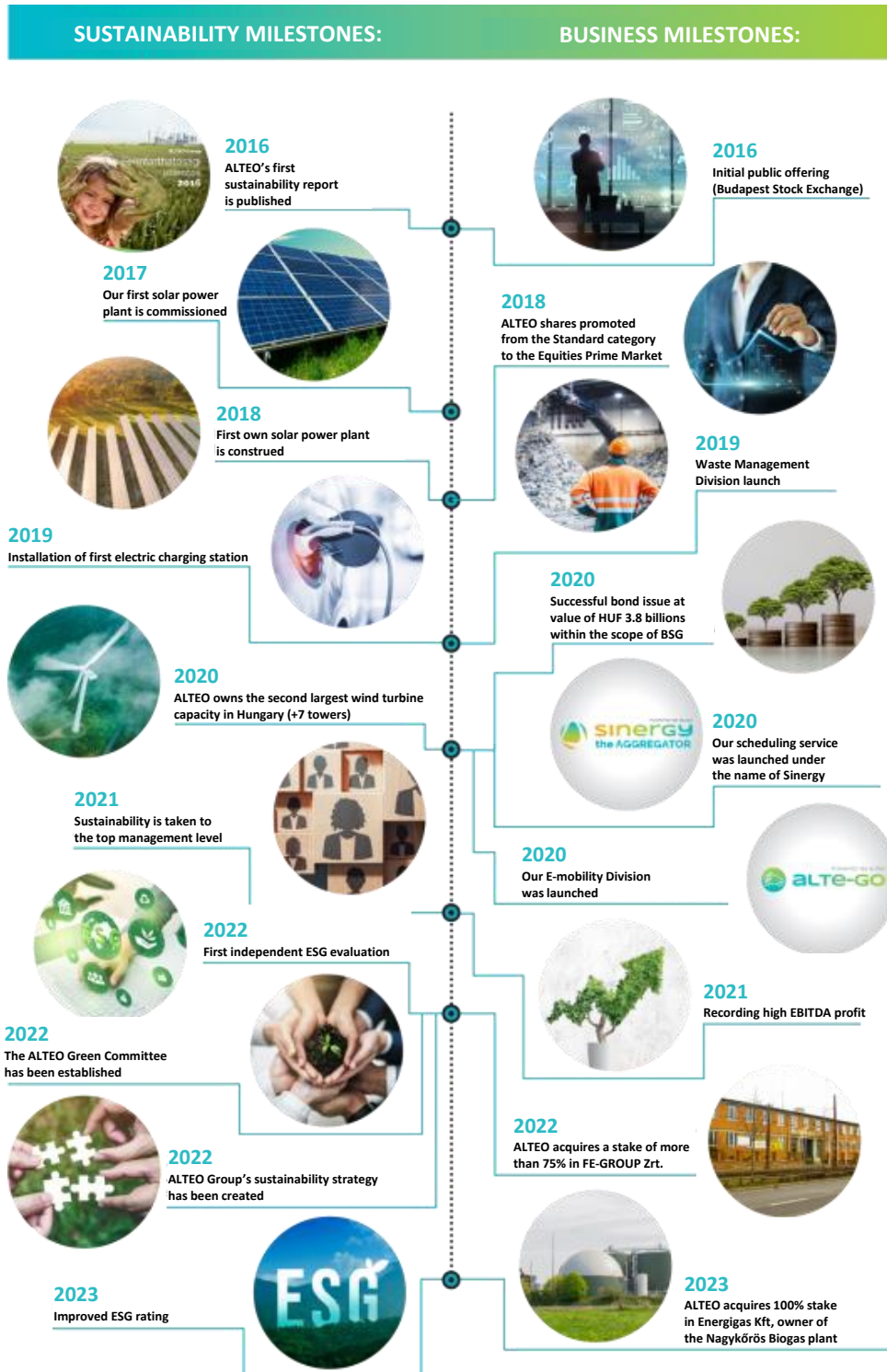
1.2 Highlights of 2023

Business results and strategy goals	ESG (environmental, social and governance impacts)	Employee wellbeing and safety
 <p>Strong financial performance over previous year</p>	 <p>More favorable risk rating</p>	 <p>Company expansion and new areas of expertise</p>
 <p>Winner of multiple Best of BSE awards and of the Business Ethics Award</p>	 <p>Preparing for stricter regulations</p>	<p>3 years</p> <p>accident-free</p>
CSR	Energy	 <p>Improved employee satisfaction and benefits package</p>
 <p>CSR strategy developed</p>	 <p>Expansion of Virtual Power Plant</p>	<p>FE-GROUP sustainability performance and first report</p>
 <p>Cooperation with NGOs</p>	 <p>Extended portfolio and market share</p>	
	 <p>New energy investments and developments</p>	 <p>Extended service agreement and support gained for waste management segment</p>

1.3 Sustainability milestones

At ALTEO Group, we believe in sustainable development. We have been building our sustainability vision and strategy for a number of years now. Last year, we presented these in a published form, adopting an ESG approach.

This year, we present our eighth report of our current sustainability performance, and the progress made towards our strategic objectives. We aim to provide a detailed presentation of the results and challenges encountered in the year 2023, as well as our new plans—since we cannot stop just there. Our commitment to development and sustainability is creating new challenges for ALTEO Group from a corporate governance, social and environmental perspective, and we aim to meet them to the highest possible standards.



2 ABOUT THE INTEGRATED REPORT

2-3, 2-4, 2-5

This document is the 2023 annual Integrated Report of ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság (hereinafter referred to as: ALTEO Nyrt. or ALTEO) and its consolidated subsidiaries (hereinafter jointly referred to as: ALTEO Group or Group), which aims to present our sustainability and transparency efforts and consolidated financial data to all our stakeholders.

The report presents key events and results for the period between January 1 and December 31, 2023, along with the economic, environmental and social impacts thereof, compared with data from previous years (2019-2022) for traceability.

The ALTEO Group Sustainability Report is presented in accordance with the Global Reporting Initiative (GRI) Standards, in line with the requirements of the current (2021) GRI 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 now our sixth integrated report, preceded by five previous integrated reports and two sustainability reports, for reasons of readability we rely on these previous materials for definitions of certain terms and previously published content, as well as on information made available on our website, to which we refer by live links.

In order to facilitate the use of this report, the relevant GRI indicators analyzed in depth are identified at the beginning of each chapter and throughout the body of the text, in gray. In addition, Chapter 9 provides a GRI Content Index identifying individual chapters in the report with relevance for each GRI standard used, in the order of standard reference numbers.

For the second year, in addition to the GRI International Framework, the TCFD (Task Force on Climate-related Financial Disclosures) guidelines were also used for the preparation of the report, and a summary of our TCFD disclosures is presented on page 82.

As a company listed on the Budapest Stock Exchange, ALTEO Group is a large public-interest entity under the European Union Corporate Sustainability Reporting Directive (CSRD). As such, in 2025 it will be required to publish a sustainability report, covering its 2024 results, in accordance with the European Sustainability Reporting Standards (ESRS). The Company is actively working on a timely and successful introduction of reporting in line with the ESRS. While the report for 2023 was not yet prepared in accordance with the ESRS, we took into account the new framework guidance for determining material topics in the assessment of the subtopics.

As the process of integrating FE-GROUP had been completed in 2023, this entity features among the subsidiaries presented in the ALTEO Group Sustainability Report. The core business activities of FE-GROUP are waste management services, which are significantly different from the profile of other ALTEO Group members. Therefore, the entity's sustainability indicators require different interpretation. It is equally important to note that, for a number of indicators, FE-GROUP does not have data sets relating to a longer period, and it is not possible to compare its performance with other ALTEO Group members. To assist with an appropriate interpretation of the sustainability efforts of individual entities, the results of FE-GROUP are presented in a stand-alone chapter identifying the relevant stakeholders, as well as the material topics to be assessed in respect of FE-GROUP.

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

2-29

The stakeholders of ALTEO Group are given priority and treated as partners at all times, as they provide important information on our performance and the environmental, economic and social factors that shape ALTEO's value-creation processes. Some of our key stakeholder groups, listed below, also play an important role in determining the content and focus of our annual integrated report:

- Authorities, supervisory bodies
- Shareholders and investors
- Customers
- Employees
- Suppliers and subcontractors
- Local communities, NGOs
- Media

The approach adopted by ALTEO Group for stakeholder engagement is set out in Chapter 2.1 of our Integrated Report for 2022 and is not reproduced here.

A detailed presentation of FE-GROUP stakeholders can be found in Chapter 7.2 of the Report.

2.2 Materiality assessment

3-1, 3-2

In 2023, ALTEO Group carried out and reviewed its materiality assessment based on the double materiality principle. Double materiality, as defined by the ESRS methodology, has two dimensions, namely impact materiality and financial materiality. Impact materiality (previously applied) concerns the assessment of sustainability matters where the undertaking may have material actual or potential, positive or negative impacts on people or the environment over the short-, medium- and long-term. A sustainability matter is financially material for an undertaking if it generates risks or opportunities that could have a material influence on the undertaking's financial position or financial performance over the short-, medium- or long-term.

To determine the topics that are material for us, we assessed 37 subtopics identified by the ESRS and a further 2 areas related to the activities of ALTEO Group (Number of incidents related to process safety, Innovation intended to improve products and services). Subtopics clearly not relevant in the context of the activities and value chain of ALTEO Group were discarded in a process of expert consultations.

The wide range of ALTEO Group stakeholders were surveyed and shared their opinion concerning material topics. Responses were collected from 28 stakeholders, who assessed each topic on a scale of 1 (not important) to 5 (very important) as to how representative they considered the topics for providing a true picture of the Group from an economic and sustainability perspective. Individual responses were averaged for each topic, and topics gathering minimum and maximum scores provided the extreme values. On the basis of the stakeholder surveys, topics were considered material if they scored in the higher 40% on the scale of extreme values.

In addition to stakeholder surveys, expert analyses were also carried out to assess individual topics, including impacts, risks and opportunities, in accordance with the methodology of dual materiality set out by the ESRS. As a result of the assessment, Impact Materiality and Financial Materiality was calculated as a score on a scale of 1 to 5. Where a topic scored at or above 3.5 for either aspect of materiality, the expert analysis considered it to be material.

Crucially, we took into account the material topics assessed in previous years, reviewing their relevance under the current circumstances. Taking these three considerations all together, the final list of material topics was established, and subsequently adopted in the course of a senior management workshop. As a result, the material topics are as follows:

- Adaptation to climate change
- Climate change mitigation
- Energy
- Air pollution
- Water pollution
- Hydropower
- Direct impact drivers of biodiversity loss
- Resources inflows, including resource use
- Waste
- Working conditions (own workforce)
- Equal treatment and opportunities for all (own workforce)
- Personal safety of consumers and/or end-users
- Corporate culture
- Management of relationships with suppliers, including payment practices
- Corruption and bribery
- Number of incidents related to process safety
- Innovation aimed at product and service improvement

2.3 Assurance letter

2-5



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INDEPENDENT ASSURANCE REPORT

To the management of Alteo Nyrt.

This report has been prepared in accordance with the terms of our contract dated 3 May 2023 in order that we accomplish the independent external party examination of ALTEO Nyrt's Integrated Report 2023 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 2023 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

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 2023.

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 2023 has been prepared, in all material respects, in accordance with the GRI criteria.

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

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 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 2023:
 - 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, 28 March 2024



András Schillinger
 Director

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




Péter Kékesi
 Certified Auditor
 Chamber registration No.: 007128

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

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Céget azonosító (Group ID Nr.): 17780711-5-42
 Group VAT No.: HU17780711

3 ALTEO

3.1 Introduction of ALTEO

ALTEO was founded 16 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 2019, our sphere of activity was extended to include a new waste management division.








In Hungary, ALTEO has become synonymous with sustainable and responsible corporate governance and responsibility for the future. Not only have we been a member of the Business Council for Sustainable Development in Hungary (BCSDH), chaired by ALTEO CEO Attila Chikán Jr, for 11 years but, in 2023, we received once more the BSE Responsibility, Sustainability, Corporate Governance Award for our performance during the previous year.

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 diversified portfolio, enabling us to serve efficiently the needs of our small, medium and large corporate partners alike.

3.2 Organizational data

2-1, 2-6, 2-7, 2-8

The details of the ALTEO Group on December 31, 2023:

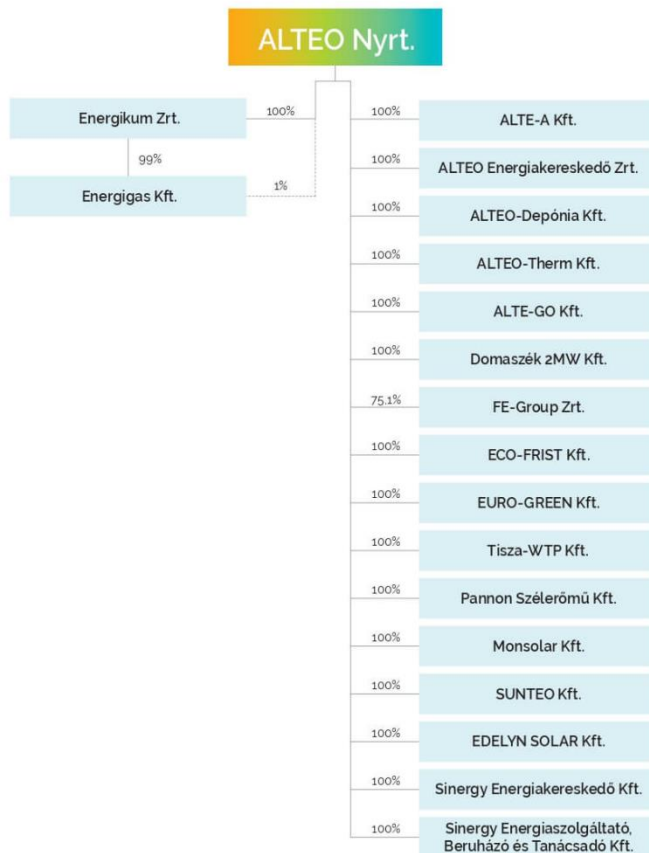
	NAME: ALTEO Nyrt. (with its consolidated subsidiaries, hereinafter jointly referred to as: ALTEO Group)		NUMBER OF EMPLOYEES: 361 employees
	REGISTERED OFFICE: H-1033 Budapest, Kórház utca 6-12		LOCATION OF BUSINESS ACTIVITY: Hungary
	ISSUED CAPITAL: HUF 247,533,638		OWNERS: 73.79% MOL RES Investments Zártkörűen Működő Részvénytársaság, Riverland Private Equity Fund and Főnix Private Equity Fund 26.21% Free float
	REVENUE: HUF 98,954 million		

3.2.1 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, 2023



The acquisition of Energikum, Energigas and ECO-FIRST in 2023

ALTEO as buyer has concluded a share purchase contract with the owners of Energikum to acquire shares embodying 100% of the share capital of Energikum. Energikum holds the business quota representing 99% of the issued capital of Energigas, the owner of the biogas plant in Nagykőrös. At the time, ALTEO had been the 1% minority shareholder of Energigas, which also operated the Nagykőrös biogas plant producing electricity from biogas generated from organic waste.

The acquisition of the biogas plant with a nominal electricity generation capacity of 2 MW is fully in line with ALTEO’s strategy and will also strengthen its role in the circular economy. Beyond the current mode of operation, it is worth noting that the biogas produced 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.

Furthermore, ALTEO as buyer concluded a business quota purchase contract to acquire 33% of the issued capital of ECO-FIRST, of which ALTEO had already been a 67% shareholder at the time. 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 Nagykőrös biogas plant.

The conditions for closure agreed in the purchase contracts were fulfilled on May 25, 2023, and the closure process was successfully concluded; as such, ownership of the Energikum shares and of the ECO-FIRST business quota were transferred to ALTEO on May 25, 2023.

While the financial section of the Integrated Report covers all entities listed in the figure, i.e. ALTEO Group in its entirety, the section on ALTEO’s

GRI Sustainability Report is first presenting all entities other than FE-GROUP taken together and, separately, FE-GROUP itself in Chapter 7.

3.2.2 Major changes affecting the organization in 2023

2-6

Several events occurred during 2023 that resulted in changes to the structure and/or operation of ALTEO Group.

Statutory public takeover bid

On December 17, 2022, ALTEO received a statutory public takeover bid of the Offeror for all series 'A' ordinary shares of ALTEO Nyrt. (HU0000155726) issued by the Company – as specified in the Bid – with a face value of HUF 12.5 (that is twelve point five) each. In the course of the bid, the Offeror was acting pursuant to the syndicate and coordination agreements concluded with the Acquirers on December 16, 2022.

By its resolution dated February 3, 2023, the Central Bank of Hungary approved the statutory public takeover bid published on December 17, 2022 and amended on February 2, 2023. The Board of Directors of ALTEO subsequently published the opinion of the Board concerning the bid.

As a result of the successful statutory public takeover bid, on March 21, 2023 the Offeror acquired 4,902,536 ALTEO Nyrt. ordinary shares, Főnix Private Equity Fund acquired 4,902,535 ALTEO Nyrt. ordinary shares and Riverland Private Equity Fund acquired ALTEO Nyrt. 4,902,535 ordinary shares with the execution of the transactions. Therefore, the joint share of the Acquirers in ALTEO increased to 73.791%, while their overall control, taking also into account ALTEO own shares, increased to 73.807%. For further information on the statutory public takeover bid, see Section 1.16.1.1 of the Annual Report.

Green Financing Framework

The Company has developed and set up its own green financing framework, with second party opinion (SPO) from Deloitte Zrt. (registered office: H-1068 Budapest, Dózsa György út 84/C, company registration number: Cg.01-10-044100).

The Company has thereby created the possibility to issue green bonds or take out green loans linked to green objectives, as set out in the framework. Through its certified green financing framework and other related commitments, the Company wishes to further emphasize its sustainability efforts. Since efforts supporting sustainability are an integral part of the Company strategy, the entry into force of the green financing framework is an important step towards the implementation of this strategy.

Annual review of the credit rating

Scope Ratings GmbH carried out an annual review of the Company's credit rating on its bonds issued under the Bond Funding for Growth Scheme announced by the MNB, as a result of which ALTEO as issuer was upgraded from BB+ to BBB- with a stable outlook, and its short-term debt rating was upgraded from S-3 to S-2. The rating agency also confirmed the BBB- rating of the bonds. Furthermore, the rating agency gave a positive ESG rating to the Company's business model on several points, including the fact that the 20 MW solar power plant project in Tereske will improve the Company's ESG rating.

The report of the credit rating agency is available at the links below: <https://www.scooperatings.com/ratings-and-research/rating/EN/174535>; <https://www.scopegroup.com/ScopeGroupApi/api/analysis?id=91252deb-7011-4d55-890e-ae0a14f0981>

Other events

Other events not listed above, in particular decisions adopted during the Extraordinary and Ordinary General Meetings, own share transactions, events after the reporting date are detailed Section 1.16 and 1.17 of the Annual Report.

3.3 Our mission and vision

3.3.1 Commitment

2-23

Responsible business practice – including respect for human rights – is defined in the Code of Ethics adopted by the senior management of ALTEO Group. The Code applies to all managers and employees, as well as all persons acting in the name of ALTEO Group. It is the personal responsibility of all our managers and employees to familiarize themselves with the Code and act according to its content. During the 2022 review of the Code of Ethics, we stressed the importance of compliance with the provisions of international agreements and our efforts to ensure they are fully applied.

The Code of Ethics sets out our commitment to apply due diligence and pre-qualification in our procurement procedures, equally addressing respect for human rights, non-discrimination, freedom of thought, conscience and religion, freedom of expression, respect for private and family

life. We pay special attention to local communities, and our dialogue with NGOs and municipalities. The Code of Ethics is available on the Company's [website](#).

In addition to statutory requirements, we apply external guidelines as well, namely the BSE Corporate Governance Recommendations, the International Human Rights Code, the European Convention on Human Rights, the OECD Guidelines for Multinational Enterprises and the UN Global Compact.

3.3.2 Products and services¹

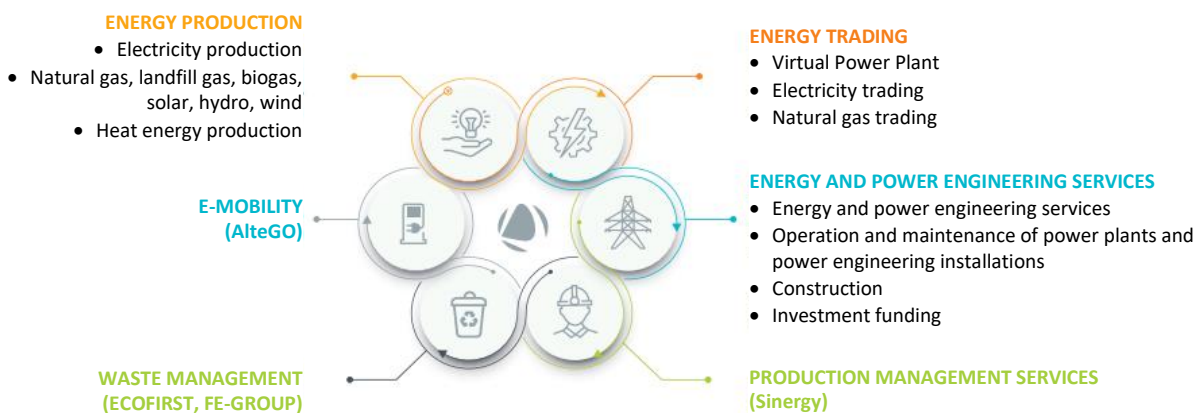
2-1, 2-6

Supply chain

2-6

As a responsible company, ALTEO Group is committed to uphold relevant environmental, social and business ethics principles concerning its own activities and business conduct, as well as its supply chain. Due to the wide range of our business activities, our supply chain covers many segments, such as electricity and heat energy production, energy service, maintenance and development of energy systems, electricity and natural gas trade, production management, electromobility and waste management.

PRESENTATION OF ALTEO ACTIVITIES AND OVERVIEW OF PORTFOLIO

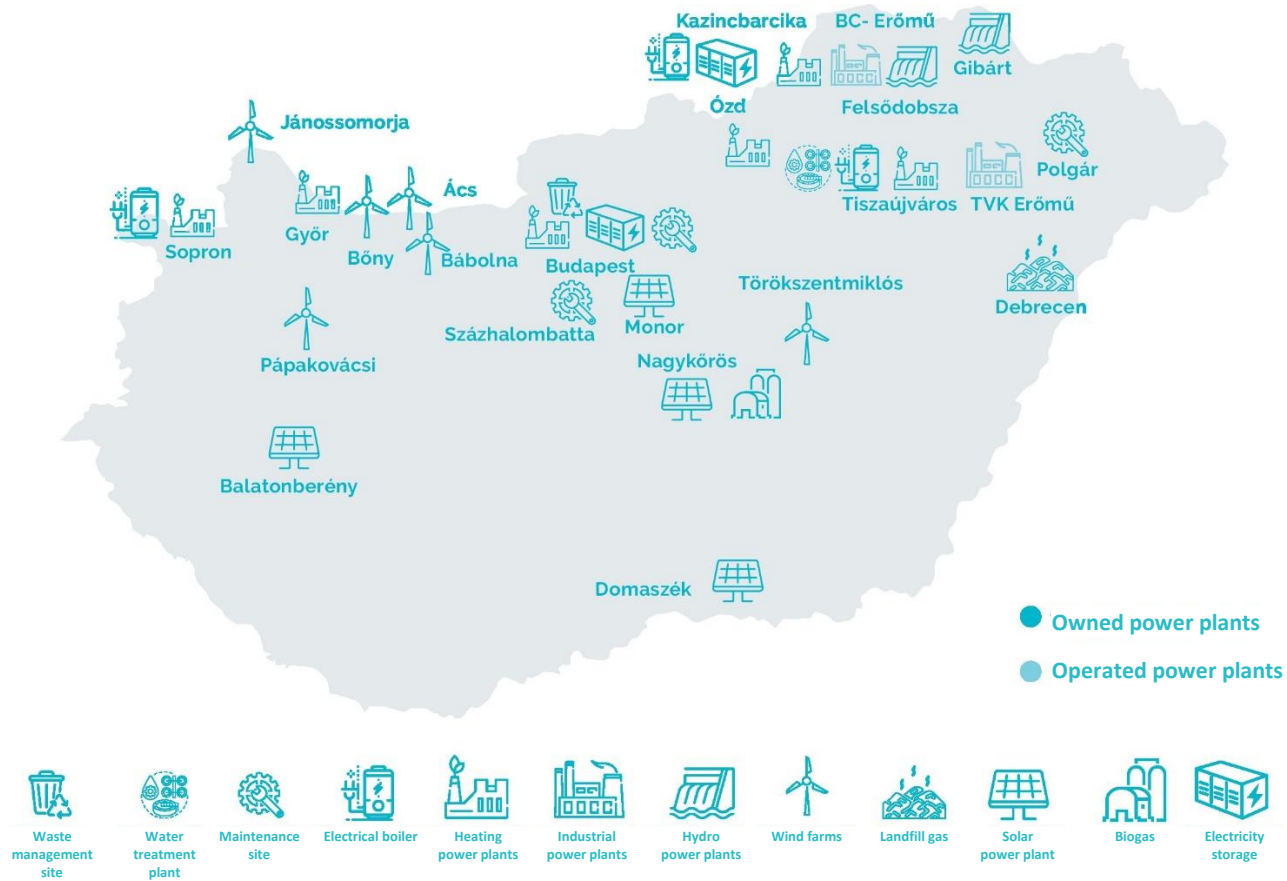


We expect our suppliers, subcontractors and other partners to familiarize themselves with our Code of Ethics and act in accordance with its contents. See Chapter 4.4 on Business ethics for further details.

¹ 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>.

ALTEO'S OPERATIONS MAP ACCORDING TO THE DISTRIBUTION OF THE POWER PLANT PORTFOLIO

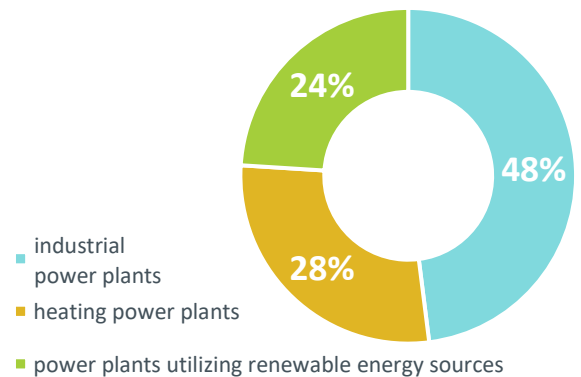
2-6



Energy production

Our power plants produced a total of 601 GWh in electricity, which is equivalent to the electricity needs of around 251,000 households, and 7.47 million GJ of heat energy, which is enough to heat 182,000 households. The produced electricity came from 48% industrial, 28% heat and 24% renewables-based power plants.

Chapters detailing our energy production segment, power and heat plants, weather-dependent and non-weather-dependent renewable capacities, as well as our energy businesses, services and operational and maintenance areas can be found on pages 11-15 of our 2022 Integrated Report.



Electricity generation

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	9.3	VPP
Ózd	natural gas	heating power plant	4.9	VPP
Tiszaújváros	natural gas	heating power plant	9.5	VPP
Füredi utca	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	On the open market
Jánossomorja	renewable	wind turbine	2.0	On the open market
Pápakovácsi	renewable	wind turbine	2.0	On the open market
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
Nagykőrös	renewable	biogas	2.0	On the open market
Operated by ALTEO				
BC power plant	natural gas	industrial services	46.9	
TVK Power Plant	natural gas	industrial services	36.0	

Operation and maintenance development in 2023

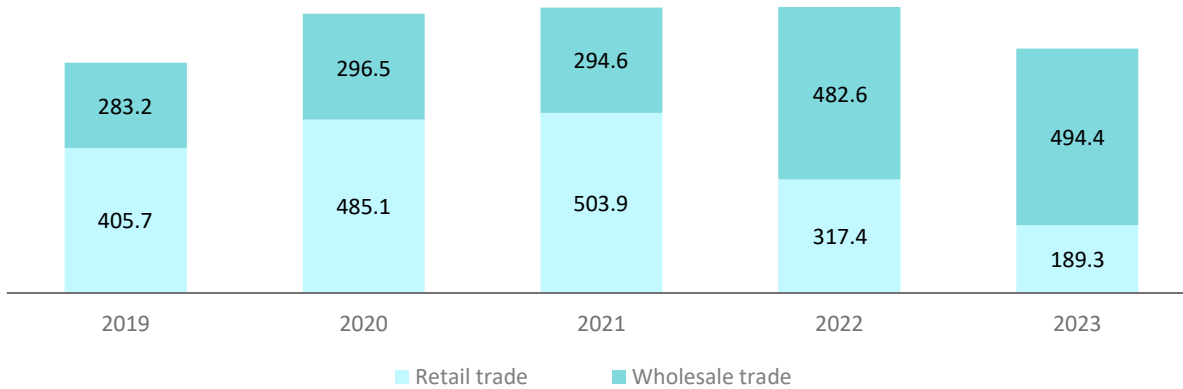
ALTEO's Board of Directors decided to expand the Company's operation and maintenance business and to restructure its organization in order to respond to the increase in recent years in demand for high value-added, quality industrial and power plant maintenance services, and to operate more efficiently. The aim of the expansion is to significantly increase ALTEO's maintenance capacities and sales revenue, and to serve needs faster. In the context of implementing this program, ALTEO entered into a framework contract with, among others, MOL Nyrt. to provide industrial and power plant rotary machine maintenance services to MOL Nyrt. and its Hungarian and foreign subsidiaries (in particular Slovnaft or INA), thus exploiting the synergies of cooperation between the two companies. Furthermore, contract was also signed with Uniper and FŐTÁV. In order to fulfill the above maintenance jobs and those that may potentially arise in the future, we established a new maintenance center in Százhalombatta, in addition to the maintenance yard in Polgár, which had already been in operation.

Energy trading, balancing group services, scheduling

Descriptions detailing ALTEO's energy trading and balancing group services, as well as scheduling activities can be found on pages 16-18 of our 2022 integrated report. This Report highlights changes and performance in 2023 only.

In the context of our electricity trading activities, the volume sold in 2023 reduced by 14% in total, which is fully attributable to the 40% drop in the volume of retail trade of electricity. Therefore, with a small increase in wholesale supply, the amount of electricity sold was 683.7 GWh. In line with the trend of previous years, the share of wholesale trade grew significantly and reached almost three quarters of the full amount traded.

ELECTRICITY SALES (GWH)



Natural gas retail

ALTEO Energiakereskedő started offering retail supply of natural gas in the gas year beginning on October 1, 2016, and sales were developing dynamically until the end of 2021. In 2022, the volume of natural gas sold dropped due to heightened risk management and greater awareness of energy efficiency, and the trend persisted into 2023, resulting in a 27% decrease in the traded volume over the previous year. It is important to note, however, that despite these changes in volume, the profitability of these activities has not decreased in the last two years.

NATURAL GAS SALES (GWH)

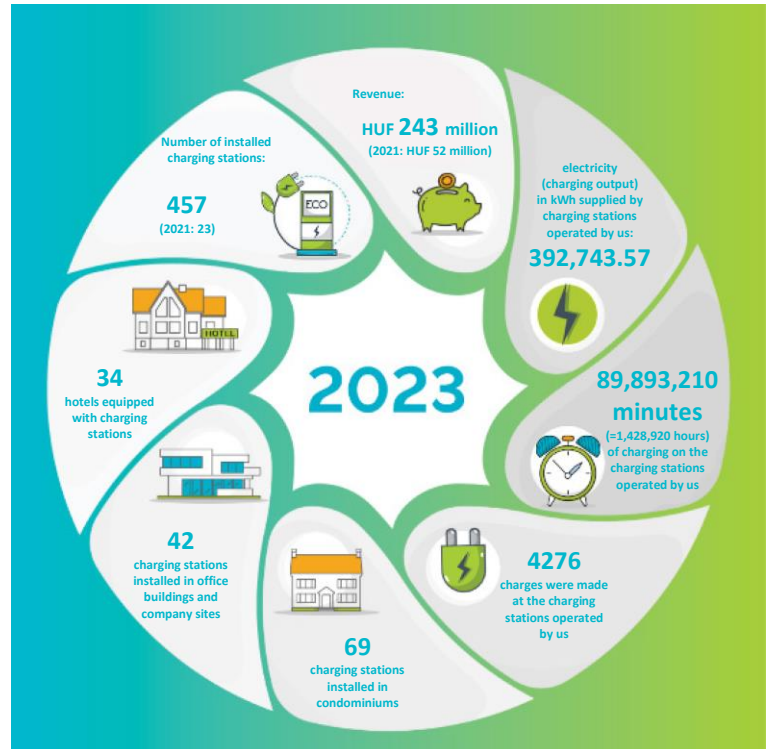


E-mobility

In 2020, ALTEO started an E-mobility division through its subsidiary ALTE-GO, which provides the sale, installation, and operation of electric charging equipment across Hungary, with a focus on office buildings, parking lots, business sites, and public charging stations.

ALTE-GO officially presented its latest product, the CONTe-GO car charging container, in Q1 2023. This 22 kW charging equipment allows the simultaneous charging of 3 electric vehicles, and can be used for charging e-scooters or e-bikes using a secondary connector. The car charging station installed in a mobile container can be positioned anywhere with an adequate electric charging facility and as such is an ideal solution for activities that are not place-bound. The development is a product of ALTEO Group e-mobility business, Continest Technologies Zrt and HOTTA Green Energy Kft.

In 2023, ALTE-GO installed 193 charging equipment, bringing the number of chargers provided to our customers by the end of the year to 457 in total. With ongoing installations and chargers already committed, we are on track to reach our strategic target of 500 pieces of equipment deployed.



Charging equipment/stations installed by ALTE-GO



3.4 Awards and memberships

2-28

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

As a result of its 2022 performance, ALTEO was recognized in two categories at the Best of BSE Awards, one of the most prestigious events of the Budapest Stock Exchange. A key player in the Hungarian energy sector, ALTEO came out on top in both “The Issuer of the Year with the Highest Share Price Increase in the Premium Category” and the “Responsibility, Sustainability, Corporate Governance” categories.

Moreover, based on its performance in 2023, ALTEO also won in the category “Company with Long-term Share Price Increase”.

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)

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 (MIKSZ)
- Association of Hungarian District Heating Enterprises
- Hungarian Wind Energy Industry Association
- Hungarian Biogas Association,
- Budapest Global Association,
- Hungarian Chamber of Engineers
- Hungarian Energy Traders’ Association (MEKSZ)
- Hungarian Battery Association
- Hungarian Association of Logistics, Purchasing and Inventory Management
- 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).

3.5 Our ESG approach and Sustainability Strategy

ALTEO became the first company in the Hungarian energy sector to obtain an independent, international ESG certificate in February 2022. Based on the assessment by Sustainalytics, the Company performed better than the industry average, i.e. it achieved a lower risk rating already at that point in time. The trend continued during the 2023 review.

ALTEO manages its high industry exposure with a strong risk management-based approach. At the 2023 review, ALTEO scored 26.1 points on Sustainalytics’ risk rating scale of 0 to 50. This improved ALTEO’s risk rating from “high” last year to “medium” this year. We were rated “Strong” in the category “Management of ESG Risk”, which suggests that strong risk management is in place.





















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 82 of the Integrated Report. At the end of 2022, we published ALTEO Group’s first EU Taxonomy Alignment Report for 2021², and the report covering 2022 was made public as part of the integrated report. Similarly, we are issuing our report on EU Taxonomy alignment for 2023 as part of this Integrated Report (see Chapter 11). Furthermore, ALTEO’s Green Committee ³, created in 2022, continued to work with the aim of consolidating responsible, ESG-focused corporate governance. The role and responsibilities of the Green Committee are described on page 26 of the Integrated Report.

Our Sustainability Strategy⁴

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. Our sustainability strategy is available on our website: <https://alteo.hu/fenntarthatosag/>

Current status:

	ALTEO Group objectives	UN Sustainable Development Goals	Status												
Carbon Footprint Reduction	<table border="1"> <thead> <tr> <th>GHG emission reduction</th> <th>2030</th> <th>2050</th> </tr> </thead> <tbody> <tr> <td>Scope 1 *</td> <td>20%</td> <td>50%</td> </tr> <tr> <td>Scope 2*</td> <td>30%</td> <td>75%</td> </tr> <tr> <td>Scope 3**</td> <td>55%</td> <td>100%</td> </tr> </tbody> </table>	GHG emission reduction	2030	2050	Scope 1 *	20%	50%	Scope 2*	30%	75%	Scope 3**	55%	100%	 	      
	GHG emission reduction	2030	2050												
	Scope 1 *	20%	50%												
	Scope 2*	30%	75%												
	Scope 3**	55%	100%												
	*compared to the 2019 base year, ** compared to the 2021 base year														
25% reduction in NO _x (nitrogen oxide) emissions by 2030															
Increase of the share of renewable production management from 15% to 25% by 2025															
Investment of 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, greening of transport	Installation of 500 electric car chargers by 2023		 												
	Establishment of electric car charging infrastructure on Company sites by 2030														
Reducing waste	Paperless* office by 2030 (*up to the level of legal compliance)		    												
	Achieving an operational waste recycling rate of at least 50% by 2030														
	Water-focused risk analysis by 2023 Q4														
	Completion of CDP “Water Security” questionnaire in 2024														
	Completion of biodiversity survey by 2023 Q4														

² EU Taxonomy Alignment Report for 2021: <https://alteo.hu/fenntarthatosag/jelentesek-tenyek-adatok/fenntarthatosagi-jelentesek/>

³ More on the Green Committee: <https://alteo.hu/az-alteo/szervezet/zold-bizottsag/>

⁴ Our Sustainability Strategy is also available on our website: <https://alteo.hu/fenntarthatosag/>

	ALTEO Group objectives	UN Sustainable Development Goals	Status
Education on sustainability	<p>Implementation of TCFD reporting guidelines in our reporting structure from 2023</p> <p>Development of an employee education program on sustainability issues by 2025</p> <p>EcoVadis assessment from 2024</p>		  
CSR strategy with ESG focus	<p>Maintenance of 0 LTIF (number of lost time work injuries per 1 million hours worked) result in respect of the Company's own employees</p> <p>Achieving 0 LTIF for non-Company employees by 2025</p> <p>Development of a detailed CSR plan by 2023</p> <p>At least 500 hours/year of CSR activity throughout the whole ALTEO Group by 2025</p> <p>Introduction of the ISO 27001 cyber security standard by 2023</p>		    



Completed



In progress



Shortfall

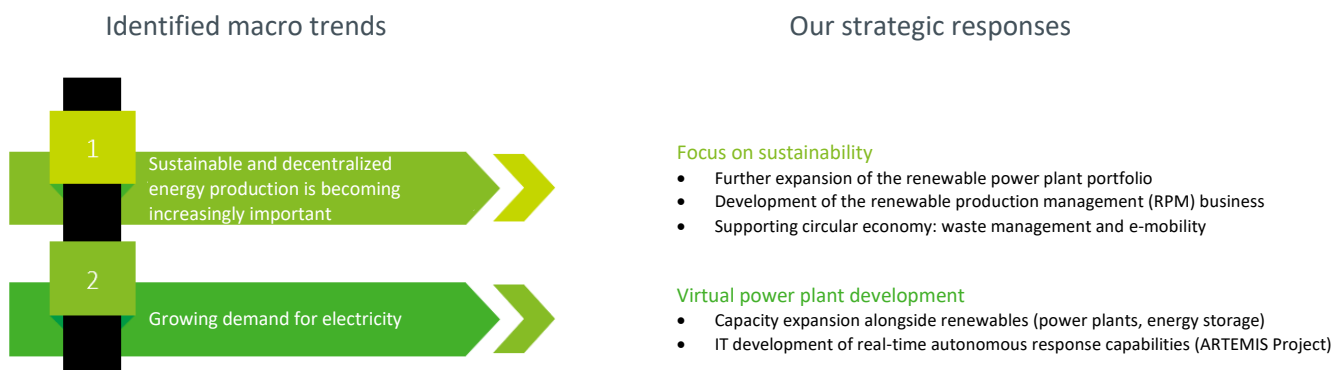
4 RESPONSIBLE CORPORATE GOVERNANCE

4.1 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 ever-changing energy-market conditions. 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). We have also identified the further development of the waste management and e-mobility segments, both representing 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.

Innovation aimed at product and service improvement

[ALTEO-2]

For more information on our innovation-related research and development (RDI) grants and expenditure, see in Section IV.25 of our financial report..

4.2 Corporate governance

4.2.1 Structure and composition of corporate governance

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

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

General Meeting

The [General Meeting](#) is the main body of ALTEO, which consists of all shareholders. It has an exclusive responsibility to make decisions regarding the management and operations of ALTEO. The Board of Directors shall convene the General Meeting at least once a year. The resolutions of the General Meeting and their detailed description are included in Section 1.16.1.3 of the Annual Report.

Board of Directors

2-14

The Board of Directors is the managing body of ALTEO. It exercises its rights and duties as a single body, its members are legal representatives (senior executives) of ALTEO. The Board of Directors coordinates and manages ALTEO Group, provides guidance and defines ALTEO's business and development concept. The Board of Directors consists of at least three and maximum nine natural persons, and elects its chairperson from among its members. The majority of the members of the Board of Directors (3 out of 4) are not employees of the company, which ensures the independence of the Board from the work organization. The members of the Board of Directors are elected by the General Meeting for a definite term of up to five years.

The Board of Directors had four members on December 31, 2023:

- Attila László Chikán, Chairman of the Board of Directors, CEO
- Dr. György Bacsa, Deputy Chairman of the Board of Directors
- Ágnes Bencsik, Member of the Board of Directors, and
- Álmos Mikešy, Member of the Board of Directors

The term in office for Attila Chikán terminates on April 30, 2025, whereas for other members of the Board on April 3, 2028.

The General Meeting has authorized the Board of Directors to make decisions on certain matters at its own discretion, within the limits of such authorization. These authorizations are presented in detail in Section 1.13.4 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. Their resignation is related to the transactions as described under the section on the Statutory Public Takeover Bid. The resignation letters took effect on April 3, 2023, upon their acceptance by the General Meeting of ALTEO and the election of new Board members.

Supervisory Board

ALTEO Group's operation is supervised by the [Supervisory Board](#). Its objective is to ensure the protection of the owners' interests as well as to supervise the management of ALTEO.

Members of the Supervisory Board on December 31, 2023:

1. Dr. Ákos Székely, Chairman of the Supervisory Board
2. Péter Kaderják, Member of the Supervisory Board
3. Márton Oláh, Member of the Supervisory Board, and
4. Attila Gyula Sütő, Member of the Supervisory Board.

The term in office for Attila Gyula Sütő terminates on April 30, 2025, whereas for other members of the Supervisory Board on April 3, 2028.

On April 3, 2023, the General Meeting resolved to remove from their position in the Supervisory Board, with effect from the date of the resolution adopted by the General Meeting, István Zsigmond Bakács, Dr János Lukács, Dr István Borbíró, and Péter Jancsó, and to elect Dr. Ákos Székely, Márton Oláh and Péter Kaderják as new members of the Supervisory Board of ALTEO for a fixed term of office terminating on April 3, 2028.

Audit Committee

The Audit Committee assists the Supervisory Board in monitoring the financial reporting system, appointing a permanent auditor, and cooperating with the permanent auditor. The Audit Committee has the right to request information from members of the Board of Directors or senior executives of ALTEO, who must provide written answers to such queries. The Audit Committee consists of three members, elected by the General Meeting from among the members of the Supervisory Board.

Members of the Audit Committee on December 31, 2023:

- Dr. Ákos Székely, Chairman of the Audit Committee
- Péter Kaderják, Member of the Audit Committee, and
- Márton Oláh, Member of the Audit Committee

The term of office of the members of the Audit Committee expires on April 3, 2028.

On April 3, 2023, the General Meeting decided to remove from their position in the ALTEO Audit Committee, with effect from the date of the resolution adopted by the General Meeting, István Zsigmond Bakács, Dr János Lukács, and Dr István Borbíró, and to elect Dr. Ákos Székely, Márton Oláh and Péter Kaderják as new members of the Audit Committee for a fixed term of office terminating on April 3, 2028.

Executive Board

2-13, 2-17

The [Executive Board](#) is responsible for the Company's operational management. 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.

The seven members of the Executive Board (five men, two women) on December 31, 2023:

- Attila László Chikán, Chairman of the Board of Directors, CEO
- Zoltán Bodnár, Chief Financial Officer
- Domonkos Kovács, Deputy CEO for M&A and Capital Markets
- Péter Luczay, Deputy CEO for Production Management and Business Development
- Viktor Varga, Deputy CEO for Energy Production and Energy Supply
- Anita Simon, Deputy CEO for Sustainability and Circular Economy
- Magdolna Tokai, Deputy CEO for Corporate Support.

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.

Auditor

In accordance with current regulations, ALTEO is required to have a statutory auditor. In 2023, this function was again performed by BDO Magyarország Kft. The mandate of the auditor is for the period from April 21, 2023 until the date of adoption of the General Meeting's resolution on the report for the business year ending on December 31, 2023 or until May 31, 2024, whichever occurs earlier.

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. The Green Committee meets quarterly, and its primary purpose is the preparation, monitoring and corporate implementation of ALTEO'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.

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.

Members of the Green Committee on December 31, 2023:

- Attila László Chikán, Chairman of the Green Committee;
- Márton Oláh, Member of the Supervisory Board;
- Anita Simon, Deputy CEO for Sustainability and Circular Economy
- László Hegedűs, Director of Strategic HR and Communications;
- Beatrix Szabó, Director of Sustainability and HSE
- Attila Gyökeres, Controlling Director;
- Gábor Hohol, Director of Maintenance;
- Csaba Fekete, Director of Business Development;
- Balázs Szécsi, Transaction Manager;
- Dr. Melinda Mészáros, Chief Legal Counsel
- Márta Osztrólczki, Director of Ethics, Compliance and Control;
- Éva Klein-Stiller, Sustainability and IMS Manager.

4.3 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)⁵ 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 at the Company: business ethics, security (data protection, information security, asset protection, human risk management), anti-corruption program (fraud and corruption free operation, business partner due diligence, conflict of interest), compliance risk management (legal and internal regulatory compliance, annual compliance risks).

We are committed to operating ethically and transparently, which is why the compliance system at ALTEO Group is of paramount importance in the life of the Company. The Ethics, Compliance and Control Organization reports directly to the CEO. It informs the Company's Compliance Committee and Supervisory Board about its activities and work plan, and any issues identified.

4.4 Business ethics

2-23

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

We take individual preferences into account when setting working hours and work procedures, and provide solutions to any issues that may arise. In our Budapest head office, we introduced flexible working hours and the possibility of remote working, except for areas or jobs where this would be incompatible with the tasks at hand.

⁵ For more information, please visit the website: <https://alteo.hu/fenntarthatosag/felelos-vallalatiranyitas/etika-compliance-es-kontroll/>

We give priority to the personal and professional development of our employees, for that purpose, we develop an annual training schedule, and provide employees the opportunity to participate in courses, conferences and, under study contracts, in adult education and university courses. We set individual development goals and organize individual trainings or group workshops to achieve them.

We are committed to the principle of fair and compliant employment and remuneration. Salaries and fringe benefits are reviewed on a yearly basis. We are humane in our layoffs, and we support our employees to the extent of our capabilities.

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



4.4.1 Code of Ethics

2-16, 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.

We have specifically pointed out that we take into account the provisions of certain international conventions, and that we strive to apply them fully to 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 Code of Ethics is available on the Company's [website](#).

4.4.2 Whistleblowing Hotline

The Company has been operating 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.

To encourage colleagues at ALTEO to speak up, in 2023 we launched the Speak Up! program. Speaking up is a workplace culture that encourages employees to feel free to ask questions, give feedback, express concerns about issues without fear of any negative consequences.⁶ We consulted with staff about what they would consider important to say and do on this issue. The program for the next 2-3 years has been set up accordingly.

We have introduced a Compliance adjustment in the performance appraisal system to ensure that ethical standards are met. In 2023, seven reports were filed concerning ethics violations. Each one was investigated, and corrective measures were implemented as necessary.

4.4.3 Compliance with legal regulations and policies

2-27

The primary purpose of the regulatory system within the ALTEO Group is to ensure transparent operation within the organization. To this end, we have documented the framework of our business activities, specified the processes for collaboration, and clearly defined the tasks and related responsibilities.

In 2023, the Group issued 7 new policies and amended 10 existing policies related to the Compliance area.


In 2023, there was one instance of a fine received by the ALTEO Group due to non-compliance. The Central Bank of Hungary issued the Company with a supervisory fine of HUF 5,000,000 (five million Hungarian forints) for certain shortcomings related to the handling of transaction-specific insider lists. The Company is continuously reviewing its practice in order to improve its functioning, and to ensure full compliance at all times.

4.5 Ensuring compliance


4.5.1 Compliance risk map

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


Whistleblowing hotline




Phone
+36 1 236-8055



Website
<https://alteo.hu/fenntarthatosag/felelos-vallalatiranyitas/etika-es-compliance/>



Email
etika@alteo.hu, compliance@alteo.hu



Mail
H-1033 Budapest, Kórház utca 6-12

⁶ Source: Hungarian Business Leaders Forum (HBLF) recommendation

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

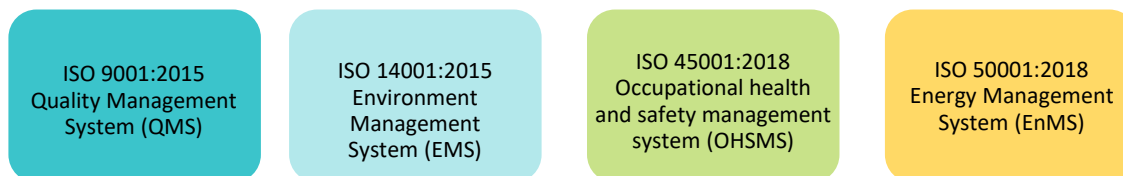
BUSINESS AREA	TOPIC
1 CORPORATE GOVERNANCE	The questions on corporate governance provide answers on how the Company's management manages risks, what tools, internal rules and organizational structures are used to fight corruption, fraud and insider trading. How it protects business information and how much emphasis it attaches to maintaining the Company's reputation in its marketing strategy and in its external and internal communications
2 HR POLICY	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 / PROVISION 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.

The questionnaire was made available to 28 executives. The managers who completed the questionnaire assessed the Group's compliance at: 81.7%, which is 4.8% lower than last year, but still higher than the figures from previous years.

4.5.2 Integrated Management System

2-23

The quality of our services is of utmost importance, and we strive to deliver beyond the expectations of our clients. In addition to our primary business interests, we pay great attention to ensuring a healthy and safe working environment while minimizing the environmental impact of our activities. We are committed to adhering to the principles of precaution, responsible thinking, and prevention, and firmly believe in the importance of social responsibility, thus contributing to sustainable development. All of the above is implemented through our Integrated Management System (IMS), which is a system integrating four international standards:



For ISO 45001 and ISO 50001, we successfully adopted the new 2018 standards in 2020. Our certifications are available on our [website](#).

The integrated operation of these systems enables the ALTEO Group to operate at the highest international standards at all times. This also ensures compliance with current legislation and stakeholder expectations. In 2023, we successfully introduced ISO 27001:2022 Information Security Management Systems, which is presented in detail in Chapter 4.7.3.

4.5.3 Health, safety and environment (HSE)

2-23

We put great emphasis on the environmental and safety performance of our sites. Our excellent environmental performance means that we comply with domestic and EU requirements, at the same time as minimizing the environmental impact of the energy we generate. In terms of workplace safety, we achieved outstanding results in the Hungarian energy production sector, with no serious work accidents at our sites. For a detailed report, see Chapter 6.2.3. We will continue to focus on continuously enhancing our environmental and safety performance to ensure the basic conditions for sustainable operation.

ALTEO’s core value is safety. Health and safety activities are managed in alignment with the Integrated Management System and sustainability considerations. Site managers are responsible for ensuring safe working environment at their site. We aim to handle HSE-related tasks in a single, systemic approach, to minimize risks, and to implement cost-effective measures, while complying with current laws. The prevention of work accidents, increased exposures and occupational diseases and fires is of crucial importance, and requires close cooperation in the area of occupational health and safety.

Our fundamental 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 occupational health and safety activities at ALTEO and takes part in the preparation of decisions that may affect the health and safety of employees. This also ensures that employees are involved in the development of the corporate HSE strategy. Special attention is paid to the health and safety of all those working at our sites, and everyone is expected to adhere to our common principles.

4.5.4 Risk management

The detailed description of the business environment in which the ALTEO Group operates and the risks is involved, as well as an analysis of the risks characterizing the market and the industry 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

Recognizing the potential risks associated with climate change, which may have significant impact on its business activities in terms of demand for energy and opportunities for energy production, in 2022 ALTEO prepared a scenario analysis based on a TCFD (Task Force on Climate-related Financial Disclosures) approach, to identify risks and opportunities arising in the context of climate change. This was the basis for a more comprehensive and informed assessment of climate-related operational risks and opportunities.

Risks were identified using a risk assessment methodology applied by ALTEO, in which the impact and probability of relevant risks actually occurring was evaluated on a scale of 1 to 3 (1–low, 2–medium, 3–high) by the company’s key sustainability, risk management, legal and commercial specialists, with the involvement of external experts. A similar approach was applied to the assessment of the options. The workshops looked at three time horizons: short-term (up until 2025), medium-term (up until 2030) and long-term (up until 2050). The scenario analysis was evaluated and approved by the ALTEO Green Committee on October 26, 2022. The list of risks and opportunities identified is set out in detail on pages 56 to 58 of our 2022 Sustainability Report.

The two climate scenarios examined by ALTEO:

1.5 °C Scenario ⁷ Transition risks and market opportunities dominate	4 °C Scenario ⁸ Physical impacts dominate
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

⁷ Based on the Intergovernmental Panel on Climate Change (IPCC) scenarios: RCP 2.6 and SS1, and Nationally Determined Contributions (NDC) submitted by the European Union.

⁸ Based on the IPCC scenarios: RCP 8.5 and SSP5.

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

4.6 Anti-corruption program

205 (3-3), 205-3

The Company ensures fair, compliant and transparent business operation. For this reason, based on the Code of Ethics:

- the Company established strict rules on conflict of interest,
- it is prohibited to grant or receive undue benefits,
- small gifts and business invitations can be accepted only on certain conditions,
- activities and positions that are particularly vulnerable to potential bribery are closely monitored to prevent bribery,
- we conduct due diligence checks on our business partners,
- we expect our business partners to know, accept and comply with our Code of Ethics.
- we operate a whistleblowing hotline for reporting corruption and fraud, but reports can also be made via email or over the phone. We also provide whistleblowers with the possibility of anonymity.
- in all cases of suspected corruption or fraud, we conduct an investigation in accordance with our internal rules of procedures.

In 2023, we received two reports of suspected bribery, although subsequent investigations did not reveal any data or information suggesting that bribery actually took place.

4.6.1 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 2023, we examined conflict of interest declarations for 93 new entrants. In 81% of the cases, we identified a conflict of interest; such conflicts were either authorized on certain conditions, or members of staff were instructed to eliminate the circumstances giving rise to the conflict of interest.

In 2023, a mandatory two-year review of conflict of interest declarations was conducted for the entire Group. Altogether, 357 employee conflict of interest declarations were examined in 2023, which confirmed that colleagues are fulfilling their reporting obligations.

Some 13% of employees are in a situation of conditionally authorized conflict of interest related to business relationships.

4.6.2 Business partner checks

2-6, 2-23, 205 (3-3)

When conducting due diligence for business partners, the Company seeks to act with the utmost care, and to verify the reliability of the given businesses, that they actually pursue their activities at their registered office or business sites, have a sufficient number of qualified employees and references, and are capable of performing the services and activities undertaken.

We perform audit of business partners in accordance with the Compliance Policy and the Pre-qualification of Suppliers procedure. In 2023, we performed the mandatory compliance audit of 24 companies (21 Hungarian, 3 foreign), and screened out 6 companies that were deemed to carry too much risk.

4.6.3 Audits

In 2023, we conducted 7 audits (4 new audits and 3 reviews) in order to comply with laws and internal regulations, and to detect and eliminate risks arising from processes. Areas audited included settlements related to postings, checks on business relationships involved in conflicts of interest authorized on conditions, motor fuel use by FE-GROUP and company vehicle use by FE-GROUP within the Maintenance function. No serious nonconformities were identified, but at the same time, we made recommendations to improve the efficiency of certain processes. Investigating other incidents related to asset protection: attempted thefts (of smaller values), unauthorized access.

In the course of the follow-up of the 2023 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.

4.7 Security/safety

4.7.1 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 2023, the Ethics, Compliance and Control Organization reviewed 39 contracts, of which 13 required a data processing agreement due to the nature of the task covered by the contract.

The data asset inventory was reviewed for new organizational units, and we also ensured that it meets information security requirements. Going forward, the data asset inventory contains not only personal data, but all kinds of data processed by the entities.

HR, Sustainability (HSE, IMS) and Marketing received ongoing support on data protection-related issues in relation to ALTEO events, surveys, training, management team building and questionnaires. Consent forms and internal data protection policies were prepared.

This year, there was one report of a minor (not reportable) incident related to data protection.

4.7.2 Client data protection

418 (3-3), 2-24

In its capacity as data controller, the main responsibility of ALTEO is to determine the relevant scope of personal data and related data processing procedures regarding natural and legal persons, as well as other entities. Furthermore, we guarantee that the constitutional and legal principles of data protection are respected and data protection provisions are fulfilled in order to prevent unauthorized access to, alteration, unauthorized disclosure or use of user data. In fulfilment of this obligation, we adhere to the ALTEO IT Policy, first issued in September 2016 and amended from time to time. More information on measures to protect our customers' data is available on page 48 of ALTEO's 2021 Integrated Report.

418-1

In 2023, there were no incidents resulting in data loss or data theft, and the Compliance organization did not receive any related complaint.

4.7.3 Information and cyber security

In 2023, 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 maturity for both IT and information security. Quarterly vulnerability checks have been introduced.

In 2023, the following action was taken: blocking Microsoft One-drive Personal, blocking Microsoft Store. Last year saw an increase in hacker attacks targeting Microsoft M365 environments, using user email addresses. As an additional safety measure, we started to implement multi-factor authentication, which was completed by the end of January 2024. In parallel with the implementation of multi-factor authentication (MFA), each employee is issued with a corporate mobile phone handset.

The most important task of 2023 was to prepare for the certification of the information security management system under the ISO 27001:2022 standard, and to facilitate the conduct of the related audit. The audit was successfully completed in December and, consequently, ALTEO has fulfilled the requirements set out in the standard for "Management, design, construction, supervision, operation and maintenance of energy and building energy investments, energy services, electricity and gas retail and wholesale, waste management support processes – human resources management, controlling, accounting, finance, central procurement, office management, marketing, legal, business development, project development, compliance, IT and sustainability".

Within the framework of an external audit, the integrity compliance of the billing system must be certified in accordance with Section 43(4) of Act LXXXVI of 2007 on Electricity and Section 100(1b) of Act XL of 2008 on Natural Gas Supply. The certification was again obtained in 2023.

4.7.4 Physical security

In the context of centralizing the remote monitoring system, the following components are now centralized, including for any subsequent new sites:

- implementation of a single reporting system,
- incidents on site, events, technical problems and orders categories created,
- events occurring on site being recorded in the online system,
- regular monthly senior management reports based on data from the system,
- creating authorizations for access to the online system,
- central processing of camera images,
- physical security instructions and camera policies issued and amended as necessary,
- individual entry passes issued for sites operated with personnel,
- creating and managing authorization groups.

So far, 14 sites have been incorporated into the central remote monitoring system, including 5 in 2023, with another 9 sites being prepared for integration.

5 SUSTAINABLE ENERGY

5.1 The future of energy

ALTEO Group is committed to Hungary's renewable energy production and to achieving climate neutrality by 2050. Our strategy and business model reflect this commitment, with innovation and sustainability at its core. We seek and offer investment opportunities to provide the highest quality and most innovative services to our customers.

Our portfolio consists of 22 power plant units (both own and operated), which have a total generation capacity of 220.4 MW of electricity and 783.1 MW of heat. Our self-owned power plants operate with outstanding efficiency and availability, with CO₂ emissions of only 0.0559 tCO₂/GJ for all energy production activities. 54% of the power plants in our portfolio are fueled by renewable energy. ALTEO Group's efficiency, controllability and central supervision is ensured by the Virtual Power Plant.⁹

ALTEO pays priority attention to the continuous improvement of energy efficiency, in line with the objective set in the Integrated Management Policy. In this context, we implement investment projects to achieve various energy efficiency targets, support the education and training of the next generation of employees and raise the awareness of the future generation in this regard.

5.1.1 Sustainable energy production and Virtual Power Plant

2-6, 302-1

In 2023, ALTEO Group paid particular attention to integrating and ensuring the availability of renewable generation capacities. The introduction of metered tendering and banded pricing has brought new competition to the regulatory market. However, ALTEO's diversified portfolio and team of experts enabled us to successfully address these challenges and take advantage of arising opportunities. We launched our new Virtual Power Plant, modelled after our gas engine-based Virtual Power Plant, by integrating renewables-based power plants. Not only does this expand balancing reserve market opportunities, but it also provides the domestic electricity system with substantial additional flexibility, which could facilitate the establishment of further capacities utilizing weather-dependent renewable energy, primarily solar and wind turbine capacities.

During the year, our control capacity increased significantly. The new electrical boiler installed at ALTEO's Sopron Power Plant has commenced operation, further increasing the flexibility of the Virtual Power Plant and creating a possibility to convert electricity generated from renewable energy sources into heat. The consortium of ALTEO and the Alfréd Rényi Institute of Mathematics was granted funds for the development of the system in the call for R+D+I tenders announced by the Hungarian National Research, Development and Innovation Office. Through its rapid load switching capability, the electrical boiler commissioned in March 2023 provides a high level of flexibility for ALTEO's Virtual Power Plant. ALTEO's first electrical boiler has an output of 5 MW, and the steam it produces is utilized by the heat consumers of the Sopron Power Plant.

After the electrical boiler installed at the Sopron Power Plant, in 2023 ALTEO integrated two additional devices into its Virtual Power Plant, which will enable the conversion of electricity generated from renewable energy sources into heat. The hot water produced by the boilers installed in the Kazincbarcika and Tiszaújváros Heating Power Plants is fed into the local district heating system, more information on which can be found in our announcement.

The market share of our managed renewables-based portfolio is around 45%, which shows that ALTEO is a prominent and dominant player in the Hungarian market. Other plans include expanding downstream control capacity, expanding the portfolio and increasing storage capacities. Our existing and planned investment projects, such as the gas engine in Sopron, the storage capacities in Győr and the Tereske solar power plant, are significant steps towards renewable energy production.

We continue to aim to be a stable partner in the secondary regulation system and to increase the share of renewable power plants. These efforts are in line with the objectives of the European Union and transparency is further enhanced through the reporting required by the EU Taxonomy.

One of our important achievements is having met our strategic target of consistently high average power plant availability of 97%. This is a key factor in reliability and availability and is achieved through appropriate maintenance and operation. The operation and the improvement of the efficiency of our systems are the responsibility of both the Executive Board and the site managers.¹⁰

⁹ 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/>.

¹⁰ Further information on system efficiency can be found on page 58 of the 2021 Integrated Report.

5.1.2 Electricity generation

Installed electrical capacity

EU1

ALTEO Group is continuously increasing its renewable and cogeneration power plant capacity, thus contributing to the European Union's and Hungary's move towards carbon neutrality. The electrical output of Company-owned power plants increased slightly, as the biogas power plant in Nagykőrös that was previously only operated by ALTEO was taken over by the Company. Further growth is expected in respect of renewables, along the objectives set by our strategy, including the 25 MW Tereske solar power plant project, which starts its trial operation in 2024. In the medium term, with the change in the regulatory environment, the expansion of wind turbine capacity is also a possible direction for portfolio development. In Sopron, a 3 MW gas engine will be commissioned in March, while in Győr, a 6 MW gas engine and an 8 MW/15 MWh storage facility are planned to be commissioned in 2024 H1.

INSTALLED ELECTRICAL CAPACITY [MW]

	2019	2020	2021	2022	2023
Power plants owned by ALTEO Group	104.0	136.3	135.3	135.4	137.5
Natural gas	50.2	67.1	66.1	65.8	65.8
Hydropower	1.4	1.9	1.9	1.9	1.9
Wind	32.1	47.1	47.1	47.5	47.5
Solar	19.1	19.1	19.1	19.1	19.1
Landfill gas	1.1	1.1	1.1	1.1	1.1
Biogas	-	-	-	-	2
Power plants not owned by ALTEO Group	87.9	87.9	87.9	84.9	82.9
Natural gas	82.9	82.9	82.9	82.9	82.9
Biogas	2	2	2	2	0
Solar	3.0	3.0	3.0	0	0

Amount of electricity produced

EU2

The energy produced by the power plants owned and operated by ALTEO Group is distributed using a variety of energy carriers. In recent years, we have placed great emphasis on expanding our renewable energy power plants. In addition, our natural gas-fired heating power plants operate on a cogeneration basis, which ensures efficient energy production.

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. Overall, in 2023, the amount of electricity generated by natural gas-fired heating power plants increased by 6%.

Compared to the drought in 2022, 2023 was a particularly wet year, which resulted in a 67% increase in production from our hydropower plants. Among other similar reasons, the 10% reduction in the production of our solar park portfolio was also due to changes in the weather and changes in demand at the Virtual Power Plant. The mid-year transfer of the Nagykőrös Biogas Plant to ALTEO ownership is also reflected in the fact that total biogas-based electricity generation is split between Company-owned and Company-operated power plants in 2023 at a similar rate as in previous years.

In 2023, we set up our Meteorological Expert Group, whose main task is to analyze, evaluate and produce meteorological information related to weather-dependent power generation scheduling and to carry out related research and development activities. The Group plays a key role in the preparation of forecasts needed for the calculation of the production schedule of solar power plants, supporting the operation of our Virtual Power Plant.

ELECTRICITY GENERATED BY POWER PLANTS OWNED BY ALTEO [GWH]

	2019	2020	2021	2022	2023
Natural gas	134.0	150.3	183.3	160.3	169.2
Hydropower	6.1	6.4	11.1	7.4	12.4
Landfill gas	4.0	3.5	4.5	3.9	4.6
Wind	53.0	72.7	102.3	95.9	96.0
Solar power plants	20.8	29.9	29.6	31.3	28.4
Biogas	-	-	-	-	7.5
Total	217.9	262.7	330.8	298.8	310.6

For the power plants operated by ALTEO Group, there is a 43% decrease in natural gas-based generation compared to 2022, due to increased unplanned outages at facilities of the Kazincbarcika site.

ELECTRICITY GENERATED BY POWER PLANTS OPERATED BY ALTEO [GWH]

	2019	2020	2021	2022	2023
Natural gas	541.4	471.7	547.9	490.5	277.3
Solar power plants	14.0	5.0	5.0	0	0
Biogas	14.0	14.0	14.0	14.4	5.4
Total	569.4	490.7	566.9	504.9	282.7

5.1.3 Heat energy production

Installed heat capacity

EU1

The installed heat capacity of ALTEO Group-owned power plants increased, thanks to the 5.1 MW electric boiler capacity installed in Sopron. Similar capacity increases will be implemented at the Kazincbarcika and Tiszaújváros Heating Power Plants in 2024. There were no significant changes for operated power plants.

INSTALLED HEAT CAPACITY (MW)

	2019	2020	2021	2022	2023
Power plants owned by ALTEO Group	285.0	283.2	184.8	184.4	189.5
Natural gas	283.0	282.1	183.7	183.3	188.4
Landfill gas	1.1	1.1	1.1	1.1	1.1
Biomass	0.6	0	-	-	-
Power plants not owned by ALTEO Group	503.0	503.5	593.6	593.6	593.6
Natural gas	503.0	503.5	593.6	593.6	593.6
<i>Natural gas capacity substitutable by hydrogen</i>	58.0	58.0	148.1	148.1	148.1
<i>Natural gas capacity substitutable by methane</i>	58.0	58.0	58.0	58.0	58.0
<i>Natural gas capacity substitutable by fuel oil</i>	243.0	242.9	333.0	333.0	333.0
<i>Natural gas capacity substitutable by high inert gas</i>	61.0	61.0	61.0	61.0	61.0

Volume of heat energy produced

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. In the case of self-owned power plants, natural gas-based heat production remained essentially unchanged from the previous year. The mild winter and reduced district heating demand during the period played a major role in this. Overall, natural gas-fired heat generation at our operated power plants fell by 22%. Natural gas-based production – which is most dominant – fell by 23%, with methane, hydrogen and inert gas-based generation at these plants falling by 12%, 35% and 12%, respectively, compared to 2022.

HEAT ENERGY GENERATED BY POWER PLANTS OWNED BY ALTEO [GJ]

	2019	2020	2021	2022	2023
Natural gas	3,195,299	3,175,712	2,310,047	1,283,584	1,294,929
Hydrogen	51,550	91,232	31,284	-	-
Landfill gas	181	-	-	-	-
Total	3,247,030	3,266,944	2,341,331	1,283,584	1,294,929

HEAT ENERGY GENERATED BY POWER PLANTS OPERATED BY ALTEO [GJ]

	2019	2020	2021	2022	2023
Natural gas	4,947,239	4,642,699	5,932,133	6,854,369	5,259,208
Methane	353,721	192,654	377,935	428,880	377,640
Hydrogen	122,024	63,967	167,443	139,390	90,179
Inert gas	217,552	364,045	401,505	498,948	444,038
Total	5,640,536	5,263,365	6,879,016	7,921,587	6,171,065

5.1.4 Primary energy consumption

302-1

Most of our products are market-based 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 administratively regulated district heating. Regardless of competition, energy efficiency is a priority for all our products. This is why we favor cogeneration and have set energy efficiency as a goal in our Integrated Management Policy, as well as conserving environmental resources, protecting the environment and preserving natural assets.

The power plants owned or operated by ALTEO Group primarily use natural gas as energy source. At the same time, we are continuously striving to increase the share of renewable energy sources in the energy mix, including classical renewables and the use of “waste gases” held by customers. For example, we use methane, hydrogen or gases with high inert content to generate heat energy, rather than flaring them. This allows us to support environmental protection and strengthen the circular economy.

TOTAL PRIMARY ENERGY CONSUMPTION [GJ]¹¹

	2019	2020	2021	2022	2023
Total energy demand (GJ)					
A) Total primary energy consumption	13,352,356	12,451,722	13,074,671	12,544,026	11,313,825
Renewable	155,001	140,402	148,756	150,064	146,202
Non-renewable	13,197,355	12,311,320	12,925,915	10,624,719	9,681,806
Alternative (methane/hydrogen/inert gas)	1,452,523	1,194,321	1,543,978	1,769,243	1,485,817
B) Purchased energy	106,143	91,937	102,357	98,627	92,846
Electricity	84,997	69,500	71,346	73,191	75,524
Heating	1,039	1,189	1,113	823	808
Steam	20,107	21,248	29,899	24,613	16,514
C) Energy sold	11,530,063	11,155,956	12,403,297	11,679,201	9,531,709
Electricity	2,743,111	2,673,138	3,198,015	2,862,080	2,132,884
Heat energy	8,786,952	8,482,818	9,205,282	8,817,121	7,398,825
Total energy consumption within the organization	1,928,436	1,387,703	773,732	963,451	1,874,962

By 2023, the primary energy consumption of the total portfolio has decreased by 10% compared to the previous year, mainly due to a drop in the volume of energy produced and, in parallel, sold. As can be seen, the energy consumption and production of ALTEO's own power plants have slightly increased, while the operated power plants have consumed and produced less due to a fall in user demand.

TOTAL PRIMARY ENERGY USE IN ALTEO-OWNED POWER PLANTS [GJ]

	2019	2020	2021	2022	2023
Non-renewable	3,930,815	4,130,031	3,375,306	2,114,649	2,221,501
Alternative	49,480	87,866	30,320	-	-
Renewable	41,013	35,898	46,590	39,597	105,016

TOTAL PRIMARY ENERGY CONSUMPTION IN POWER PLANTS OPERATED BY US [GJ]

	2019	2020	2021	2022	2023
Non-renewable	7,863,497	7,074,834	8,036,951	8,356,004	7,460,305
Alternative	1,403,043	1,106,455	1,513,658	1,769,243	1,485,817
Renewable	113,988	104,504	102,166	110,467	41,186

5.1.5 Efficiency

EU 11

Efficiency is a key indicator for ALTEO Group, as our priority objective is energy efficiency, both to manage primary energy sources carefully and to maintain the competitiveness of our products. The efficiency indicator allows us to compare the operating efficiency of our various power plants.

However, it is important to note that the classical definition of efficiency cannot be uniformly applied to all our power plants. In the case of our power plants fueled by renewables (such as wind, solar, and hydro energy), we calculate efficiency based on self-consumption and electricity produced, in line with GRI requirements. This means that in these cases, the efficiency value is equal to the efficiency of the electrical transmission system.

¹¹ 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.

EFFICIENCY OF RENEWABLES-BASED POWER PLANTS OWNED BY ALTEO

Type	Power plant (ALTEO-owned)	Combined power-plant efficiency
Wind turbine	Ács	98.7%
	Jánossomorja	98.8%
	Pápakovácsi	98.9%
	Törökszentmiklós	98.0%
	Bőny	98.5%
	Bábolna	98.5%
Hydropower	Felsődobza	99.1%
	Gibárt	97.3%
Landfill gas	Debrecen	35.0%
Biogas	Nagykőrös	47.0%
Solar power plant	Domaszék	99.0%
	Monor	98.9%
	Balatonberény	97.7%
	Nagykőrös	98.1%

The operation of energy generation from non-renewable energy sources in ALTEO Group's power plant portfolio exclusively refers to cogeneration, which means that the related data also show the overall efficiency of the power plant in terms of efficiency.

EFFICIENCY OF NON-RENEWABLES-BASED POWER PLANTS OWNED BY ALTEO

Power plant (ALTEO-owned)	Electricity cogeneration efficiency	Heat cogeneration efficiency	Total cogeneration efficiency	Efficiency of boiler heat generation
Győr	37.8%	26.9%	64.7%	84.0%
Sopron	42.4%	38.1%	80.5%	91.1%
Kazincbarcika	38.0%	40.0%	78.0%	94.2%
Ózd	41.0%	41.0%	82.0%	
Tiszaújváros	35.0%	33.0%	68.0%	91.0%
Füredi utca	42.9%	38.4%	81.3%	

5.1.6 Availability

G4-DMARedelk

EU30

The ongoing war situation, which greatly impacted 2023, has further underlined the importance of energy reliability, further strengthening ALTEO Group's commitment to sustainable and economic energy supply, with a focus on high reliability and availability.

In addition to efficiency, availability is also an important indicator for assessing the performance of ALTEO Group. This indicator expresses how much time the various power plants or electricity-generating equipment spend in operation without planned and unplanned outages. We are proud that the power plants owned and operated by ALTEO Group continued to ensure high availability in 2023.

AVERAGE AVAILABILITY RATES OF POWER PLANTS IN ALTEO'S PORTFOLIO

	2019	2020	2021	2022	2023
Average availability rate of all power plants	93%	91%	97%	96%	96%
Power plants owned by ALTEO Group					
Natural gas	96%	87%	96%	94%	95%
Heating power plants	96%	87%	96%	94%	95%
Industrial and commercial services	100%	100%	-	-	-
Wind	82%	88%	100%	98%	97%
Hydropower	100%	100%	99%	99%	96%
Solar power plants	100%	99%	100%	100%	100%
Landfill gas	72%	89%	51%	49%	49%
Biogas	97%	97%	96%	92%	93%
Power plants not owned by ALTEO Group					
Natural gas	96%	82%	89%	85%	85%
Solar Power	100%	100%	99%	-	-

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.

AVERAGE AVAILABILITY RATES OF THE HEATING POWER PLANTS IN ALTEO'S PORTFOLIO

	2019	2020	2021	2022	2023
Average availability rate of all power plants	97%	92%	93%	91%	97%
Power plants owned by ALTEO Group					
Natural gas	98%	92%	97%	97%	98%
Heating power plants	99%	91%	97%	97%	98%
Industrial and commercial services	98%	97%	100%	-	-
Power plants not owned by ALTEO Group					
Natural gas	95%	89%	87%	85%	96%

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.

5.1.7 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. In 2023, the in-house consumption of ALTEO's power plants dropped by more than 30%, while the in-house consumption of operated plants decreased by 15%. The steam consumption used to operate the Tisza-WTP Water Treatment Plant also decreased substantially, while the amount of energy used at other ALTEO Group sites rose slightly.

IN-HOUSE CONSUMPTION OF ALTEO GROUP [GJ]

	2019	2020	2021	2022	2023
Electricity consumption of power plants operated but not owned by ALTEO	34,168	31,136	35,478	43,058	36,915
Electricity consumption of power plants operated and owned by ALTEO	50,572	38,094	35,620	29,861	20,819
Steam consumption (Tisza WTP)	20,107	20,865	29,899	24,613	16,514
Energy consumption for heating (HQ, Maintenance Workshops and Tisza-WTP)	1,039	1,189	1,113	823	808
Other electricity consumption (HQ and Maintenance Workshops)	257	270	248	272	313
Total site energy consumption not at power plants	21,403	22,324	31,260	25,708	17,635

5.2 Environmental compliance

2-27, 403-2

ALTEO Group's environmental expectations and standards are set out in the Integrated Management System (IMS) and are subject to internal and external audits.

We hold all necessary permits and have all required policies in place to carry out our activities, we take care to minimize environmental impacts in our operation, and we actively support our staff with training to ensure that we comply with current legislation. No environmental fines have been imposed on ALTEO in the past five years and external audits have been carried out without finding nonconformities. At the same time, internal audits regularly result in a number of recommendations for improvement, which we consider to be of the utmost importance to ensure continued development.

5.2.1 Disaster Management and Process Safety

G4-DMA Crisis, G4- G4-DMA Crisis procsaf

ALTEO Group will continue to prioritize its disaster management and process safety measures in 2023. Actions include contingency plans and fire regulations, which are regularly reviewed and form part of mandatory employee training. We were proud to celebrate our 3rd year in the spring without a work accident resulting in lost work days. This was an outstanding achievement in the international energy sector and demonstrates the Company's management commitment and its high level of occupational safety culture. It is important to note that this success was not just attributable to management and systems, but is also the result of the hard work of all employees. In 2023 however, there were 3 minor fires and a work-related accident with 1 day lost, but no subcontractor accidents were reported. All accidents were investigated and corrective measures were put in place to prevent similar incidents. As in previous years, HSE awareness-raising programs will continue to be a priority in the future.

With ALTEO's Integrated Management System, we minimize risks by aligning the ISO 50001 and ISO 45001 systems to ensure the safe operation of furnace installations and high pressure systems. Process safety is continuously monitored and developed throughout our energy production activities.

As part of our Integrated Management System, we have introduced environmental impact registers, integrated risk assessment and, where critical processes are identified, risk management measures to minimize the probability of the occurrence of these events. Operational safety and continuity are supported by diagnostic measurements, preventive maintenance works and our extRIM technical support system.

5.3 Emissions to air

5.3.1 Management of greenhouse gases (GHG)

305 (3-3)

In the energy industry, we need to find the optimal balance between economic efficiency and environmental sustainability. Although energy production and use are essential for the economy and society, traditional methods can have harmful effects on the environment and even on human health.

ALTEO Group is committed to operating in a sustainable manner and, therefore, continuously strives to reduce its environmental load. We achieve this partly by increasing the share of renewable energy sources, but it is equally important for us to minimize the environmental impacts of existing energy production processes.

The strategic objectives of ALTEO Group include reducing our emissions of pollutants and greenhouse gases in order to actively contribute to the protection of the environment and a sustainable future. To achieve this, we are developing our technologies and processes on an ongoing basis taking account of opportunities.

Our Company aims to create an energy production portfolio that strikes the right balance between renewables and efficient fossil fuel-based power plants. This allows for more flexible energy supply and helps the stable integration of weather-dependent renewable energy sources into the electricity grid.

305-1, 305-2, 305-3, 305-4

In its direct ("Scope 1") and indirect ("Scope 2") carbon calculations, ALTEO Group uses the conversion factors available in Defra's annual update to convert its greenhouse gas emissions from petrol, diesel and purchased heat to carbon dioxide equivalents. 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.

Even including the emissions from the Nagykőrös Biogas Plant acquired by ALTEO Group in the course of the year, the Company's direct GHG emissions increased only slightly by 6%, while indirect "Scope 2" emissions decreased by 11% in 2023 compared to the previous year.

TOTAL DIRECT ("SCOPE 1") AND INDIRECT ("SCOPE 2") CARBON DIOXIDE EMISSIONS OF ALTEO GROUP [tCO₂e]

	2019	2020	2021	2022	2023
Gross direct CO ₂ emissions	219,987	230,744	190,961	126,276	133,360
Gross indirect CO ₂ emissions	5,884	3,365	3,710	3,396	3,031

Total direct and indirect CO₂ emissions generated during ALTEO Group's operation in 2023 increased slightly compared to 2022.

ALTEO's other indirect ("Scope 3") emissions were measured for the first time in the 2021 calendar year. No new materiality assessment was carried out for the Scope 3 categories, as there were no material changes in the Company's operations in 2023 compared to the 2021 assessment. After 2022, calculation methodology and data reporting was again based on the WBCSD/WRI GHG Protocol Value Chain (Scope 3) Accounting and Reporting Standard to ensure that the Group's value chain emissions are measured according to an internationally accepted methodology. Scope 3 emissions accounted for approximately 70% of ALTEO's total emissions in 2023, amounting to 308,195 tons of CO₂e.

ALTEO Group's Scope 3 emissions in 2023 were down 19% compared to 2022. The main reason for this is the reduction in the amount of energy carriers affecting Category 3, linked to the decline in energy production by the operated power plants. Emissions from the use of products sold – Category 11 – also decreased compared to last year's result, due to a decrease in the volume of natural gas sold.

TOTAL OTHER INDIRECT (“SCOPE 3”) CARBON DIOXIDE EMISSIONS OF ALTEO GROUP [tCO₂e]

Scope 3 emissions (tCO ₂ e)	2022	2023
1. Raw materials, services	2668.7	2720.8
2. Capital goods	729.0	1005.7
3. Fuel & Energy	307764.7	264809.3
4. Upstream transport	420.8	303.8
5. Waste	124.4	5099.0
6. Business trips	*	19.2
7. Employee commute (HQ & EPD)	206.6	220.0
8. Upstream leased assets	2.4	26.8
9. Downstream transport	100.9	161.9
10. Processing of products sold	*	*
11. Use of products sold	62715.1	33855.1
12. End-of-life management of products sold	5128.5	0.0
13. Downstream leased assets	*	*
14. Franchises	*	*
15. Investments	*	*
Total upstream emissions	311916.7	274177.8
Total downstream emissions	67944.6	34017.0
Total Scope 3 emissions	379861.2	308194.8

*: The category was not considered relevant to ALTEO’s activities and was not calculated

DISTRIBUTION OF GHG EMISSIONS IN 2023 [tCO₂e]

	tCO ₂ e	%
Scope 1	133,360	29.9%
Scope 2	3,031	0.7%
Scope 3 Upstream	274,178	61.7%
Scope 3 Downstream	34,017	7.6%

Our facilities that are part of the European Union’s carbon emissions trading system (EU ETS)¹² 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 2023, freely allocated allowances were only enough for around 15% of total emissions of the power plants of ALTEO Group; therefore, we had to purchase a large amount of CO₂ quotas at auctions.

EU5

TOTAL RECEIVED AND PURCHASED CO₂ QUOTA OF ALTEO GROUP [tCO₂e]

	2019	2020	2021	2022	2023
Free allowances of CO ₂ e emissions	30,240	23,951	18,832	14,806	14,281
Allowances of CO ₂ e emissions allocated at auction	170,995	189,044	156,173	98,616	97,087

¹² For further information on the EU ETS mechanisms, see page 66 of the 2021 Integrated Report.

The specific CO₂ emissions of power plants owned by ALTEO Group continued to drop in the past year. As an energy producing company, we place a high priority on emission intensity, i.e. the volume of emissions per unit of energy produced.

ALTEO'S SPECIFIC CO₂ EMISSIONS [kgCO₂e/GJ]

	2019	2020	2021	2022	2023
Specific emission	57.9	55.57	55.1	54.96	55.89

5.3.2 Air quality protection

305 (3-3)

In addition to greenhouse gases, other air pollutant emissions are also a key focus in the course of ALTEO Group's activities, such as nitrogen oxides (NO_x), carbon monoxide (CO) and total organic compounds (TOC) components emitted by gas engines, as well as nitrogen oxide and carbon monoxide emissions from boilers. When designing power plants, we take into account the use of the most advanced technologies to minimize pollutant emissions.

Awareness and monitoring of environmental impacts is of crucial importance for us, and is documented in detail in our current Integrated Report. All our sites have the necessary environmental permits, which include detailed requirements for emissions, measurements and compliance with legal requirements.

Accurate emissions measurement, annual reporting and liaising with the authorities fall under the responsibility of the HSE area. In addition, the operation of continuous emission measurement systems with high availability and compliance with daily limits, for which the power plant managers are responsible, are also important. We monitor and ensure appropriate operational practices through HSE inspections, internal and external audits and regulatory audits.

When comparing the air pollutant emissions of ALTEO-owned and operated power plants with previous years, it is important to note that the Nagykőrös Biogas plant, which had an ALTEO-operated status previously, was taken over by ALTEO in May 2023. The site's emissions have been accounted for accordingly, using a time-based allocation between self-owned and operated categories.

For ALTEO-owned power plants, nitrogen oxide emissions decreased despite the change of category of the Nagykőrös site. Carbon monoxide emissions increased by 18% and measured TOC emissions grew by 68% in 2023. The latter big difference is due to the wear and tear of the gas engines, as for the 2022 measurement, the GM3 gas engine tested was checked 4,000 hours after overhaul, while the 2023 measurement was carried out on the GM1 unit at 16,000 hours, just before overhaul. In the case of the latter, oil consumption increased due to wear and tear, and as a result the amount of organic carbon compounds increased compared to last years figure. Unlike in previous years, SO_x emissions are also included in the emissions of self-owned power plants in 2023. One of the reasons for this is the fact that ALTEO Group has acquired 100% of the Nagykőrös Biogas Plant, as mentioned earlier, and the fact that the Company's Sopron site required fuel oil-based energy generation for a short period. Particulate matter emissions are also the result of the latter activity.

305-7

AIR POLLUTANT EMISSIONS OF POWER PLANTS OWNED BY ALTEO [kg]

	2019	2020	2021	2022	2023
CO	190,472	210,048	169,581	138,596	168,010
NO _x	299,905	285,972	318,923	245,465	236,707
TOC	46,448	56,599	46,659	37,170	62,437
SO _x	35	-	-	-	120.25
PM	-	-	-	-	2

For ALTEO-operated power plants, carbon monoxide emissions increased by 5%, while nitrogen oxide emissions decreased by 26%, TOC by 53% and sulphur dioxide by 92%, partly as a result of the aforementioned acquisition of 100% of the Nagykőrös Biogas Plant by ALTEO.

AIR POLLUTANT EMISSIONS OF POWER PLANTS OPERATED BY ALTEO [kg]

	2019	2020	2021	2022	2023
CO	210,563	169,367	193,021	151,528	158,868
NO _x	383,927	328,802	409,529	492,625	348,366
TOC	564	515	521	529	245
SO _x	989	917	1,129	1,137	84
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.

5.4 Climate change

305 (3-3)

The energy industry, and thus ALTEO Group, has a major role in managing the global 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. In addition to updating our business strategy, in 2022 we added objectives and specific actions to our comprehensive sustainability strategy, as well as the metrics required to track these objectives and actions. Our sustainability strategy is available on our website: <https://alteo.hu/fenntarthatosag/>

As in the previous year, we will again report our results this year using the TCFD voluntary reporting guidelines¹³, which focus on climate change-related financial risks, and our plans for 2024 include achieving EcoVadis, the world's most trusted business sustainability rating.

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. The results of the analysis and details of the study can be found on pages 56-58 of our 2022 Sustainability Report.

Investments in activities contributing to climate change mitigation

ALTEO-1

Innovation and the development of low-carbon solutions are an important part of ALTEO Group's business strategy. One of our main focus areas is energy storage, where we have already won two R&D tenders and installed energy storage facilities in Zugló and Kazincbarcika, and in 2023, we implemented a major investment project in Győr, with the installation of an 8 MW/15 MWh battery electricity storage facility, which will be commissioned in 2024 H1.

The E-mobility division of ALTEO Group was created in 2022 to promote the spread and wider use of electromobility by installing and operating charging stations. Our previous strategic goal to install 500 charging points in Hungary by 2023 has been achieved in terms of orders received and charging equipment committed, but at the end of the year, we had only installed 457 charging points, mainly due to delays in construction works. During 2023, 193 complete chargers were sold.

We are continuously increasing the share of renewable energy sources in our portfolio in response to growing customer demand. After the completion of the construction started in September 2023, the 20 MWe nominal capacity solar power plant in Tereske, Nógrád County, is scheduled to start production in 2024, doubling the solar power generation capacity of ALTEO Group's current portfolio. The self-financed investment project will produce 31 GWh of electricity per year, equivalent to the annual electricity consumption of more than 10,000 households.

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.

Increasing the share of renewable energy production capacity is an important performance indicator for ALTEO's strategic objectives. The indicators used to measure this include the amount invested in renewables and the volume of energy produced from renewables. In line with

¹³ See: TCFD table.

EU Taxonomy guidelines, the value of CAPEX spent to increase the share of renewable energy production capacity is used to generate the indicator. We consider activities such as electricity generation from wind, hydro and solar energy, and landfill gas separation and utilization. This allows us to calculate the total amount invested in renewable energy.

INDICATORS FOR OUR STRATEGIC OBJECTIVE TO INCREASE THE SHARE OF RENEWABLES-BASED ENERGY PRODUCTION CAPACITY

	2022	2023
Total amount invested in renewable energy – CapEx [HUF million]	1,120	3,678
Volume of energy produced from own renewables [GJ]	496,800	509,126

5.5 Water consumption

303 (3-3)

ALTEO Group’s power plants use a significant amount of water in their operation, so monitoring water consumption is a priority for the Company, taking into account the impact of climate change and production activities on water resources. To this end, in 2023, the Company completed a water-focused risk assessment, which examines the risks associated with flooding, available water quantity, changes in water quality, the status of ecosystem services, changes in extreme rainfall days, expected changes in rainfall, changes in dry period lengths, climatic water balance and groundwater levels for all Company sites. Risk-related preparatory measures have been identified for sites where this is necessary. ALTEO Group is committed to complying with legal regulations and having environmental management systems in place, paying particular attention to the protection of water resources and the minimization of environmental pollution. Our Company strives to reduce water consumption and protect water resources in line with the UN Sustainable Development Goals.

Our commitment to reducing our water consumption is demonstrated by the fact that we have continued to implement investment projects at our Sopron site from 2020 onwards to significantly reduce water consumption at the site, and the water efficiency developments of our partners are also enabling further savings. By continuously repairing the faults in the city’s district heating system, the volume of supplementary water fed into our site has been reduced by approximately 2,500 m³ per year, while the development of Heineken’s condensate water system has increased the volume of water recycled from our power plant by approximately 2,800 m³ per year. As a result of our investment, the water plant on our site was renewed in 2022. In the course of the development, we installed a filter on the well water pipeline, which significantly reduced the amount of water used for washing and de-sludging. As a result of the upgrade of our reverse osmosis water treatment system, we are able to produce water with lower conductivity, reducing the regeneration of the desalination system from 3-4 times a year to an average of 2 times a year, which has significantly decreased the chemical demand of the system in addition to the use of raw water. The results of the investment were already noticeable in 2022, with a reduction in raw water consumption of almost 5,000 m³ in the previous year.

5.5.1 Water and wastewater

303-1

The power plants included in ALTEO Group’s portfolio primarily use industrial water, and the largest water user of the Group is Tisza-WTP Water Treatment Plant, which produces the desalinated water necessary for MOL Petrochemicals and the TVK Power Plant. The water treatment plant used nearly 3.5 million cubic meters of industrial water in 2023, which accounts for more than 97% of 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. Subsurface water 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 and to serve the heating needs of Heineken in Sopron. In this case, a targeted investment has led to a reduction in the amount of water used. 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 the social needs of the power plants and sites. In addition, we attach particular importance to the demonstration of the quantity of recycled water and the effectiveness of tasks related to wastewater management. At the Tisza-WTP Water Treatment Plant and in Sopron, we use water recycling, whereby we purify and desalinate condensate water from other industrial companies and recycle it, thus reducing fresh water consumption. 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 through accredited laboratory testing. Wastewater generated is always discharged into the municipal sewer network at the sites.

303-3

The water consumption of ALTEO-owned power plants increased by 9% in 2023, with a clear key role played by the change in industrial water use at Tisza WTP, which depends on the water demand of MOL Petrochemicals Co. Ltd. However, water consumption at the power plants operated by ALTEO Group decreased significantly by 25% compared to last year, mainly related to the reduction in production.

WATER CONSUMPTION OF THE POWER PLANTS AND WATER TREATMENT FACILITY OWNED BY ALTEO [m³]

	2019	2020	2021	2022	2023
Industrial water	4,262,663	3,706,072	3,832,512	3,279,267	3,547,008
Piped potable water	146,828	87,651	84,146	68,397	89,231
Subsurface water	38,208	34,878	21,057	14,604	18,861

WATER CONSUMPTION OF POWER PLANTS OPERATED BY ALTEO [m³]

	2019	2020	2021	2022	2023
Industrial water	1,919,532	1,821,375	2,340,321	2,563,252	1,909,931
Piped potable water	3,170	1,198	5,222	3,526	3,190
Subsurface water	7,858	7,379	7,250	3,779	2,659

After a drought-affected year in 2022, both the Gibárt and Felsődobosza hydropower plants recorded similar values in 2023 as in 2021, which represents an increase of more than 50% compared to the same period last year. This difference is clearly in line with the 67% increase in electricity production at the hydropower plants.

ANNUAL WATER CONSUMPTION OF HYDROPOWER PLANTS (MEASURED QUANTITIES) [million m³]

	2019	2020	2021	2022	2023
Felsődobosza	475	581	535	347	550
Gibárt	201	118	669	453	664

5.5.2 Groundwater

303-2

ALTEO has strict regulations in place to protect against the possibility of soil or groundwater contamination in the event of a malfunction. In 2023, no contamination of soil or groundwater resources was reported at the plants. As required by law, sites and facilities with installed combustion equipment with a rated thermal input of more than 50 MW capacity have a plant water quality damage elimination plan in place, which is regularly reviewed in accordance with regulations.

As part of the HSE approach, emphasis is placed on the potential risks associated with the storage of hazardous substances and on adequate preparation for such risks. A good example of this is the fuel oil stored in double-walled tanks at the MOL Petrochemicals and BorsodChem power plants, and the monitoring well system. The purpose of maintaining monitoring wells is to track and monitor any contamination that may occur with groundwater flow. We work with accredited laboratories to monitor groundwater quality at the regular intervals required by the permits.

5.5.3 Wastewater treatment and rainwater drainage

303-2

Wastewater is generated from various sources in the municipal heating power plants responsible for district heating. This includes water from the de-sludging of hot water boilers, water from the condensation of flue gases from gas engines and hot water boilers, wastewater from the operation of desalination equipment, as well as wastewater from sampling and the emptying of various machinery. This wastewater is collected in cooling tunnels, pumped into the city's rainwater sewage system and then contained in the final collector.

The wastewater discharged from the heating power plants operated by ALTEO Group comply with the parameters set out in the water rights operating licenses and have not exceeded the limit values for several years. On the premises 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. Precipitation and used water, which carry the risk of oil contamination, is also discharged into company sewers after pre-treatment.

There are two wastewater treatment installations each at the power plants to ensure pre-treatment. For wastewater discharged from power plants, the authority has not set specific limit values, in both cases these were set in the permits of the chemical companies.

5.6 Waste management

306 (3-3)

The activities of ALTEO Group typically generate various types of industrial non-hazardous and municipal solid waste, municipal wastewater, waste from construction and demolition works and hazardous waste. The company is committed to minimizing its environmental impact, and as such reducing waste is a priority. Waste is treated in accordance with currently effective legal regulations at all times.

306-1, 306-2

We strictly comply with legislation on the handling and storage of waste on our sites. All waste is stored in separate collection points according to type and characteristics. We keep track of the quantities of waste generated, collected and disposed of, and regularly monitor the data thereon. We keep detailed records of the waste we dispose of, including delivery notes for hazardous waste and invoices for non-hazardous waste. Oil and liquid fuel waste is the largest waste stream, but there are also significant amounts of absorbents, spill control agents and filters. Waste containing batteries, accumulators and PCBs is minimal or non-existent. The quantities of hazardous and non-hazardous waste are recorded in the official waste declarations on the basis of the delivery notes.

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 and increasing the recycling rate of operational waste.

306-3

During the treatment of hazardous waste generated by plant activities, the disposal of hazardous waste by landfilling increased this year. The reason for this was that the Sopron site was undergoing major construction works, which included extensive earthworks and the removal of old structures. 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.

HAZARDOUS WASTE GENERATED BY THE OPERATIONS OF ALTEO [t]

	2019	2020	2021	2022	2023
Recycling	6	10	2	0	0
Reuse	-	-	-	-	-
Incineration	-	41	-	-	-
Landfilling	6	11	-	4	71
Other	39	217	185	130	247

306-3

For non-hazardous waste emitted by ALTEO Group, landfilling continued to be the primary disposal option in 2023. The total amount of waste generated by the Company has reached its highest level in the past 5 years, due to the amount of demolition waste generated by modernization projects in 2023. It is important for us to continuously maintain and modernize our existing sites, thus in the case of the Sopron and Győr power plants, which are more than 100 years old, we have dismantled several obsolete technologies and had them shipped for disposal. We are continuously exploring options to reduce the amount of waste from our operations.

NON-HAZARDOUS WASTE GENERATED BY THE OPERATIONS OF ALTEO [t]

	2019	2020	2021	2022	2023
Recycling	58			-	-
Incineration				-	-
Landfilling	1,058	1,379	861	1,760	2,087
Other	41	38	12	13	150

5.7 Protection of biodiversity

304 (3-3), 304-1

ALTEO Group is committed to protecting natural diversity, although our activities do not have a large direct negative impact on biodiversity. Our sites, power plants and maintenance workshops occupy land and may affect important bodies of water, so we pay particular attention to keeping the environment clean and adhering to the principles of responsible thinking. Our Integrated Management Policy states that we pay particular attention to biodiversity and land use, as well as to the conservation of natural assets and the protection of our environment. However, this is only the first step in addressing and reducing our impacts and risks related to biodiversity.

Preserving biodiversity and ecosystem services is a priority for us, given their significant impact on society, the economy and the environment. In order to mitigate the negative impacts of solar park investments, we have already paid particular attention to supporting biodiversity in our latest solar investment project. A biodiversity risk assessment was carried out in 2023 to serve as basis for the ongoing formulation of our biodiversity strategy. At ALTEO's solar power plant site in Nagykőrös, we have implemented biodiversity-friendly measures, including the installation of lizard sunbathing points, bat boxes, bug buckets, small animal passages and insect hotels, in addition, a bee pasture was created.

304-1

Of all the power plants owned or operated by ALTEO, only the Gibárt Hydropower Plant is located in a Natura 2000 Special Area of Conservation and Special Protection Area classified under the Birds Directive, which is also considered an ecological corridor. None of our other sites are located in or directly border protected areas or areas of high biodiversity value.¹⁴ We ensure that the operation of the Gibárt Hydropower Plant does not have a significant impact on the conservation status of species and habitats in the area by complying with the requirements and conservation measures set out in the power plant permit.

The list of power plants owned or operated by ALTEO is available on page 18 of the report.

The establishment of a solid foundation for IMS and HSE was essential to ensure that ALTEO Group integrates environmental and social considerations into its daily operations on a systemic level.

304-2

In order to understand the impacts of our activities and services on biodiversity, and to integrate biodiversity monitoring and objectives into ALTEO's strategy, we have set targets and commitments in our 2022 Sustainability Strategy.

Our first challenge in this area was to complete a water-related risk assessment and biodiversity survey for our sites, which we successfully completed. A biodiversity assessment was carried out in 2023 for each site, against the following criteria: risks associated with protected areas, key biodiversity areas, risks to ecosystem condition, risks associated with pollinators, risks associated with loss of forest cover, land use change, and air quality.

Other targets and commitments related to biodiversity in our Sustainability Strategy include:

- Development of a Biodiversity Action Plan by 2025
- HUF 100 million investment in pilot projects to support biodiversity conservation by 2025

¹⁴ Directly bordering areas are defined as areas within 2 km of the power plants. Protected or high biodiversity areas are understood to mean areas with Natura 2000 status.

6 CREATING SOCIAL VALUE

6.1 Our employees

2-18

The key focus of ALTEO Group's employment policy is on retaining employees and attracting and integrating new employees. Our HR department is, therefore, tasked with managing the employment issues and meeting the challenges of an ever-evolving and expanding workforce (both through acquisitions and organic growth). Our HR function is constantly evolving, and in 2023, with the appointment of our new HR Director, we started the development of 3 main professional HR areas: recruitment and selection, labor administration and compensation, and training and development – which restructuring is planned to be finalized in 2024.

Our HR function operates in accordance with the provisions of ALTEO Group's HR Policy in the areas of the settlement of benefits, selection and training, with the Performance Assessment Bonus Scheme (PBS) and the Short-Term Incentive Scheme serving as the pillars of performance assessment. The roles and responsibilities within the organization, as well as the expectations regarding qualifications, experience and education, have been defined in the job descriptions.

ALTEO Group aims to develop an innovative and efficient corporate culture. A key focus for our Company is to create and maintain employee well-being and engagement, which the Group strives to achieve by providing competitive wages, stability, good working conditions and complex tasks. In 2023, we continued to offer our employees a range of social events and leisure activities outside work to strengthen ties with the company and informal relationships.

6.1.1 Recognition Plan, Compensation Policy

2-19

In addition to meeting financial performance criteria, the objective of providing fringe compensation to staff is to meet agreed non-financial and social responsibility criteria. These criteria are determined with a view to the business strategy, long-term interests and sustainability of the Company – our Compensation Policy thus seeks to promote the Company's sustainability strategy alongside its business strategy.

The Company continued to pay remuneration under the ESOP in 2023. On the one hand, the remuneration conditions set out in the 2020 ESOP Remuneration Policy have been met, which fact has also been confirmed by ALTEO's Board of Directors and as such, the shares allocated for this purpose at the ALTEO ESOP Organization (612,940 shares) became allottable to eligible persons under the 2020 ESOP Remuneration Policy who at the time were employed by ALTEO.

On the other, in April 2023, ALTEO's Board of Directors adopted both the remuneration policy for the senior and middle management levels and the remuneration policy for talented young managers and experts. The aim of the remuneration policies adopted is to put in place a remuneration system that is in harmony with ALTEO's business strategy and is aimed at improving the ALTEO Group's performance and, thereby, increasing shareholder value, in line with the related HR strategy, ALTEO's long-term interests and corporate values, while also providing employees and associates (including members of senior management) with an attractive long-term incentive program. The Remuneration Policies also facilitate the enhancement of employee engagement and help them become interested parties 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.

The scheme of benefits received by our employees was reviewed in 2022 in the areas of Cafeteria, sports support and health insurance, and company benefits. In 2023, we further expanded the benefits package available to our employees: we introduced support relating to the All You Can Move sports program, provided support for dental services through UNION's MindentMent Optimum program and launched a preventive screening campaign.

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 adopted by the General Meeting, in the form of transferring title to ALTEO Shares to the director. Payment is subject to meeting the financial/non-financial and social responsibility criteria detailed in the target agreement for the current period.

2-20

The draft Remuneration Policy of the Company is prepared by the Board of Directors and submitted to the General Meeting for approval. At least every three years, the Board of Directors reviews the policy and, if it deems necessary, proposes amendments to the General Meeting. If the General Meeting rejects the proposed amendments, the Board of Directors must re-submit these at the next meeting. The CEO is responsible for implementing the policy and regularly informs the Board of Directors thereon. In addition, the Company discloses the remuneration of the Directors, including the implementation of the Remuneration Policy, in the annual Remuneration Report.

The Board of Directors reviewed and published a consolidated amendment to the Remuneration Policy for the Annual General Meeting held on April 21, 2023. The reason was that the previous policy had expired and needed to be revised accordingly. The General Meeting adopted the consolidated amendment to the Remuneration Policy and also approved the Company's Remuneration Report 2022.

2-21

TOTAL ANNUAL COMPENSATION RATIO [HUF]

	2021	2022	2023
Annual compensation of the person with the highest compensation	55,498,464	61,677,000	113,884,880*
Annual median of employee compensation of the entity (excluding the person with the highest compensation)	9,500,531	11,193,738	9,888,825
Total annual compensation ratio	584%	551%	1152%

*The amount includes an extraordinary bonus for performance in the previous fiscal year.

The compensation package includes the annual base salary, bonus, voluntary pension fund, Cafeteria, honorarium, share award. The annual compensation of the person with the highest compensation includes an extraordinary bonus for the performance of the previous fiscal year. The basis for median calculation is the total compensation package of the employees employed for the whole year of 2023 (01/01/2023 – 12/31/2023), excluding the staff member with the highest compensation.

6.1.2 Surveys, developments

In 2023, we continued to aim to increase employee satisfaction and, thereby, promote effective work. To lay the foundation for this and to understand the current situation, we conducted an employee satisfaction survey. The social media campaigns and effective internal information flow related to the survey helped us to close the survey with a high participation rate of around 83%. We also held workshops to process the results of the survey and build on the findings to shape the focus of our HR Strategy for 2024.

The key objective of our knowledge-based corporate culture is to ensure that knowledge confers market advantage and constitutes value for ALTEO. The players in the energy sector, including us, are facing difficulties in finding and retaining replacements for the ageing workforce.

In 2023, ALTEO Group put a strong emphasis on increasing its own resources: 85 new employees joined the Company during the year, 75% of which came to hold newly created positions that did not exist before. To this end, we developed and expanded our recruitment processes and participated in job fairs in regional cities as well in addition to the capital city. We also expanded the communication tools we have been using to build our employer brand: we launched recruitment campaigns on radio, in buses and in newspapers. To develop the skills of our existing staff, we introduced a range of training sessions throughout the year, for example in the fields of change management and assertive communication. In 2024, our goal is to actively participate in dual training and to ensure that the students who join the training remain committed to ALTEO in the long term.

Our HR customer service is also available to our staff for day-to-day HR-related employment issues – available on two platforms: our in-house Intranet and via email. In response to enquiries received during 2023, we held a number of information and consultation sessions concerning the most frequently encountered issues, helping to improve the efficiency of administration.

In 2023, we reached an important milestone in the digitalization of our HR processes: with the integration of the SAP Success Factors HR process management software, we made significant progress in making our existing processes simpler and more efficient. The system's main modules track the entire employee cycle and make our HR processes more efficient in all areas: covering recruitment, onboarding, knowledge management, performance management, compensation and succession planning, as well as reporting. The implementation of the system continues in 2024.

In addition, our Intranet platform continues to provide excellent opportunities for effective communication with our colleagues and to facilitate our administrative processes: in addition to keeping our staff informed of major events inside and outside the Company, it also facilitates the management of relevant HR documentation and status tracking for our colleagues in the field.

402-1

To facilitate effective internal communication, regular information is provided to staff through a number of channels: open door policies, staff meetings and forums, site visits, internal mailing system, internal Intranet and the online ALTEO Academy. We pay particular attention to informing our employees of significant changes in our operations through these channels in an appropriate and timely manner. The minimum notification period for organizational operations is two weeks. Our company has a Works Council to represent the interests of employees, which

provides an opportunity to strengthen cooperation between employees and management. Employees can send requests and queries via email, anonymously through internal communication channels, or at face-to-face meetings. In 2023, the Works Council again received a number of employee requests, which the Works Council, on behalf of the employees, presented to the Company's management. The Works Council meets twice a year in an organized manner, in addition to ongoing consultation between management and the Works Council on issues of concern to employees.

The annual increase in the Cafeteria allowance and the reform of the system of sports support are considered major successes.

6.1.3 Number and composition of employees

401 (3-3)

ALTEO Group's organizational structure is constantly evolving and changing, with a number of changes taking place in 2023 as well.

During the year, the position of Deputy CEO for Corporate Support was created and is now held by Magdolna Tokai. This also means that the Executive Board now has another female manager in its ranks. The Deputy CEO for Corporate Support – with the position created on October 2, 2023 – is also responsible for the areas of Legal, Procurement, IT and Office Management. In addition to these traditional corporate areas, two additional areas are developed in relation to this position: project portfolio management, which primarily supports ALTEO-level resource planning, and the Board Cabinet, which supports the work of the decision-making bodies and facilitates bringing these areas together.

Changes during the year include the appointment of a new HR Director, László Hegedűs, and the creation of 4 new domains. One of these new areas is the Meteorological Group, whose task is to analyze, evaluate and produce meteorological information related to weather-dependent energy production scheduling and to carry out related research and development activities. It plays a key role in the provision of forecasts needed for the calculation of the production schedule of solar power plants. In addition, a competence center has been created through the establishment of a business analysis team to support a wide range of business decisions. The Mid/Back office function provides analytical back-office support and formal administration for the Virtual Power Plant and RPM (Renewable Production Management), while the Product Development area supports the market service and analytical areas by developing software, optimization and automated systems.

In addition, in 2023, following the identification of MOL-ALTEO synergies, the planning of specific projects started, and the ALTEO Board of Directors approved plans for the development of the maintenance team in spring 2023. These developments include a major headcount expansion plan for the next three years and the establishment of a new maintenance site. Such growth continues to pose ongoing challenges for the human resources area.

We adapt flexibly to internal changes and external impacts that concern us, along with our customers' needs. We employ people in several regions across Hungary to help increase employment rates.

2-7

Our Group aims to promote diversity, but given the specificities of the energy industry, male employees remain over-represented in the Company. ALTEO has an initiative in place called the Female Managers' Club, which was co-founded by our female managers to create a platform to share experiences, involve external experts and support each other.

At the end of 2023, the Group had 82 female and 279 male staff members, i.e. a total of 361 employees. This represents an increase in total employee headcount of around 17% compared to 2022. The share of female employees increased from 21% in 2022 to 23% in 2023.

RATIO OF FEMALE AND MALE EMPLOYEES

	2019	2020	2021	2022	2023
Women	55	62	67	66	82
Men	199	216	225	241	279

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.

2-7

Most of our staff work full-time (98%), with only 2 men and 5 women working part-time.

The majority of our employees are on permanent contracts, and in 2023 we had only one employee on a fixed-term contract.

NUMBER OF EMPLOYEES BY SEX AND TYPE OF CONTRACT

	2019	2020	2021	2022	2023
Total	254	278	292	307	361
Full-time	244	269	285	302	354
Men	198	215	225	240	277
Women	46	54	60	62	77
Part-time	10	9	7	5	7
Men	1	1	-	1	2
Women	9	8	7	4	5

6.1.4 Staff turnover

2-7, 401-1

ALTEO Group aims to remain an attractive workplace and to keep the rate of unwanted departures low. Our success is demonstrated by the fact that, with a very high number of new entrants, turnover fell from 10% to 9% in 2023.

NUMBER OF STAFF MEMBERS LEAVING

	2019	2020	2021	2022	2023
Men	24	27	21	18	29
<30	4	1	2	5	6
30-50	14	17	10	9	17
50<	6	9	9	4	6
Women	7	7	10	12	5
<30	3	1	3	2	0
30-50	4	6	6	7	5
50<	-	-	1	3	0
Total	31	34	31	30	34

Most of our new recruits are in the 30-50 age group: women in this age group make up 75% of new arrivals, compared to 57% of men.

NUMBER OF NEW HIRES

	2019	2020	2021	2022	2023
Men	34	39	32	38	65
<30	7	8	7	10	16
30-50	21	24	19	20	37
50<	6	7	6	8	12
Women	18	15	13	13	20
<30	6	3	4	3	2
30-50	11	11	8	7	15
50<	1	1	1	3	3
Total	52	54	45	51	85

NUMBER OF EMPLOYEES AND TURNOVER RATE

	2019	2020	2021	2022	2023
Total workforce	254	278	292	307	361
Staff turnover	12%	12%	11%	10%	9.4%

6.1.5 Training and education

ALTEO's core corporate value is excellence and continuous improvement and learning based thereon. As well as sustaining economic success, harnessing intellectual potential, expertise, knowledge, determination and loyalty are key to our mindset.

Thanks to our diversified portfolio, market size, swift responsiveness and excellent team of professionals, we have been successful despite the crises of recent years. Building on this preparedness and knowledge base, we offer our staff continuous development opportunities.

To keep up with the ever-changing market environment, we need an agile and well-trained team. For the well-being of our employees, we provide a wide range of training and well-being programs that support our staff and contribute to the maintenance of our corporate values.

404-1

Employee training and development is based on the annual training plan. This is developed in line with legal regulations and our internal policies (and we provide mandatory training for all jobs – e.g. fire safety, first aid, HSE training). Another important aspect in developing the training plan is the need for training to support the implementation of the annual and long-term strategy: staff performance is used to determine the areas where they need support to advance their careers.

The preparation of the annual training plan starts each year with the involvement of staff. Employees can indicate their training needs and individual development direction through the Intranet interface.

Taking these into account, a team training plan is drawn up, with a strong focus on the development needs of individuals, as well as annual mandatory training.

In 2023, HR continued its centralized competence development training program on topics such as assertiveness, negotiation techniques and change management. During the year, we organized 12 training sessions on various topics, whose content was tailored to the needs of our employees.

Our internal knowledge-sharing platforms, ALTEO Academy and ALTEO Leadership Academy, continue to be very popular with our employees and have been complemented by the ALTEO Fit program, which is specifically aimed at promoting healthy lifestyles and mental wellbeing. In 2023, in addition to lectures and presentations, we also organized various activities, such as the "1 million steps" or "Cycling 1,000 km in 1 month" challenges.

Our employees can now complete their internal, mandatory training on our Intranet platform and our onboarding-related training is also available on this platform.

404-1

In 2023, each person received 40 hours of training on average. Business and Core Team managers spent an extremely high number of hours in training, at 69 hours on average. Within this, female Business and Core Team managers had 92 hours of training per year on average.

AVERAGE HOURS OF TRAINING PER FEMALE EMPLOYEE

	2019	2020	2021	2022	2023
Employees – power plants	51	2	1	–	–
Employees – central support	22	9	36	25	23
Power plant manager / technical manager / team manager / shift manager	–	–	–	–	–
Business and Core Team managers –	24	23	50	54	92
EB members – Executive Board	–	–	24	40	28

AVERAGE HOURS OF TRAINING PER MALE EMPLOYEE

	2019	2020	2021	2022	2023
Employees – power plants	29	23	22	34	47
Employees – central support	57	34	29	19	39
Power plant manager / technical manager / team manager / shift manager	27	14	25	33	38
Business and Core Team managers –	58	8	70	60	64
EB members – Executive Board	88	10	31	40	43

6.2 Health and safety

6.2.1 Occupational health and safety

403 (3-3)

At ALTEO, we pay great attention to the principle of "Safety 1st", i.e. the importance of safe work and health protection. Our results reflect our long-standing commitment and development: we had no serious work-related accidents in 2023 either. This is particularly noteworthy as a large proportion of our staff are engaged in physical work that can pose a high safety risk.

Our goal is to prevent work accidents and provide preventive health services. We set annual targets and programs, based on risk assessments, experience and analysis of work-related accidents, and monitor these through the IMS. Results are monitored during walkthroughs and inspections.

We organize several walkthroughs per year at each site, which include multiple walkthroughs by senior management, one inspection involving the HSE area and two internal audits. Compliance with procedures and policies is also reviewed by external audits and regulatory inspections.

As part of our Integrated Management Policy (IMS), minimizing work accidents and preventing fires and environmental pollution are key objectives. Health and safety is managed as part of the IMS under the direction of the Director of Sustainability and HSE, and the Site Manager at each site is responsible for ensuring that working conditions are appropriate for health and safety.

403-1, 403-8

The health and safety of employees is a priority area for ALTEO, which has its own initiatives and objectives in addition to legal compliance. By 2023, we have reached a major milestone: there have been no work accidents resulting in lost work days for approximately 3 years.

The Occupational Health and Safety Management System (OHSMS) covers all employees, including own employees and external contractors working at sites (387 persons in total). In 2020, ALTEO migrated to the ISO 45001 occupational health and safety management system.

As part of our e-learning program launched on our Intranet in 2021, we train subcontractor supervisors working at our sites in key health and safety issues in Hungarian and English. For sites and projects, a valid supervisor HSE license is required.

The Group aims to accurately assess and minimize risks, thereby reducing the likelihood and severity of potential accidents. A number of initiatives and guidelines have been put in place to this end: managers must suspend work if they detect a dangerous situation – on which they are trained and informed. Hazardous situations, unsafe events and conditions are reported by employees as near-miss accidents and, if necessary, they also notify their direct superiors. To encourage near-miss accident reporting, we announced a competition in 2023, rewarding employees reporting the most complex near-miss accidents.

ALTEO's management is committed to minimizing accidents at work and reducing the number of accidents resulting in work days lost to zero – this is also one of the objectives of management. We also place great emphasis on the opinions of employees: we conduct a Sustainability and HSE Culture Assessment every 2 years, involving our staff in the development process. Our goal is to ensure the effectiveness of our measures and the development of our tools, processes and requirements.

403-2, 403-7

Our approach to occupational health and safety is based on regular integrated risk assessments, which cover all sites. In this context, we review the OHSMS risk assessment annually and use the SCC-compliant LMRA assessment in our maintenance activities. We use the results of the risk assessment to improve our processes and introduce measures in case of high risk. An LMRA (Last Minute Risk Assessment, i.e. immediately before work) is an assessment carried out by the workers themselves to ensure that the planned work can be carried out safely, taking into account site conditions, headcount, preparedness, work equipment and protective equipment. The LMRA is carried out at the place of work, before the start of the day's work, with the involvement of the workers carrying out the work, under the direction of the on-site work supervisor. All our maintenance staff are trained to carry out the LMRA. Workplace risk assessment is performed by qualified health and safety officers.

403-4

The OHSMS is developed through the setting of annual HSE goals – taking into account the results of the internal audit and its recommendations for development. Workers are involved in the process through their OHS representatives: they are involved in the consultation processes and are informed about opportunities for development. The health and safety officer may participate in the investigation of work accidents and occupational diseases, in equipment commissioning procedures and HSE inspections.

All employees are involved in communication about the development of OHSMS. The current health and safety rules and information are stored on a central server accessible to all employees, who are informed via email of any changes and trained accordingly. The company has a Parity Board in place, in which employees, the employer and the Director of Sustainability and HSE are represented.

ALTEO's Occupational Health and Safety Committee meets twice a year. Its roles, obligations and rights are set out in the IMS procedure. The Committee is responsible for preparing decisions on matters that could affect employees' health and safety – such as mechanization, modernization, investment, new jobs.

6.2.2 Health and safety training

403-5

Our employees attend IMS and HSE training on entry and then annually. In addition, employees working at our sites are required to take local knowledge exams, perform emergency drills and attend first aid training.

The main topics of the trainings are the operation of the IMS, the identification of risk factors, the use of personal protective equipment, the provisions of the Labor Safety Act, the Occupational Health and Safety Policy, fire safety regulations and what to do in case of an emergency. After HSE trainings, participants are required to complete a mandatory test. Prior to the annually recurring training, the curriculum is updated and supplemented in line with internal and legislative changes.

HSE training is available for all employees; non-ALTEO employees are provided with contractor supervisor HSE training.

On sites with permanent operator staff, 12 CardiAid AED defibrillators have been installed to ensure employee safety.

Promotion of employee health

403-6

Group health insurance is available to all ALTEO employees, providing access to a wide range of diagnostic tests.

Our Group also provides other sporting opportunities for our employees to help them stay healthy: we provide swimming pool passes on request, and regularly organize health promotion activities, health awareness and awareness-raising lectures as part of the 'ALTEO Fit' well-being program launched in 2021. Stationary exercise bicycles, ping-pong tables and massage chairs are available at our sites and head office.

Occupational health

403-3, 403-10

ALTEO Group is committed to protecting the health and safety of its employees. We regularly review the risks of occupational diseases and take measures to mitigate these where necessary. Risk assessment and exposure assessment are carried out with the involvement of occupational safety and health specialists. All employees have an annual health check and are covered by Company Care health insurance. The quality of service

is constantly monitored and feedback from our staff is taken into account. The results are positive: no occupational illnesses have been reported in the past 5 years, which shows the success of effective and efficient measures.

6.2.3 Work accidents

403-9, 403-10

The effectiveness of ALTEO Group's occupational safety and health preventive measures, as well as the preparedness and attention of our staff, is demonstrated by the fact that in 2023 there were no serious or fatal work accidents – neither for ALTEO employees nor for staff working at our sites or on our behalf. On April 18, 2023, we celebrated 3 years without a reportable accident at work in our Company. Unfortunately, during the reporting period, there was still one accident resulting in work days lost, when a staff member stepped into a sinkhole about 5 cm deep, where they lost their balance, twisted their ankle and fell. As before, ALTEO will continue to focus on the safety of its employees.

WORK ACCIDENTS INVOLVING ALTEO EMPLOYEES

ALTEO employees	2019	2020	2021	2022	2023
Number of fatal work accidents	-	-	-	-	-
Number of serious work accidents	-	-	-	-	-
Number of notifiable work accidents	-	1	-	-	1
Number of near-miss accidents	140	119	184	150	115
Number of hours worked	408307	468052	480,423	501,008	595,294

WORK ACCIDENTS INVOLVING NON-ALTEO EMPLOYEES

Non-ALTEO employees	2019	2020	2021	2022	2023
Number of fatal work accidents	-	-	-	-	-
Number of serious work accidents	-	-	-	-	-
Number of notifiable work accidents	-	2	-	-	-
Number of subcontractors (companies)	312	385	368	275	318
Number of non-ALTEO employees (subcontractor headcount)	3,547	4,288	3,546	3,677	577
Number of hours worked	179,400	247,984	184,392	215,913	61,974

FREQUENCY OF WORK ACCIDENTS INVOLVING ALTEO EMPLOYEES

ALTEO employees	2019	2020	2021	2022	2023
Fatality rate	-	-	-	-	-
Serious work accident rate	-	-	-	-	-
Work accident rate	-	0.4	-	-	0.3

FREQUENCY OF WORK ACCIDENTS INVOLVING NON-ALTEO EMPLOYEES

Non-ALTEO employees	2019	2020	2021	2022	2023
Fatality rate	-	-	-	-	-
Serious work accident rate	-	-	-	-	-
Work accident rate	-	1.6	-	-	-

6.3 Local communities

413 (3-3), 2-25

We make continuous efforts to reduce the negative environmental impacts of our activities, such as emissions, noise pollution and wastewater. To this end, we comply with applicable regulatory requirements and regularly monitor compliance.

We treat local communities as a priority. In all our investments and operations, we designate a person at each site and plant who is responsible for projects involving local communities. For our projects, this is the project manager, and for our operations, the manager of the given facility (for example, the manager of a power plant). Among other things, they are responsible for developing and running a program that supports the development of the local community. We organize regular school and professional visits to our sites as part of these programs, which aim to raise awareness and understanding of our activities and all their potential real-world impacts.

We also pay attention to the well-being of local residents directly affected by our activities. Our Integrated Management System governs the way we interact with the public and handle complaints. All complaints received are thoroughly investigated, corrective action is taken where necessary and complainants are informed. We received no complaints in 2023.

6.3.1 Our CSR initiatives

In 2023, we drew up our CSR strategy, whose focal points were defined together with our stakeholders, employees, partners and customers, more details on which is available [on our website](#). To develop our CSR strategy, we identified six key aspects that are included among the EU and UN Sustainable Development Goals. These are:

- Sustainability
- ESG aspects
- Environmental Protection
- Renewable energy
- Employee health protection and
- Employee commitment and initiatives

Our CSR strategy aims to encourage community involvement, raise environmental awareness and promote social well-being. We organized a number of charitable programs in-house as well as with other NGOs and communities. Our key initiatives were the following:

Charitable fundraising campaigns:

Our "No Luxury Bag" initiative aimed to alleviate menstrual poverty by collecting female intimate hygiene products and essential items for women in need.

We also organized mobile phone collections and food donation drives to provide assistance as well as help reduce waste.

In partnership with Tűzcsiholó Egyesület (Firestarter Association), we held a school supplies fundraiser to help 114 children start school.

On the occasion of World Animal Day, we collected donations for shelters, and we also organized a clothing drive and a Christmas gift drive, supporting the "Hintalovon" Children's Rights Foundation and the Zöld Udvar (Green Yard) Kindergarten in Tereske.

Tiszta Part (Clean Shore) Project (TPP by ALTEO):

For the second year in a row, we organized our TPP by ALTEO event, where more than 80 ALTEO employees volunteered to clean up the area around Mocsárosdűlő in District 3 of Budapest and around Gibárt on the shore of the River Hernád, where we collected 160 bags, almost 80 m³ of waste. This project was implemented in the spirit of shared responsibility for a cleaner environment and a waste-free nature, involving local communities.

Awards and recognitions:

ALTEO has received numerous awards for its activities, including the CSR-related Gold-Level Supporter Diploma awarded by the City of Kazincbarcika for the Company's sponsorship of the KolorFesztivál. Also worth mentioning is the Business Ethics Award, which is assessed on the basis of the given company's social responsibility towards its stakeholders (employees, subcontractors, local communities).

Sustainability and Energy Poverty competitions:

Our open competition with Civil Impact on energy efficiency and alleviating energy poverty was open to applications in two categories this year. In the category of “energy efficiency modernization”, we awarded the grant to Menhely Alapítvány (Shelter Foundation), while in the category of “efforts to alleviate energy poverty”, we chose Tűzcsiholó Egyesület (Firestarter Association).

CH4NCE – 1st ALTEO Biogas Conference

The conference focused on promoting the development of the biogas sector and professional dialogue on sustainable energy production, where leading experts from the sector shared their knowledge and inspiration, with our colleagues also represented at the event.

Local Hero Program:

A program launched in Tiszaújváros, Budapest and Sopron, which offers training and challenges in everyday heroism for students and teachers, as well as promoting green lifestyles.

7 PARTNER IN THE CIRCULAR ECONOMY – FE-GROUP

7.1 Presentation of FE-GROUP and its activity

Hungarian-owned FE-GROUP, founded in 1996, has been present, through its predecessor, on the waste processing market since 1994. We set out to recycle valuable raw materials through waste processing; we achieve this by relying on the best available technology and continuous development. We are committed to protecting the environment and to sustainability.

Our company’s business extends to the collection, pre-treatment and recovery of usable materials, such as electronic waste, battery waste and packaging waste as well as developing and operating complex waste management systems. Our quality assurance and environmental management systems allow us to provide high-quality services to our partners. Quality assurance and environmental management under ISO 9001 and ISO 14001 certification are particularly important for us as they facilitate adequate internal structure and external relations.

The services we offer include the assessment of waste, and the determination and provision the type and quantity of collection reservoirs, storage units and material handling equipment required. Our company designs the complex waste management system for our customers while also taking care of data reporting obligations.

7.2 The Company’s stakeholders and material topics

2-29

In compliance with the policies of the ALTEO Group, FE-GROUP considers stakeholders to be a priority as they provide important information about their performance and the environmental, economic and social factors that affect the value-creation process. Our stakeholders take an active role in defining the content and focus of the annual Integrated Report.

Currently, we receive feedback from our stakeholders primarily in the form of electronic mail or responses to questionnaires. We have identified our key stakeholder groups that play a major part in building our reputation, both locally and industry-wide. The list of our stakeholders was put together based on interviews with our top managers.

Stakeholder group	Entities in the stakeholder group
Owners	ALTEO Nyrt.; Blue Planet Climate Protection Venture Capital Fund;
Key clients / customers	MOHU MOL Zrt.; Coca-Cola HBC Hungary Kft.; AUCHAN HUNGARY Kft.; Praktiker Kft.
Suppliers, subcontractors	Waste generators, Manufacturing companies, forwarders
Employees	HR, Personnel placement undertakings
Local communities	The Local Government of District X, Budapest, educational institutions
Government, authorities	Pest County Government Office – National Environment Protection and Waste Management Department, National Tax and Customs Administration, HEPURA, Disaster Management, Ministry of Energy
Media relations	ALTEO marketing PR
Professional relations	Professional organizations – AESPM, Hungarian Waste Management Federation, Hungarian Plastics Association, Association of Hungarian Automotive Suppliers

3-1, 3-2

For the first time in 2023, in line with the policies of ALTEO Group, FE-GROUP performed its materiality assessment based on the double materiality principle. The double materiality methodology defined in the ESRS is described in detail in Chapter 2.2.

For the definition of material topics, we assessed 37 subtopics provided by the ESRS. During the interviews conducted with eight executive employees of FE-GROUP, the various subtopics were assessed on a scale of 1 (not material) to 5 (highly material) based on impact materiality and financial materiality, while subtopics that were clearly not material due to the activities and value chain of FE-GROUP were excluded.

FE-GROUP stakeholders were asked to complete questionnaires, and to share their opinion concerning material topics. Responses were collected from institutional or corporate stakeholders, who assessed each topic on a scale of 1 (not material) to 5 (highly material) as to how representative

they considered the topics for providing a true picture of the Group from an economic and sustainability perspective. Individual responses were averaged for each topic, and topics gathering minimum and maximum scores provided the extreme values. On the basis of the stakeholder surveys, topics were considered material if they scored in the higher 40% on the scale of extreme values.

In addition to stakeholder surveys, expert analyses were also carried out to assess individual topics, including impacts, risks and opportunities, in accordance with the methodology of dual materiality set out by the ESRS. As a result of the assessment, impact materiality and financial materiality was calculated as a score on a scale of 1 to 5. Where a topic scored at or above 3.5 for either aspect of materiality, the expert analysis considered it to be material.








The results of the management interviews, stakeholder questionnaires and expert analysis were aggregated and the final list of material topics was established, and subsequently adopted in the course of a senior management workshop. As a result, the material topics are as follows:

- Adaptation to climate change
- Climate change mitigation
- Energy
- Substances of concern
- Microplastics
- Resources inflows, including resource use
- Resource outflows relating to products and services
- Waste
- Working conditions (own personnel)
- Equal treatment and opportunities for all (own personnel)
- Working conditions (personnel placement)
- Equal treatment and opportunities for all (personnel placement)
- Corporate culture
- Management of relationships with suppliers, including payment practices
- Corruption and bribery

7.3 Organizational data

2-1, 2-2, 2-6, 2-7

Details of FE-GROUP INVEST Zrt. on December 31, 2023:

 <p>NAME: FE-GROUP INVEST Vagyonkezelő, Tanácsadó és Nagykereskedelmi Zártkörűen Működő Részvénytársaság</p>	 <p>NUMBER OF EMPLOYEES: 93 employees</p>
 <p>REGISTERED OFFICE: H-1108 Budapest, Sírkert utca 2-4</p>	 <p>LOCATION OF BUSINESS ACTIVITY: Hungary</p>
 <p>ISSUED CAPITAL: HUF 1,000,000,000</p>	 <p>OWNERS: 75.1% ALTEO 24.9% BLUE PLANET CLIMATE PROTECTION PRIVATE EQUITY FUND</p>
 <p>REVENUE: HUF 3,946 million</p>	

7.4 Awards and memberships

2-28

FE-GROUP participates in the following industrial organizations:

- HOSZ (Hungarian Waste Management Federation) – Public benefit advisory and advocacy organization
Membership role: Active participation in the Federation, specifically in the work of the Electronic Waste, Resource Management, Plastic Waste, Paper Waster, Ferrous and Non-Ferrous Metal Divisions and the Wholesale Club. FE-GROUP has been a member since the foundation of the organization.
- AESPM – Environmental advocacy organization
Membership role: Membership on the Board, Electronics Chapter.
- MMSZ (Hungarian Plastics Association) – Professional advocacy organization of plastic producers and processors
Membership role: Full member.
- MAJOSZ (Association of Hungarian Automotive Suppliers) – Economic and social advocacy organization of automotive component and subassembly manufacturers
Membership role: Full member.

These federations and organizations assist our Company in liaising with the industry, advocacy and compliance with industry standards and rules.

7.5 Products and services

2-1, 2-6

Our business extends to the collection and pre-treatment of usable materials, the recovery of certain types of waste, and also to developing and operating complex waste management systems. Our processed material flows include paper, plastic, metal, glass, wood and other mixed packaging waste, office and advertising material paper waste, electric and electronic waste, amortization and other metal waste, battery waste as well as certain mixed composite wastes.

We have a wide range of suppliers including chain stores, retail units, product distributors, manufacturers, industrial companies, health care, educational and budgetary institutions and service providers.

In our supply chain, waste is obtained from various actors to be used as raw material for production, then they are processed or recovered, and the secondary raw materials thus produced are resold. Downstream organizations such as MOHU in the case of concession waste, and Hungarian waste collectors and pre-processors in the case of non-concession waste play a key role in the life of our Company. We pay special attention to our business relations, particularly the ones relating to the state waste management system and concession functions.

The centralization of the public duties of state waste management and the introduction of the uniform concession system open new opportunities for the cooperation of market actors and the government sector, and for business relations. As of July 1, 2023 the formerly segmented system of municipal and central waste management duties was replaced by a centralized waste management system, where the public duties of the government in waste management encompasses waste management public services and the institutional aspects of waste management. As of July 1, 2023, the government has assigned the performance of government waste management public duties in a uniform system, in a single procedure to the same concessionaire, MOHU MOL Hulladékgyezdálkodási Zrt. under a concession contract for a period of 35 years. FE-GROUP signed a two-year service contract, renewable for an additional two years, with MOHU for the collection, transport, storage and pre-treatment of waste.

7.6 Company strategy and vision

Actors in the waste management industry need to adapt to the dynamically changing market environment if they are to remain competitive. The Company strategy provides a framework for our Company to ensure market success and attaining our objectives.

Our objective is the efficient and innovative recovery of resources, and the performance of sustainable waste management whereby we participate in the collection, pre-treatment and preparation for recovery of selected waste in the waste processing sector, earning professional recognition and customer satisfaction, contributing to enhancing the performance of the environmental industry in Hungary.

In order to achieve our objectives:

- In terms of our commitment to sustainability, we continuously develop and promote processes that minimize environmental impacts, giving priority to waste reduction and recycling so that our operations are conducive to the attainment of a circular economy.
- We strive to establish dialogues and long-term strategic partnerships with our customers, suppliers and government entities responsible for the control of waste management in Hungary.
- In the field of technological innovation, we set out to implement new, cutting-edge technologies to enhance the efficiency of waste management; furthermore, to ensure a high standard of services to our partners, we pay special attention to digitalization and data analysis, thus promoting the optimization of our production and other processes.
- Feedback from our customers and business partners is taken into consideration, and our development plans are coordinated so that we can establish relations that are mutually beneficial in the long term.
- We offer services tailored to the needs of waste producers, while continuously monitoring the feedback and ever-changing needs of our partners and striving to respond to them in a reliable and timely manner.
- We regularly assess and measure our environment performance, openly communicate our achievements and all proposed improvements.
- In the course of our operations we comply with the applicable laws, regulatory requirements and high-level voluntarily adopted rules.
- We play an active role in the work of Hungarian professional organizations.
- We place special emphasis on safeguarding the health of our employees, and on creating a safe working environment.
- We provide training programs to facilitate the ongoing professional development of our staff.

We wish to build our Company's future along that strategy, contributing to sustainable and environmental waste management while creating value for our customers and the society. We set to achieve our goals through the personal example set by management and with the involvement of our employees, so that we become a leading intellectual resource and organizing force in the industry.

In 2024 FE-GROUP was awarded a grant of HUF 300 million at the call for applications by the Energy Strategy Institute. Our Company will use this funding for the development of technologies for transitioning waste from products subject to product charges collected in the deposit refund system to the circular economy. Through this investment, FE-GROUP will be able to appropriately sort and treat more than 15 thousand tons of waste collected in the deposit refund system per year. This projects is closely linked with the service contract between FE-GROUP and MOHU MOL Hulladékgazdálkodási Zrt.

7.7 Circular economy and our environment

7.7.1 Waste management (a description of the technology)

306-1

Our waste management activities have numerous effects. Activities promoting the circular economy include the collection and processing of electric and electronic waste, as well as the appropriate pre-treatment of packaging waste (paper, plastic, wood, metal, glass) and their transformation into secondary raw materials. Furthermore, the collection and environmentally friendly pre-treatment of hazardous wastes also has a positive impact on the environment.

However, negative impacts may also arise, such as the possibility of pollution during the transport and storage of wastes. Those negative impacts relate primarily to the processes of transport, storage, material handling and processing.

On the whole, the waste management activities of FE-GROUP have a positive effect by facilitating the greatest possible ratio of collection of waste and its preparation for recovery while also reckoning with, and striving to minimize, negative impacts. Those effects are directly related to the waste managed or generated by the Company during its operations.

In order to minimize negative effects, we collect all oily/acidic liquid wastes (hazardous waste) in salvage structures, removed annually. Measures regarding the management of liquid waste include their removal as required, but at least annually.

306-2

Our company employs numerous processes and measures to reduce the volume of waste generated both in our own operations and in other parts of the value chain.

We effectively minimize the volume of office waste. The paper, plastic and metal packaging waste generated is pre-treated in our own processing plant; furthermore, we minimize the generation of hard-copy documentation and, wherever possible, communicate with our partners on electronic platforms.

We hand over oily rags, aerosols and other hazardous waste materials generated during maintenance operations to specialized waste managers. In addition, when dealing with suppliers, we prefer large units of packaging, recycled packaging materials and office supply, thereby reducing the volume of unused or unnecessarily generated waste.

The responsibilities and operations of FE-GROUP commence when the waste arrives at the site. We receive wastes in big-bag sacks, on palettes, enclosed plastic vessels or multi-lift containers. Wastes are inspected, classified and sorted for processing in one of the following facilities:

Processing of electronic and metal waste:

1. **Mechanical disassembly line:** Disassembly of small electrical and electronic equipment. Crushing is performed by chain crushing equipment of the ElektroChain or Eurotechnik brand. On the sorting line, sorting occurs manually and mechanically to separate various materials such as ferrous and non-ferrous metal components (e.g. copper, aluminum), circuit boards, electric motors and cables.
2. **Manual disassembly line:** Manual disassembly of large-size, electric and electronic devices as well as IT equipment containing valuable components; material fractions are separated.
3. **Disassembly of visual display appliances:** Screens, monitors and other display appliances are disassembled on two rolling lines equipped with manual tools, then the various types of waste such as cables, non-ferrous material components and technical plastics are collected separately.
4. **Mechanical picture tube disassembly:** Picture tubes of CRT display appliances are disassembled using special mechanical laser technology, whereby the cone glass and front glass are separated, then further processed.
5. **Baling:** Following manual disassembly, large plastic monitor and TV covers are packed by color as required by the customer.
6. **Wire grinding line:** Cables and wires are processed using hydraulic shears, a dual shaft shredder and two special devices consisting of a grinder and a shaker table air separator unit, so that copper or aluminum conductors and insulation materials can be separated.
7. **Wire stripping:** The insulation of cables is separated using a hydraulic shear and wire stripper.
8. **Flat image display equipment disassembly line:** Flat image display appliances are processed, and the component materials separated, using mechanical technology followed by manual after-sorting.
9. **Metal beverage can baling line:** Aluminum beverage cans are processed and baled using magnetic band separation and baling machinery.

Processing of packaging waste:

Due to the technology installed, our processing plant is capable of performing the simultaneous manual and mechanical sorting and baling of several types of waste, resulting in raw materials suitable for recovery, thereby ensuring the professional handling of selectively collected waste.

7.7.2 Our waste management performance (waste flows managed)

FeGr1

In 2023 we received and processed 36,795 tons of waste in aggregate at the FE-GROUP site, and processed it so that the largest possible portion can be recovered or further pre-treated by our partners. In the reporting period, 59.3% of the waste received could be forwarded to material recovery directly, and 26.3% to partners for further pre-treatment, thus 85.7% of the waste received was successfully returned into the cycle of production.

IN THE COURSE OF THE ACTIVITY OF FE-GROUP, TOTAL RECEIVED AND TOTAL TRANSFERRED WASTE VOLUME [T], AND RECOVERY AND PRE-TREATMENT RATIO [%]

Year	Total input	Total output for direct recovery (R)						Total output for further pre-treatment (E)	R+E total	Recovery and pre-treatment ratio [%]
		R1	R3	R4	R5	R12	R total			
2019	28,264	398	17,975	5,650	556	32	24,612	3,220	27,833	98.5%
2020	21,732	314	12,628	2,790	85	196	16,013	1,061	17,074	78.6%
2021	26,461	285	15,056	206	115	398	16,060	4,145	20,205	76.4%
2022	31,086	282	14,935	1,387	88	520	17,212	6,055	23,267	74.8%
2023	36,785	105	19,609	1,013	63	1,036	21,824	9,686	31,510	85.7%

306-3

In the course of waste sorting and processing, we sell all recoverable waste streams as products; consequently, those volumes are included in the aggregate waste output figures. A major part of our hazardous waste output consists of the non-recoverable portion of waste received for processing. We should also mention municipal waste generated at the site as well as material flows, primarily hazardous waste, arising in the course of the maintenance of industrial machinery.

HAZARDOUS WASTE GENERATED BY THE OPERATIONS OF FE-GROUP [kg]

	2020	2021	2022	2023
Recycling				
Reuse				
Incinerating				
Landfilling				
Other			9,470	10,080

NON-HAZARDOUS WASTE GENERATED BY THE OPERATIONS OF FE-GROUP [kg]

	2020	2021	2022	2023
Recycling				5180
Reuse				
Incinerating				
Landfilling	7500		5,640	
Other			9,000	

7.7.3 Our effect on the environment

303 (3-3), 305 (3-3), 306 (3-3), FeGr1

FE-GROUP has diverse effects on the economy, environment and society. Our positive economic impacts manifest themselves in job creation and services provided to the manufacturing, commercial and household segments.

Our key contribution to the protection of the environment is the collection, treatment and preparation for recycling of waste. We admit, however, that some environmental issues may arise in the course of waste management; we take active measures to avoid them.

Our social responsibility actions and cooperation with local communities yield social benefits. We are aware, however, that the location of waste management facilities may give rise to local conflicts and health issues.

Our company is committed to social responsibility and strives to introduced sustainable and environment-friendly practices. To this end, compliance with the strict environmental and waste management regulations is important for us, and we actively support innovation in waste management.

Our priority measures include technological developments to prevent or mitigate negative effects and strict waste management procedures. In addition, we are prepared for emergencies and take timely damage control measures to minimize any negative effects.

We continuously monitor the effectiveness of our measures, and conduct regular assessments and audits. In assessing our objectives and indicators, we use key performance indicators and monitor the environment performance indicator.

Close cooperation with stakeholders facilitates the design of targeted measures and increases their social acceptance, contributing to their effectiveness.

7.7.3.1 Greenhouse gas emissions

305-1, 305-2, 305-3, 305-4

The direct (“Scope 1”), indirect (“Scope 2”) and other indirect (“Scope 3”) carbon dioxide emissions of FE-GROUP were first assessed in 2023, with no prior data series available, thus retrospective comparison is not possible.

For the calculation of Scope 1 emissions, FE-GROUP used the material use measured for the calculation of local and mobile emissions as well as the conversion factors of Bilan Carbone. 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.

In calculating Scope 2 emission, we used the emission intensity indicator of the electricity use measured on the site and the Nowtricity database for the current year regarding Hungary.

TOTAL DIRECT (“SCOPE 1”) AND INDIRECT (“SCOPE 2”) CARBON DIOXIDE EMISSIONS OF FE-GROUPtCO₂e]

	2023
Gross direct (Scope 1) CO ₂ emissions	508.0
of which: stationary emissions	37.0
of which: mobile emissions	471.0
Gross indirect (Scope 2) CO ₂ emissions	65.0

In the course of assessing the other indirect (“Scope 3”) emissions of FE-GROUP, the categories not relevant for the activities of the company or insignificant in volume relative to other categories have been excluded. Calculation methodology and data reporting was based on the WBCSD/WRI GHG Protocol Value Chain (Scope 3) Accounting and Reporting Standard to ensure that the group’s value chain emissions are measured according to an internationally accepted methodology. Scope 3 emissions accounted for approximately 84% of FE-GROUP’s total emissions in 2023, amounting to 3,001 tons of CO₂e.

In light of the main activity of FE-GROUP it is hardly surprising that more than two thirds of Scope 3 emissions in the waste management process relate to two types of end products. Accordingly, the two main Scope 3 categories are the processing of selected material flows sold as raw material (Category 10) and management of remaining waste not recoverable after sorting (Category 5).

TOTAL OTHER INDIRECT ("SCOPE 3") CARBON DIOXIDE EMISSIONS OF FE-GROUP [TCO₂E]

	2023
1. Raw materials, services	125.6
2. Capital goods	176.9
3. Fuel & Energy	100.0
4. Upstream transport	135.2
5. Waste	1201.5
6. Business trips	*
7. Employee commute (HQ & EPD)	55.8
8. Upstream leased assets	*
9. Downstream transport	246.1
10. Processing of products sold	945.9
11. Use of products sold	*
12. End-of-life management of products sold	*
13. Downstream leased assets	14.2
14. Franchises	*
15. Investments	*
Total upstream emissions	1794.9
Total downstream emissions	1206.2
Total emissions	3001.1

*: The category was not considered relevant to activities of FE-GROUP, and was not calculated

DISTRIBUTION OF GHG EMISSIONS IN 2023 [tCO₂e]

2023	tCO ₂ e	%
Scope 1	508	14.2%
Scope 2	65	1.8%
Scope 3 Upstream	1,795	50.2%
Scope 3 Downstream	1,206	33.7%

305-7

Related to the technology, there are no point sources identified by the authorities at the site of FE-GROUP and no air pollutants are emitted.

7.7.3.2 Emissions avoided through our activities

FE-GROUP, as a prominent Hungarian actor in the circular economy, produces secondary raw materials through its waste selection and processing activity, which industry participants are able to use. The production of these raw materials entails no new emissions; we also avoid any emissions generated during the treatment or breakdown of such waste. In this manner the volume of waste as well as the production-related environmental impact are both reduced significantly.

In 2023 FE-GROUP sold more than 31 thousand tons of selected raw materials, thus the Company prevented 4392 tCO₂e emissions through its activities.

7.7.3.3 Energy consumption

302-1, 302 (3-3)

Energy carriers key to the waste management activity of FE-GROUP include the diesel oil propelling our transport vehicles, the electricity required for the processing machinery and the PB gas used mostly in forklifts. At our site, we use electricity and natural gas to cover the welfare energy needs in the buildings while our petrol consumptions is attributable to certain other company vehicles.

In the past five years our total energy consumption remained stable; however, it is important to note the increase of the share of PB gas, and the decline of the aggregate consumption of other energy carriers, their ratios remaining the same. At present there is no example for the direct use of renewable energy sources in the operation of our organization.

ENERGY CONSUMPTION WITHIN THE ORGANIZATION [GJ]

Energy carrier from non-renewable sources [GJ]	2019	2020	2021	2022	2023
Electricity	2,033	1,205	1,290	1,168	1,135
Natural gas	1,287	763	824	733	661
Heat energy (District heating/Steam)	-	-	-	-	-
Petrol	606	455	436	498	409
Diesel	6,092	6,544	7,201	6,871	6,534
PB gas	-	-	-	208	837
Total	10,018	8,968	9,752	9,477	9,577

7.7.3.4 Water consumption

303-1, 303-2, 303 (3-3)

FE-GROUP regularly analyses its effects on water consumption and emission.

Even though FE-GROUP has no objectives regarding water, there was a significant change in water consumption in 2020. This was the year when the water treatment system was installed; in addition to reducing water consumption and emission, it also controlled the quality of the water leaving the system in line with regulatory requirements.

Currently, waste processing technologies relating to the operation of FE-GROUP require no water as we replaced the water-cooled systems by air-cooled ones, and the PET scrap washing plant was closed down. If our waste management operation were to require water consumption and emission in the future, we shall monitor and document water consumption and water quality on a daily basis, as before, during the operation of the facility concerned.

Our other water consumption entails water supply to the welfare functions of our various plants and office units. All wastewater is discharged into the public sewage network. In the course of its operations, FE-GROUP takes into consideration the protection of the soil and groundwater.

303-3

In 2023 the water consumption of FE-GROUP was comparable to the previous year levels. Previously, the water consumption of the company was significantly higher. The major decrease at the time was attributable, inter alia, to the installation and operation of the water treatment system and the abandonment of water-intensive technologies.

FE-GROUP WATER CONSUMPTION [m³]

	2019	2020	2021	2022	2023
Industrial water	8,332	2,083	1,782	250	243
Piped potable water					
Subsurface water					

7.8 Our employees

401 (3-3)

FE-GROUP contributes to the evolution of the economy and society by creating jobs in waste processing and management. Through this, it expands employment, reduces the unemployment rate and contributes to increasing the income of households. Nevertheless, it is important to consider potential adverse effects; for instance, in the workplace there may be work-related risks, accidents or health hazards that may have a negative effect on the health and safety of employees.

Our policies and commitments help FE-GROUP to operate in a sustainable way, and make a positive impact on the economy, the environment and society. These include compliance with environmental regulations and ethical standards, as well as respecting the social and labor law rights of employees. Such policies and commitments promote sustainable business practices, transparency and accountability, which contribute to our corporate social and environmental responsibility.

2-7, 2-8, 2-30

The closing headcount of FE-GROUP in 2023 was 93 employees, a slight decrease compared to 2022; however, it is important to note the 45 people on personnel placement who joined our firm in 2023 specifically to satisfy the human resource requirement of the activity growth resulting from the service contract concluded with MOHU.

The gender mix of our personnel is 75% in favor of males, which is attributable in part to the nature of the activities performed. Most of our employees work under a full-time employment contract.

NUMBER OF EMPLOYEES BY GENDER AND TYPE OF CONTRACT

	2019	2020	2021	2022	2023
Total staff	110	118	104	98	93
By gender					
Men	84	87	78	75	71
Women	26	31	26	23	22
Employment contract					
Full-time	105	113	101	95	90
Men	80	82	75	72	68
Women	25	31	26	23	22
Part-time	5	5	3	3	3
Men	4	5	3	3	3
Women	1	-	-	-	-
Workers who are not employees	0	1	1	1	45

All our employees had indefinite term contracts in the 2019-2023 period, and there were no fixed term contracts. There is no collective bargaining agreement in force at our organization.

Staff turnover

2-7, 401-1

FE-GROUP strives to retain its experienced employees to increase the efficiency of its operations and reduce the need for training new recruits. Nevertheless, the staff turnover rate at our company has been very high; despite the slightly declining total headcount, it has not changed in 2023, remaining at 58%. Most new recruits are in the 30-50 age group, who typically replace employees aged 50 or above.

NUMBER OF STAFF MEMBERS LEAVING

	2019	2020	2021	2022	2023
Men	53	68	62	24	44
<30	15	15	18	4	7
30-50	19	25	23	10	14
50<	19	28	21	10	23
Women	16	26	13	7	10
<30	2	10	1	2	3
30-50	11	14	10	5	5
50<	3	2	2	-	2
Total	69	94	75	31	54

NUMBER OF NEW HIRES

	2019	2020	2021	2022	2023
Men	55	72	52	22	38
<30	15	18	15	5	8
30-50	18	30	22	8	18
50<	22	24	15	9	12
Women	12	29	9	4	9
<30	4	12	-	1	1
30-50	7	15	7	3	7
50<	1	2	2	-	1
Total	67	101	61	26	47

NUMBER OF EMPLOYEES AND TURNOVER RATE

	2019	2020	2021	2022	2023
Full workforce	110	118	104	98	93
Staff turnover	63%	80%	72%	32%	58%

Benefits

401-2

FE-GROUP provides all of its employees with occupational health care and parental leave; furthermore, our staff receive Cafeteria benefits through the 'SZÉP card' program.

Training and education

404-1

Appropriate training and education yields significant benefits, including the increased competitiveness of skilled workforce and promoting innovation. Furthermore, environmentally sustainable training programs may contribute to sustainable development. Developing balanced and sustainable training strategies is paramount to the long-term development of the entire society and economy. FE-GROUP is committed to and assumes responsibility for supporting the professional advancement of its employees.

In 2023, each person received 5.8 hours of training on average. Employees working on central support related matters spent an extremely high number of hours in training, at 29 hours on average. Within this, male colleagues working in the field had 62 hours of training per year on average.

AVERAGE HOURS OF TRAINING PER FEMALE EMPLOYEE

	2022	2023
Waste management employees – Machine operator/Sorter/Fork lift operator/Driver	28	24
Waste management coordination – Shift manager/Production assistant	16	18
Employees – central support (e.g. office assistant)	12	12
Management	8	8

AVERAGE HOURS OF TRAINING PER MALE EMPLOYEE

	2022	2023
Waste management employees – Machine operator/Sorter/Fork lift operator/Driver	144	136
Waste management coordination – Shift manager/Production assistant	18	18
Employees – central support (e.g. office assistant)	8	310
Management	12	10

7.9 Corporate governance

2-9

7.9.1 Structure and composition of corporate governance

2-9, 2-10, 2-11, 2-12, 2-13, 2-14, 2-17

General Meeting

The General Meeting is the main body of FE-GROUP. The powers of the General Meeting extend to all the material decisions as specified in the Civil Code and the Articles of Association of FE-GROUP. Matters regarding the powers and operation of the General Meeting are specified in the Civil Code and the Articles of Association of FE-GROUP.

The General Meeting transfers certain tasks to the Board of Directors and to the CEO of FE-GROUP.

Board of Directors

The Board of Directors is the executive body of FE-GROUP. The Board of Directors decides on all significant modifications concerning work organization at FE-GROUP as well on issues which fall within its competence according to the Civil Code or the Articles of Association of FE-GROUP. The members of the Board of Directors of FE-GROUP are elected by the General Meeting of FE-GROUP for an indefinite term. Members of the Board of Directors may be recalled at any time, subject to the limitations set out in the Articles of Association of FE-GROUP, and may be re-elected upon the expiry of their mandate. Members of the Board of Directors on December 31, 2023:

- Anita Simon
- Domonkos Kovács
- Viktor Varga
- Katalin Prior
- Gábor Dányi.

Chief Executive Officer

The Board of Directors may elect a chief executive officer from among its members for an indefinite term. Pursuant to the decision of the Board of Directors, Anita Simon is entitled to use the title ‘Chief Executive Officer’ when representing FE-GROUP. Employer’s rights over the FE-GROUP employees are exercised by the CEO.

Auditor

As of March 28, 2023 the auditor of FE-GROUP is BDO Hungary Kft.

7.9.2 Major changes affecting the organization in 2023

2-6

7.9.2.1 Compliance

418 (3-3), 418-1, 2-16, 2-24

Within FE-GROUP Zrt. a compliance manager has been appointed, and they are reporting to the CEO of FEG and to the Director of Ethics, Compliance and Control of ALTEO. The manager is responsible for ensuring compliance with the ALTEO Compliance Management system, and for ensuring the same at the subsidiary.

7.9.2.2 Business ethics

205 (3-3), 205, 2-16, 2-23, 2-25, 2-26, 2-27

As part of the integration into the ALTEO Group, we have issued and published the FE-GROUP Code of Ethics. We have set up the whistleblowing helpline to report abuses, which is also available via the website. We also ensure that actions violating our Code of Ethics are reported and investigated. ALTEO Ethics, Compliance and Control investigates all ethical issues brought to its attention and all reports received through the whistleblowing line; it also makes recommendations for necessary measures and monitors implementation. In 2023 there were no bribery related incidents at FE-GROUP. In 2023 there were no incidents, penalties or fines arising from non-compliance with laws or regulations at FE-GROUP.

2-15

Conflict of interest

We performed conflict of interest checks for all of our colleagues, based on their reports. We started preparations for pre-qualification, and launched the due diligence of business partners. We conduct investigations to prevent irregularities and abuses.

Data protection

The data protection policy of FE-GROUP was issued in 2023. We published our Privacy Notice. The data asset inventory of the Company has been drawn up; consequently, personal data have been classified, the manner of data processing, the location of data, and the scope of eligible persons have been defined. We reviewed contracts from a data protection point of view. We use the information safety solution of ALTEO Group to ensure the security, integrity and availability of data.

In 2023 FE-GROUP received no complaints relating to data protection.

Property protection

As part of the integration of the FE-GROUP property protection system, in conjunction with the security firm, we reviewed the current security level of the company,

prepared a risk assessment following an inspection of the entire area and a review of the security processes, which was forwarded to the relevant managers,

- based on the risk assessment, we submitted proposals for improvement and requested a bid from the security firm,
- the security service provider implemented the property protection system on the FE-GROUP site,
- we issued the physical security instructions and the camera policy for FE-GROUP,
- we concluded a remote monitoring contract with the security service provider,
- remote monitoring was supplemented with live guard services, which means that the security service provider makes available two people to provide continuous surveillance on the site.

7.9.2.3 Security/safety

403 (3-3), 403-3, 403-6

Our occupational health and safety services include numerous processes aimed at identifying, reducing and eliminating risks and hazards at the workplace. These processes generally include analysis and evaluation regarding the work environment, processes and activities, screening, health checks and annual checkups for employees, the treatment and follow-up of identified health issues, and, in the case of accidents, injuries or illnesses, the performance of tests, the documentation of the results of tests and drawing conclusions so that future accidents can be avoided.

Occupational health and safety services are available to all the staff, including people who are not directly employed by the company concerned, but whose work or place of work is supervised or controlled by the company concerned. This may include people working at external locations. Currently the company offers no non-employment related medical or health services, nor any other health promotion or sports facilities.

FE-GROUP safeguards the security and confidentiality of the health data of its employees by ensuring the physical security of data, for instance by storing them in an area protected by access control and alarm systems. This prevents unauthorized people from accessing or unlawfully using such data.

403-1, 403-2, 403-4, 403-5, 403-7, 403-8

FE-GROUP employees receive a number of health and safety trainings, some of which are specific to the positions concerned. General labor safety and fire protection training is essential before starting work; this is repeated on a regular basis. Employees must participate in simulation training sessions, for instance, simulating accidents involving electric shock, fainting or bleeding. First aiders need to attend additional sessions, for instance resuscitation exercises. In addition, following any incident, training is provided focusing specifically on the factors that caused the incident.

The key topics discussed during work safety trainings include safety at work, handling of hazardous substances, first aid, fire protection and ergonomics. Those training sessions are repeated annually, and the skills of participants are assessed through written tests, verbal feedback or practical exercises.

Those health and safety trainings are available to every employee working on the FE-GROUP site; in addition, similar sessions may be available to the employees of other firms as long as those people work at locations supervised by FE-GROUP.

To ensure safety at work, FE-GROUP prepares a risk assessment for work processes at all its plants, then introduces measures to eliminate the risks identified.

FE-GROUP employees are not covered by the Work Safety Management System.

7.9.3 Work accidents

403-9, 403-10

One of the central objectives of FE-GROUP is to minimize or avoid work accidents. We strive to achieve this through continuous work safety training sessions. Partly attributable to those efforts, in 2023 there were no serious or fatal work accidents at FE-GROUP involving either our own employees or staff working at our sites or on our behalf. Nevertheless, the increased number of reportable accidents requires us to improve our work safety practices and to introduce new measures in this regard.

WORK ACCIDENTS INVOLVING FE-GROUP EMPLOYEES

	2021	2022	2023
Number of fatal work accidents	-	-	-
Number of serious work accidents	-	-	-
Number of notifiable work accidents	7	6	9
Number of near-miss accidents	-	-	2
Main types of work accidents	Spain / Bruise	Bruise	Bump / Bruise
Number of hours worked	196,976	178,635	155,844

FREQUENCY OF WORK ACCIDENTS INVOLVING FE-GROUP EMPLOYEES

	2021	2022	2023
Fatality rate	-	-	-
Serious work accident rate	-	-	-
Work accident rate	7.1	6.7	11.6

In prior years, work accidents involving non-FE-GROUP employees were not registered in the FE-GROUP database as previously people were typically not employed in such capacity at our firm, with one exception. However, starting in 2023, the number of non-FE-GROUP employees increased significantly among the staff working at our site; consequently, it is essential to design a comprehensive labor safety policy applicable to such people, and to ensure them safe working environment and even the required training. From 2024 on, our Company will collect labor safety information pertaining to non-FE-GROUP employees as well.

416-2

In 2023 there was no incident at FE-GROUP where laws were violated and/or voluntarily imposed policies were not complied with.

8 BUSINESS PERFORMANCE

8.1 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 statements prepared in accordance with the International Financial Reporting Standards adopted by the European Union. The details of our IFRS statements are disclosed in Annex 1 (Chapter 8.3).

This report includes general financial information, our results, a description of the key items of our accounting policy, it also covers the risks that the ALTEO Group faces, including industry-related risks, environmental regulatory risks, risks related to 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.

8.2 Indirect economic impacts

As a company listed on the Budapest Stock Exchange and as one of the major players in the Hungarian energy market, the ALTEO Group actively contributes to the development of the Hungarian economy, both through its activities and through its investments. Due to our leading role in the Hungarian economy we have a presence throughout the country in the form of our sites and investment projects, particularly focusing on the development of economically less developed regions. We aim to create modern, safe and competitive jobs, contributing to the improvement of the quality of life of local communities.

The ALTEO Group, as an employer and as an active member of the local community, is committed to operating responsibly and transparently, to protecting and conserving the environment in which we all live. We consider it important to procure the services used at our sites from local small and medium-sized enterprises, providing them with long-term predictability.

8.3 Numerical reports / financial statements

Annex 1: Consolidated Annual Report of ALTEO Nyrt. for the Financial Year 2023

9 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, 2023 to December 31, 2023.
GRI 1 taken into consideration	GRI 1: Foundation 2021
GRI Sector Standard used	No appropriate GRI Sector Standard

9.1 Index relating to the ALTEO Group report part

GRI STANDARD/ OTHER SOURCE	Disclosure	Chapter	Page	No disclosure			GRI SECTOR STANDARD REF. NO.
				No requirement	Reason	Explanation	
GRI General Disclosures, 2021							
	2-1 Organizational details	3.2 Organizational data	13, 16				
	2-2 Entities included in the organization's sustainability reporting	3.2.1 Group structure	14				
	2-3 Reporting period, frequency and contact point	2 About the Integrated Report	10				
	2-4 Restatements of information	2 About the Integrated Report	-				
	2-5 External assurance	2 About the Integrated Report	10				
		2.3 Assurance letter	12				
	2-6 Activities, value chain and other business relationships	3.2.2 Major changes affecting the organization in 2023,	15				
		3.3.2 Products and services	16				
		4.6.2 Business partner screening	33				
		5.1.1 Sustainable energy production and Virtual Power Plant	35				
	2-7 Employees	3.2 Organizational data (ALTEO)	13				
		6.1.3 Number of employees and composition of staff	53				
		6.1.4 Staff turnover	54				
	2-8 Workers who are not employees	3.2 Organizational data (ALTEO)	13				
		6.1 Our employees	58				
	2-9 Structure and composition of governance	4.2 Corporate governance	25				
		4.2.1 Structure and composition of corporate governance	25				
		6.1 Our employees					
	2-10 Nomination and selection of the highest governance body	4.2.1 Structure and composition of corporate governance	25				
	2-11 Chair of the highest governance body	4.2.1 Structure and composition of corporate governance	25				
	2-12 Role of the highest governance body in managing impacts	4.2.1 Structure and composition of corporate governance	25				
	2-13 Delegation of responsibility for managing impacts	4.2.1 Structure and composition of corporate governance	26				
	2-14 Role of the highest governance body in sustainability reporting	4.2.1 Structure and composition of corporate governance	25				
	2-15 Conflicts of interest	4.6.1 Conflicts of interest	32				
	2-16 Communication of critical concerns	4.4.1 Code of Ethics-	28				
	2-17 Collective knowledge of the highest governance body	4.2.1 Structure and composition of corporate governance	26				
	2-18 Evaluation of the performance of the highest governance body	6.1 Our employees	51				
	2-19 Compensation Policy	6.1 Our employees	51				
	2-20 Process to determine remuneration	6.1 Our employees	51				
	2-21 Total annual compensation ratio	6.1 Our employees	52				
	2-22 Statement of the highest decision-maker on sustainable development strategy	1.1 Letter from the CEO	6				
	2-23 Policy commitments	3.3.1 Commitment	15				
		4.4 Business ethics	27				

GRI STANDARD/ OTHER SOURCE	Disclosure	Chapter	Page	No disclosure			GRI SECTOR STANDARD REF. NO.
				No requirement	Reason	Explanation	
		4.4.1 Code of Ethics	28				
		4.5.2 Integrated corporate governance system	30				
		4.5.3 Health, safety and environment (HSE)	31				
		4.6.2 Business partner screening	33				
	2-24 Embedding policy commitments	4.3 Compliance	27				
		4.7.2 Client data protection	33				
	2-25 Processes to remediate negative impacts	6.3 Local communities	59				
	2-27 Compliance with laws and regulations	4.3.3 Compliance with laws and policies	29				
		5.2 Environmental Compliance	42				
	2-28 Membership associations	3.4 Awards, memberships	21				
	2-29 Approach to stakeholder engagement	2.1 Introduction of key stakeholder groups	11				
	2-30 Collective bargaining agreements	There is no collective bargaining agreement in force at ALTEO.	77				
Material topics							
	3-1 Process to determine material topics	2.2 Materiality assessment	11				
	3-2 List of material topics	2.2 Materiality assessment	11				
Anti-corruption							
	205 (3-3) Material topic – Management approach	4.3 Compliance	27				
		4.6 Anti-corruption program	32				
		4.6.2 Business partner screening	33				
	205-3 Confirmed incidents of corruption and actions taken	4.6 Anti-corruption program	32				
Energy							
	302 (3-3) Material topic – Management approach	5.1.4 Primary energy consumption					
	302-1 Energy consumption within the organization	5.1.1 Sustainability, energy production and Virtual Power Plant					
		5.1.4 Primary energy consumption					
Hydropower							
	303 (3-3) Material topic – Management approach	5.5 Water consumption	46				
	303-1 Interactions with water	5.5 Water consumption	47				
	303-2 Management of water discharge-related impacts	5.5 Water consumption	48				
	303-3 Water withdrawal	5.5 Water consumption	47				
Biodiversity							
	304 (3-3) Material topic – Management approach	5.7 Protection of biodiversity	49				
	304-1 Site owned, leased, managed on, or adjacent to, protected areas or outside protected areas but on land valuable for biodiversity	5.7 Protection of biodiversity	50				
	304-2 Significant impacts of activities, products, and services on biodiversity	5.7 Protection of biodiversity	50				
Environment							
GRI 3: Material topic 2023	305 (3-3) Material topic – Management approach	5.3 Management of greenhouse gases (GHG)	42				
		5.3.2 Air quality protection	45				
		5.4 Climate change	45				
GRI 305	305-1 Direct (Scope 1) GHG emissions	5.3 Management of greenhouse gases (GHG)	42				
	305-2 Energy indirect (Scope 2) GHG emissions	5.3 Management of greenhouse gases (GHG)	42				
	305-3 Other indirect (Scope 3) GHG emissions	5.3 Management of greenhouse gases (GHG)	42				
	305-4 GHG emissions intensity	5.3 Management of greenhouse gases (GHG)	42				
	305-7 Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	5.3 Management of greenhouse gases (GHG)	45				
Waste							
GRI 3: Material topic 2023	306 (3-3) Material topic – Management approach	5.6 Waste management	48				
GRI 306	306-1 Waste generation and significant waste-related impacts	5.6 Waste management	48				
		306-2 Management of significant waste-related impacts	5.6 Waste management	48			
		306-3 Waste generated	5.6 Waste management	49			

GRI STANDARD/ OTHER SOURCE	Disclosure	Chapter	Page	No disclosure			GRI SECTOR STANDARD REF. NO.
				No requirement	Reason	Explanation	
Employment							
GRI 3: Material topic 2023	401 (3-3) Material topic – Management approach	6.1.3 Number of employees and composition of staff	53				
GRI 401	401-1 New employee hires and employee turnover	6.1.4 Staff turnover	55				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	There are no such benefits.	78				
Relationship between employees and management							
GRI 402	402-1 Minimum notice periods regarding major operational changes in the operation of the organization, and whether they are specified in the collective bargaining agreement	6.1.2 Surveys, developments	52				
Employment related services							
GRI 3: Material topic 2021	403 (3-3) Material topic – Management approach	6.2 Health and safety	57				
Waste							
GRI 403	403-1 Occupational health and safety management system	6.2 Health and safety	57				
	403-2 Hazard identification, risk assessment, and incident investigation	5.2 Environmental Compliance 6.2 Health and safety	42,57				
	403-3 Occupational health services	6.2 Health and safety	58				
	403-4 Worker participation, consultation, and communication on occupational health and safety	6.2 Health and safety	57				
	403-5 Worker training on occupational health and safety	6.2 Health and safety	58				
	403-6 Promotion of worker health	6.2 Health and safety	58				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	6.2 Health and safety	57				
	403-8 Workers covered by an occupational health and safety management system	6.2 Health and safety	57				
	403-9 Work-related injuries	6.2 Health and safety	58				
	403-10 Work-related illnesses	6.2 Health and safety	58				
Training and education							
GRI 404	404-1 Average hours of training per year per employee	6.1 Our employees	56				
Customer privacy							
GRI 3: Material topic 2023	418 (3-3) Material topic – Management approach	4.7.1 Data protection 4.7.2 Client data protection	33				
	418-1 Protection of personal data, number of complaints	4.7.2 Client data protection	33				
Indicators outside the GRI Standard							
EU1	Installed electrical capacity	5.1.2 Electricity production 5.1.3 Heat energy production	36,37				
EU2	Volume of heat energy produced/ Amount of electricity produced	5.1.2 Electricity production 5.1.3 Heat energy production	36,37				
EU5	Allocated CO2e emissions allowances broken down by carbon trading framework	5.3 Management of greenhouse gases (GHG)	44				
EU11	System efficiency	5.1.5 Efficiency	39				
EU30	Availability	5.1.4 Primary energy consumption	41				
ALTEO-1	Investments in activities contributing to climate change mitigation	5.4 Climate change	46				
ALTEO-2	Innovation aimed at product and service improvement	4.1 Corporate strategy and business model	24				
ALTEO-3	The total amount invested in renewables and the volume of energy produced from renewables	5.4 Climate change	46				
G4-DMA Crisis		5.2 Environmental Compliance	41,42				
G4 DMARedelk	Availability	5.1.4 Primary energy consumption	41				

9.2 Index relating to the FE-GROUP report part

GRI STANDARD/ OTHER SOURCE	Disclosure	Chapter	Page	No disclosure			GRI SECTOR STANDARD REF. NO.
				No requirement	Reason	Explanation	
GRI General Disclosures, 2023							
	2-1 Organizational details	7.3 Organizational details (Fe-Group) 7.5 Products and services	63				
	2-2 Entities included in the organization's sustainability reporting	7.3 Organizational details	63				
	2-3 Reporting period, frequency and contact point	-	10				
	2-4 Restatements of information	-	10				
	2-5 External assurance	2.3 Assurance letter					
	2-6 Activities, value chain and other business relationships	7.3 Organization data 7.5 Products and services	63				
	2-7 Employees	7.3 Organizational details (Fe-Group) 7.8 Employees	63, 69, 70,				
	2-8 Workers who are not employees	7.8 Employees	69				
	2-9 Structure and composition of governance	7.9 Corporate governance	71				
	2-10 Nomination and selection of the highest governance body	7.9.1 Structure and composition of corporate governance	71				
	2-11 Chair of the highest governance body	7.9 Structure and composition of corporate governance	71				
	2-12 Role of the highest governance body in managing impacts	7.9 Structure and composition of corporate governance	71				
	2-13 Delegation of responsibility for managing impacts	7.9 Structure and composition of corporate governance	71				
	2-14 Role of the highest governance body in sustainability reporting	7.9 Structure and composition of corporate governance	71				
	2-15 Conflicts of interest	7.9.2.2 Business ethics	72				
	2-16 Communication of critical concerns	7.9.2.1 Compliance 7.9.2.2 Business ethics	72				
	2-17 Collective knowledge of the highest governance body	7.9.1 Structure and composition of corporate governance	71				
	2-18 Evaluation of the performance of the highest governance body	-	-	The information is not available or not applicable.	The data may be disclosed in reports in future years.		
	2-19 Compensation Policy	-	-	The information is not available or not applicable.	The data may be disclosed in reports in future years.		
	2-20 Process to determine remuneration	-	-	The information is not available or not applicable.	The data may be disclosed in reports in future years.		
	2-21 Total annual compensation ratio	-	-	The information is not available or not applicable.	The data may be disclosed in reports in future years.		
	2-22 Statement of the highest decision-maker on sustainable development strategy	1.1 Letter from the CEO	6				
	2-23 Policy commitments	7.9.2 Business ethics	72				
	2-24 Embedding policy commitments	7.9.2.1 Compliance.	72				
	2-25 Processes to remediate negative impacts	7.9.2 Business ethics	72				
	2-26 Mechanisms for seeking advice and raising concerns regarding ethics	7.9.2 Business ethics	72				
	2-27 Compliance with laws and regulations	7.9.2 Business ethics	72				
	2-28 Membership associations	7.4 Awards and memberships	63				

GRI STANDARD/ OTHER SOURCE	Disclosure	Chapter	Page	No disclosure			GRI SECTOR STANDARD REF. NO.
				No requirement	Reason	Explanation	
	2-29 Approach to stakeholder engagement	7.2 The Company's stakeholders and material topics	61				
	2-30 Collective bargaining agreements	7.8 Employees	69				
Material topics							
GRI 3: Material topic 2023	3-1 Process to determine material topics	7.2 The Company's stakeholders and material topics					
	3-2 List of material topics	7.2 The Company's stakeholders and material topics					
Anti-corruption							
GRI 3: Material topic 2023	205 (3-3) Material topic – Management approach	7.9.2 Business ethics	72				
GRI 205	205-3 Confirmed incidents of corruption and actions taken	7.9.2 Business ethics	72				
Energy							
GRI 3: Material topic 2021	302 (3-3) Material topic – Management approach	-	-				
GRI 302	302-1 Energy consumption within the organization	-	-				
Hydropower							
GRI 3: Material topic 2023	303 (3-3) Material topic – Management approach	7.7.3 Our impact on the environment	66, 69				
GRI 303	303-1 Interactions with water	7.7.3.4 Water consumption	69				
	303-2 Management of water discharge-related impacts	7.7.3.4 Water consumption	69				
	303-3 Water withdrawal	7.7.3.4 Water consumption	69				
Biodiversity							
GRI 3: Material topic 2023	304 (3-3) Material topic – Management approach	-	-				
GRI 304	304-1 Site owned, leased, managed on, or adjacent to, protected areas or outside protected areas but on land valuable for biodiversity	-	-				
	304-2 Significant impacts of activities, products, and services on biodiversity	-	-				
Environment							
GRI 3: Material topic 2023	305 (3-3) Material topic – Management approach	7.76.3 Our impact on the environment	66				
GRI 305	305-1 Direct (Scope 1) GHG emissions	7.7.3.1 Greenhouse gas emissions	67				
	305-2 Energy indirect (Scope 2) GHG emissions	7.7.3.1 Greenhouse gas emissions	67				
	305-3 Other indirect (Scope 3) GHG emissions	7.7.3.1 Greenhouse gas emissions	67				
	305-4 GHG emissions intensity	7.7.3.1 Greenhouse gas emissions	67				
	305-7 Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	7.7.3.1 Greenhouse gas emissions	68				
Waste							
GRI 3: Material topic 2023	306 (3-3) Material topic – Management approach	7.7.3 Our impact on the environment	64				
GRI 306	306-1 Waste generation and significant waste-related impacts	7.7.1 Waste management (a description of the technology)	65				
	306-2 Management of significant waste-related impacts	7.7.1 Waste management (a description of the technology)	65				
	306-3 Waste generated	7.7.2 Waste management (waste flows managed)	66				
Employment							
GRI 3: Material topic 2021	401 (3-3) Material topic – Management approach	7.8 Employees	69				
GRI 401	401-1 New employee hires and employee turnover	7.8 Employees	70				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	7.8 Employees	71				
Relationship between employees and management							
GRI 402	402-1 Minimum notice periods regarding major operational changes in the operation of the organization, and whether they are specified in the collective bargaining agreement	There is no collective bargaining agreement in force at FE-GROUP; the minimum notice period is two weeks.	82				

GRI STANDARD/ OTHER SOURCE	Disclosure	Chapter	Page	No disclosure			GRI SECTOR STANDARD REF. NO.
				No requirement	Reason	Explanation	
Employment related services							
GRI 3: Material topic 2021	403 (3-3) Material topic – Management approach	7.9.2.3 Safety	72				
Waste							
GRI 403	403-1 Occupational health and safety management system	7.9.2.3 Safety	73				
	403-2 Hazard identification, risk assessment, and incident investigation	7.9.2.3 Safety	73				
	403-3 Occupational health services	7.9.2.34 Safety	73				
	403-4 Worker participation, consultation, and communication on occupational health and safety	7.9.2.3 Safety	73				
	403-5 Worker training on occupational health and safety	7.9.2.3 Safety	73				
	403-6 Promotion of worker health	7.9.2.3 Safety					
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	7.9.2.3 Safety	73				
	403-8 Workers covered by an occupational health and safety management system	7.9.2.3 Safety	73				
	403-9 Work-related injuries	7.9.2.3 Safety	73				
	403-10 Work-related illnesses	7.9.2.3 Safety	73				
Training and education							
GRI 404	404-1 Average hours of training per year per employee	7.8 Employees	71				
Customer privacy							
GRI 3: Material topic 2023	418 (3-3) Material topic – Management approach	7.9.2.1 Compliance	72				
	418-1 Protection of personal data, number of complaints	7.9.2.1 Compliance	72				
Indicators outside the GRI Standard							
FeGr1	Volume of waste processed	7.7.2 Our waste management performance (waste flows managed) 7.7.3 Our impact on the environment	65				

10 DISCLOSURES PROPOSED BY TCFD

Corporate governance	Disclosure of climate-related risks and opportunities for corporate governance.
<p>a) Board supervision of climate-related risks and opportunities.</p>	<p>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 26 of this report.</p>
<p>(b) The role of Management in assessing and managing climate-related risks and opportunities.</p>	<p>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 page 26 of this report.</p>
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.
<p>(a) A description of the risks and opportunities related to climate change identified by the entity in the short, medium and long term</p>	<p>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 31-32 of this report.</p>
<p>(b) The impact of climate-related risks and opportunities on the entity's business, strategy and financial planning.</p>	<p>The results of the climate scenario analysis were entered into the Company's risk records, and are continuously monitored and managed in accordance with the Group's risk management strategy and risk management process. These risks are reviewed on an annual basis.</p>
<p>(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.</p>	<p>In the climate scenario analysis, 1.5 °C and 4 °C scenarios were considered. For detailed descriptions of both, please see pages 31-32 of this report and pages 56-58 of our 2022 Sustainability Report.</p>
Risk management	Disclosure of how the entity identifies, evaluates and manages climate-related risks.
<p>(a) The entity's processes for identifying and assessing climate-related risks.</p>	<p>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 31-32 of this report and page 41 of the 2022 Sustainability Report.</p>
<p>(b) The entity's processes for the management of climate-related risks.</p>	<p>In 2023, to quantify the exact financial impact, ALTEO started to incorporate climate change risks and opportunities into its corporate risk management processes.</p>
<p>(c) A description of the integration of processes to identify, assess and manage climate-related risks into the overall risk management of the entity.</p>	<p>ALTEO has set the objective of identifying the exact financial effects relating to climate change in 2024.</p>

Metrics and targets

Disclosure of metrics and targets used to assess and manage climate-related risks and opportunities, where such information is relevant.

<p>(a) The metrics used to assess climate-related risks and opportunities in accordance with the strategy and risk management process.</p>	<p>In 2023, to quantify the exact financial impact, ALTEO incorporated climate change risks and opportunities into its corporate risk management processes.</p>
<p>(b) Scope1, Scope2, and, where applicable, Scope3 greenhouse gas emissions and associated risks.</p>	<p>For a detailed report on Scope 1, Scope 2, and Scope 3 emissions of ALTEO Group (without FE-GROUP), please see pages 43 to 44 of this report. The details on Scope 1, Scope 2, and Scope 3 emissions of FE-GROUP are presented on pages 67 to 68 of this report.</p>
<p>(c) Metrics used to address climate-related risks and opportunities, including the use of scientifically based metrics and performance against those objectives.</p>	<p>During the year 2022, emission reduction metrics were defined by the Group, which are listed on page 21 of our 2022 Sustainability Report. In 2023 ALTEO looked into the possibility of setting science-based (SBTi) GHG emission reduction targets; however, due the limited technological, financial and economic information available, implementation was suspended. We continuously monitor the viability of that objective.</p>

11 EU TAXONOMY REPORT

11.1 Introduction

With the adoption of the **EU Taxonomy Regulation**¹⁵ 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 no significant harm (DNSH) with regard to 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 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.

Taxonomy alignment needs to be examined, as the first step, in terms of a significant contribution to the six environmental objectives set out in EU Taxonomy: (1) climate change mitigation; (2) adaptation to climate change; (3) sustainable use and protection of water and marine resources; (4) transition to a circular economy; (5) prevention and reduction of environmental pollution; and (6) protection and restoration of biodiversity and ecosystems, with regard to the economic activities relevant for the companies. Significant contribution must be examined regarding an environmental objective, based on so-called Technical Screening Criteria (TSC). In order for an economic activity to be taxonomy-aligned, it must meet the TSC criteria as well as the criteria of “Do No Significant Harm” (DNSH) and Minimum Social Safeguards (MSS) as well.

Pursuant to the EU Taxonomy Regulation and the relevant disclosure rules¹⁶, undertakings are required to disclose their revenues from taxonomy-eligible and taxonomy-aligned activities as well as the CapEx and OpEx ratios. While in 2022 the examination of the criteria¹⁷ and the disclosure of revenue, CapEx and OpEx indicators were required only in case of economic activities contributing substantially to (1) climate change mitigation or (2) climate change adaptation, pursuant to the Commission delegated Regulation (EU) 2023/2486¹⁸, published in November 2023 and effective from January 1, 2024, the criteria for taxonomy eligibility need to be examined and the relevant revenues, CapEx and OpEx figures disclosed with regard to the other four environmental objectives as well. For 2023 the new rules only require the examination of taxonomy eligibility. The affected undertakings may voluntarily decided on examining taxonomy alignment, and on the disclosure of the relevant financial indicators.

General methodology regarding the financial year 2023

For 2023, taking into account the publication of the delegated environmental regulation, ALTEO Group examined and identified its economic activities that may potentially be regarded as sustainable for each environmental objective and examined taxonomy-alignment regarding the activities identified. In accordance with the 2024 disclosure requirements of the EU Taxonomy Regulation, we have calculated the proportion of our Company’s taxonomy-aligned activities in terms of the revenues and all of the Company’s activities as well as our CapEx and OpEx expenditures.

Identification of taxonomy-eligible activities

In the course of identifying the taxonomy-eligible activities of ALTEO Group, the company took into consideration the eligibility criteria set out in the delegated regulations of the Taxonomy regulation as well as the so-called NACE codes specified for each activity deemed sustainable. The assessment covered the activities of all subsidiaries of the ALTEO Group.

¹⁵ 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/EN/TXT/HTML/?uri=CELEX:32020R0852>

¹⁶ Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 specifying the content and presentation of information to be disclosed by undertakings concerning environmentally sustainable economic activities – <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2178>

¹⁷ The law specifying the criteria: Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation – <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2139>

¹⁸ Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to environmental objectives – https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202302486

Examination of taxonomy-aligned activities

For the financial year 2023, ALTEO Group examined the taxonomy-alignment of the climate change related objective and also, on a voluntary basis, of the other four objectives.

Taxonomy-eligible activities were examined for their alignment in three steps. First, we looked at compliance with the Technical Screening Criteria (TSC) specified in the relevant delegated regulations for each activity, that is, the environmental objectives to which the economic activities of ALTEO contribute. Then, if the TSC criteria were satisfied, we examined whether the activities comply with the DNSH criteria, and finally we also checked compliance with the Minimum Social Safeguards regarding each activity.

Examination of the satisfaction of the Technical Screening Criteria (TSC)

The Technical Screening Criteria specify the conditions that need to be met for any given economic activity to substantially contribute to the achievement of one of the six environmental objectives specified in the Taxonomy Regulation. Satisfaction of the Technical Screening Criteria was examined based on the technical documentation of projects relevant for each activity. Where more than one environmental objective was relevant for an economic activity, the materiality of the contribution determined the environmental objective for which the TSC criteria would be assessed.

Examination of Do No Significant Harm (DNSH)

Climate change mitigation

In the financial year 2023 the examination of the climate change mitigation criterion was not relevant regarding EU Taxonomy-aligned activities.

Climate change adaptation

The adaptation-related DNSH criteria are set out in Annex A for all delegated regulations. A detailed assessment was carried out to support the compliance of the activities, its methodology having been improved since the previous year. Annex A screening (i.e. compliance with climate change adaptation requirements) covered all sites of all eligible activities.

This year, the assessment of climate risks and the sensitivity of activities relied on the two climate change scenarios specified by the IPCC. The IPCC RCP 4 climate model envisages a global average temperature increase path of 2.5 °C before 2100, while the RCP 8.5 climate model foresees a 4.3 °C increase; these differences may entail different risk levels and sensitivities with regard to the activities.

In the climate risk assessment, we used the long-term climate change forecasts of the IPCC (Intergovernmental Panel on Climate Change) and the EEA (European Environment Agency) as our sources. 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. Wherever possible, we also examined risks, and the sensitivity of the identified economic activities from a regional aspect based on the sources of the National Adaptation Geo-information System (NAGIS).

Based on the climate risk assessments performed in the financial year 2023, we identified no long-term physical climate risks that would necessitate the identification of adaptation solutions due to their significance.

Sustainable use and protection of water and marine resources

During the assessment of compliance with Annex B of the delegated regulations, we relied on technical documentation, and operating and environmental permits.

Transition to a circular economy

In the case of transition to a circular economy, the waste management services related to the activities are not yet available in Hungary (material recovery of solar power plant and wind turbine accessories), but progress is expected to be made in this regard by the expected date of replacement of the technical equipment used. In view of the present abandonment and technological replacement plans and operating procedures, the relevant activities comply with the DNSH requirements regarding transition to a circular economy. Until proper material recovery is ensured in our country, we will ensure storage of the disassembled components in the appropriate manner.

Prevention and reduction of environmental pollution

During the verification of compliance with Annex C of the delegated regulations, we relied on operating and environmental permits.

Protection and restoration of biodiversity and ecosystems

During the assessment of compliance with Annex D of the delegated regulations, we relied on operating and environmental permits.

Assessment of compliance with Minimum Social Safeguards (MSS)

ALTEO is committed to respecting human rights and complies with the Minimum Social Safeguards, the World Benchmark Alliance UNGP key indicators required for the protection of human rights, 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.

For the preparation of the EU taxonomy report we also looked at compliance with MSS criteria on the group level and assessed the MSS risks of 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 Code of Ethics, the compliance-related chapters of the Integrated Report and in corporate disclosures.

Sales revenues from taxonomy-eligible and taxonomy-aligned activities

Taxonomy-aligned 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 electricity generation. Activities related to the installation of charging stations for electric vehicles and to waste management are performed within a separate company in the ALTEO Group, consequently sales revenue figures for those activities are available at those companies.

Activities relating the environmental objective of climate change mitigation¹⁹

- 4.1 Electricity generation using solar photovoltaic technology: Revenue from the sale of electricity generated by the solar power plants of the ALTEO Group in Monor, Nagykőrös, Balatonberény and Domaszék.
- 4.3 Electricity generation from wind power from wind power: Revenue from the sale of electricity generated by the wind turbines of the ALTEO Group in Bábolna, Bóny, Ács, Törökszentmiklós, Jánossomorja and Pápakovácsi.
- 4.5 Electricity generation from hydropower: Revenue from the sale of electricity generated by the hydropower plants operated by the ALTEO Group in Felsődobosza and Gibárt.
- 4.10 Storage of electricity: Revenue from the energy storage activity performed by Sinergy at the Füredi utca Heating Power Plant and the Kazincbarcika Heating Power Plant using lithium-ion technology.
- 5.10 Landfill gas capture and utilisation: Revenue from the sale of electricity produced from landfill gas generated at a landfill site in Debrecen by the small-scale power plants Debrecen I and Debrecen II.
- 7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings: Revenue from the use of charging stations for electric cars owned by ALTE-Go.
- 7.6 Installation, maintenance and repair of renewable energy technologies: Revenue from the maintenance of power engineering installations at the sites in Polgár and Százhalombatta.

Activities in compliance with the environmental objective of transition to a circular economy²⁰

- 2.3 Collection and transport of non-hazardous and hazardous waste: Revenues of FE-GROUP relating to the collection and transportation of hazardous and non-hazardous waste. Considering that only some of the vehicles transporting waste comply with the EURO V criterion of the delegated regulation, the taxonomy-aligned revenue was calculated based on the ratio of vehicles conforming to the EURO V or EURO VI standards.

¹⁹ The law specifying the criteria: Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation – <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2139>

²⁰ Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to environmental objectives – https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202302486

Activities eligible but not aligned with the environmental objective of climate change mitigation¹⁹

- 4.8 Electricity generation from bioenergy: revenue from the sale of electricity generated by the Nagykőrös biogas plant owned by Energigas.
- 4.29 Electricity generation from fossil gaseous fuels: Revenue from the sale of electricity generated by the natural gas powered and cogeneration plants operated by ALTEO.

Activities eligible but not aligned with the environmental objective of transition to a circular economy²⁰

- 2.3 Collection and transport of non-hazardous and hazardous waste: Revenues of FE-GROUP relating to the collection and transportation of hazardous and non-hazardous waste. Considering that only some of the vehicles transporting waste comply with the EURO V criterion of the delegated regulation, the taxonomy-eligible revenue was calculated based on the ratio of vehicles conforming to the EURO IV or EURO III standards.
- 2.7 Sorting and material recovery of non-hazardous waste: Revenue relating to the sorting of non-hazardous waste collected by FE-GROUP.

CapEx ratio of taxonomy-eligible and taxonomy-aligned activities

In the case of taxonomy-aligned and eligible activities, direct CapEx costs specified in the Taxonomy Regulation were taken into account, which does not include the costs of central management activities and maintenance of central office buildings. We have also taken into account investment projects that have not yet generated revenue in 2023. The CAPEX costs of taxonomy-eligible activities include costs relating to the procurement and leasing of properties, machinery, equipment and intangible assets.

Activities aligned to the environmental objective of climate change mitigation¹⁹

- 4.1 Electricity generation using solar photovoltaic technology: Capital expenditure relating to the solar power plants of the ALTEO Group in Monor, Nagykőrös, Balatonberény and Domaszék.
- 4.3 Electricity generation from wind power: Capital expenditure relating to the wind turbines of the ALTEO Group in Bábolna, Bőny, Ács, Törökszentmiklós, Jánossomorja and Pápakovácsi.
- 4.5 Electricity generation from hydropower: Capital expenditure relating to the hydropower plants operated by ALTEO Group in Felsődobsza and Gibárt.
- 5.10 Landfill gas capture and utilisation: Capital expenditure related to ALTEO Group's small-scale power plants Debrecen I and Debrecen II.
- 7.4 Landfill gas capture and utilisation: Installation, maintenance and repair of charging stations for electric vehicles in buildings (and at parking spaces belonging to buildings): Capital expenditure relating to the installation, maintenance and repair of ALTEO's charging stations for electric vehicles.

Activities eligible but not aligned with the environmental objective of climate change mitigation¹⁹

- 4.8 Electricity generation from bioenergy: capital expenditure relating to the Nagykőrös biogas plant owned by Energigas Kft.
- 4.29 Electricity generation from fossil gaseous fuels: Capital expenditure relating to the electricity generation of natural gas powered and cogeneration plants operated by ALTEO.

Activities eligible but not aligned with the environmental objective of transition to a circular economy²⁰

- 2.7 Sorting and material recovery of non-hazardous waste: Capital expenditure relating to the sorting of non-hazardous waste collected by FE-GROUP.

OpEx ratio of taxonomy-eligible and taxonomy-aligned activities

Pursuant to the delegated regulation on disclosure, the following elements may be included in the operating expenditures of taxonomy-eligible and taxonomy-aligned activities: costs related to assets or processes (including training and other human resources adaptation needs, and direct non-capitalized costs that represent research and development); capital expenditures to expand taxonomy-aligned economic activities or allow taxonomy-eligible economic activities to become taxonomy-aligned; and expenditures relating to individual measures enabling aligned activities to become low-carbon or to lead to greenhouse gas reductions.

In the case of electricity generation, the direct costs of the relevant power plants were taken into account, including primarily, but not exclusively, costs related to operation and scheduling, potential insurer revenues and non-income tax type charges. Activities related to the installation of

charging stations for electric vehicles are performed by a separate company within the ALTEO Group; consequently, the cost statements of the company are available.

Activities aligned to the environmental objective of climate change mitigation¹⁹

- 4.1 Electricity generation using solar photovoltaic technology: Expenditure relating to the operation of the solar power plants of ALTEO Group in Monor, Nagykőrös, Balatonberény and Domaszék.
- 4.3 Electricity generation from wind power: Expenditure relating to the operation of the wind turbines of ALTEO Group in Bábolna, Bőny, Ács, Törökszentmiklós, Jánossomorja and Pápakovácsi.
- 4.5 Electricity generation from hydropower: Expenditure relating to the operation of the hydropower plants operated by ALTEO Group in Felsődobsza and Gibárt.
- 4.10 Storage of electricity: Operating expenditure relating to the energy storage activity performed by Sinergy at the Fűredi utca Heating Power Plant and the Kazincbarcika Heating Power Plant using lithium-ion technology.
- 5.10 Landfill gas capture and utilisation: Expenditure relating to the operation of the small-scale power plants Debrecen I and Debrecen II.
- 7.4 Landfill gas capture and utilisation Installation, maintenance and repair of charging stations for electric vehicles in buildings (and at parking spaces belonging to buildings): Operating expenditure relating to the installation, maintenance and repair of ALTE-GO's charging stations for electric vehicles.
- 7.6 Installation, maintenance and repair of renewable energy technologies: Operating expenditure relating to the maintenance of power engineering installations at the sites in Polgár and Százhalombatta.

Activities aligned to the environmental objective of transition to a circular economy²⁰

- 2.3 Collection and transport of non-hazardous and hazardous waste: Operating expenditures of FE-GROUP relating to the collection and transportation of hazardous and non-hazardous waste. Considering that only some of the vehicles transporting waste comply with the EURO V criterion of the delegated regulation, the taxonomy-aligned OpEx indicator was calculated based on the applicable ratio.

Activities eligible but not aligned with the environmental objective of climate change mitigation¹⁹

- 4.8 Electricity generation from bioenergy: operating expenditure relating to the Nagykőrös biogas plant owned by Energigas.
- 4.29 Electricity generation from fossil gaseous fuels: Revenue from the sale of electricity generated by the natural gas powered and cogeneration plants operated by ALTEO.

Activities eligible but not aligned with the environmental objective of transition to a circular economy²⁰

- 2.7 Sorting and material recovery of non-hazardous waste: Revenue relating to the sorting of non-hazardous waste collected by FE-GROUP.

TABLE 1: PROPORTION OF REVENUE FROM PRODUCTS OR SERVICES RELATING TO TAXONOMY-ALIGNED AND TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES IN 2023²¹

Financial year 2023				Material contribution criterion							DNSH criteria (compliance with the Do No Significant Harm principle)								
Economic activities (1)	Code(s) (2)	Absolute amount of revenue (3)	Ratio of revenue, 2023 (4)	Climate change mitigation (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Social Safeguards (17)	Ratio of taxonomy-aligned (A.1.) / taxonomy-eligible (A.2.) revenue (2022) (18)	Category (transitional activity) (19)	Category (enabling activity) (21)
Text		HUF million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	T	E
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable (taxonomy-aligned) activities																			
Electricity generation using solar photovoltaic technology	4.1 (Annex I) / D35.1.1	1.126	1.1	100						I.		I.		I.	I.	I.	1.1	T	
Electricity generation from wind power	4.3 (Annex I) / D35.1.1	2.595	2.6	100						I.	I.	I.		I.	I.	I.	3.2	T	
Electricity generation from hydropower	4.5 (Annex I) / D35.1.1	471	0.5	100						I.	I.			I.	I.	I.	0.5	T	
Storage of electricity	4.10 (Annex I) / NA	2.036	2.1	100						I.	I.	I.		I.	I.	I.	1.5		E
Landfill gas capture and utilisation	5.10 (Annex I) / E38.2.1.	143	0.2	100						I.				I.	I.	I.	0.3	T	
Landfill gas capture and utilisation Installation, maintenance and repair of charging stations for electric vehicles in buildings (and at parking spaces belonging to buildings)	7.4 (Annex I) / F43.1.1.	209	0.2	100						I.						I.	0.2		E
Installation, maintenance and repair of renewable energy technologies	7.6 (Annex I) / F42.1.1.	104	0.1	100						I.						I.	NA		E
Collection and transportation of hazardous and non-hazardous waste	2.3 (Annex II) / E38.1.1	300	0.3				41.7			I.	I.			I.		I.	NA	T	
Revenue from environmentally sustainable activities (taxonomy-aligned) (A.1.)		6.984	7.1	6.8			0.3										6.8		
Of which: transitional		4.635	4.7	4.4			0.3										NA	T	
Of which: enabling		2.349	2.4	2.4													NA		E

²¹ Pursuant to Annex II to Delegated Regulation (EU) 2021/2178 regarding disclosure

A.2. Revenue from taxonomy-eligible but environmentally not sustainable activities (taxonomy-non-aligned activities)										
				Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	
Electricity generation using bioenergy	4.8 (Annex I) / D35.1.1.	574	0.6	I.						NA
Electricity generation from fossil gaseous fuels	4.29 (Annex I) / NA	21.101	21.3	I.						NA
Collection and transportation of hazardous and non-hazardous waste	2.3 (Annex II) / E38.1.1	420	0.4				I.			NA
Sorting and material recovery of non-hazardous waste	2.7 (Annex II) / E38.32	2.371	2.4				I.			NA
Revenue from taxonomy-eligible but environmentally not sustainable activities (taxonomy-non-aligned) (A.2.)		24.466	24.7	21.9			2.8			NA
A: Sales revenues from taxonomy-eligible activities (A.1+A.2.)		31.450	31.8	28.7			3.1			NA
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES										
Sales revenues from taxonomy-non-eligible activities		67.504	68.2							
Total (A+B)		98.954	100							

RATIO OF REVENUE / TOTAL REVENUE

	Taxonomy-aligned, by objective	Taxonomy-enabled, by objective
Climate change mitigation (CCM)	6.8%	21.9%
Adaptation to climate change (CCA)	0%	0%
Water and marine resources (WTR)	0%	0%
Transition to a circular economy (CE)	0.3%	2.8%
Pollution prevention and control (PPC)	0%	0%
Protection of biodiversity and ecosystems (BIO)	0%	0%

TABLE 2: PROPORTION OF CAPEX ATTRIBUTABLE TO PRODUCTS OR SERVICES RELATING TO TAXONOMY-ALIGNED AND TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES IN 2023²²

Financial year 2023				Material contribution criterion						DNSH criteria (compliance with the Do No Significant Harm principle)									
Economic activities (1)	Code(s) (2)	Absolute amount of CapEx (3)	Ratio of CapEx, 2023 (4)	Climate change mitigation (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Social Safeguards (17)	Ratio of taxonomy-aligned (A.1.) / taxonomy-eligible (A.2.) CapEx (2022) (18)	Category (transitional activity) (19)	Category (enabling activity) (21)
Text		HUF million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	T	E
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable (taxonomy-aligned) activities																			
Electricity generation using solar photovoltaic technology	4.1 (Annex I) / D35.1.1	3,122	25.9	100							I.		I.		I.	I.	11.5	T	
Electricity generation from wind power	4.3 (Annex I) / D35.1.1	424	3.5	100							I.	I.	I.		I.	I.	4.3	T	
Electricity generation from hydropower	4.5 (Annex I) / D35.1.1	47	0.4	100							I.	I.			I.	I.	1.4	T	
Landfill gas capture and utilisation	5.10 (Annex I) / E38.2.1.	77	0.6	100							I.			I.	I.	I.	0.2	T	
Landfill gas capture and utilisation Installation, maintenance and repair of charging stations for electric vehicles in buildings (and at parking spaces belonging to buildings)	7.4 (Annex I) / F43.1.1.	8	0.1	100							I.						NA		E
CapEx relating to environmentally sustainable activities (taxonomy-aligned) (A.1.)		3,678	30.5	30.5													17.5		
Of which: transitional		3,670	30.4	30.4													17.5	T	
Of which: enabling		8	0.1	0.1															E

²² Pursuant to Annex II to Delegated Regulation (EU) 2021/2178 regarding disclosure

A.2. CapEx of taxonomy-eligible but environmentally not sustainable activities (taxonomy-non-aligned activities)										
				Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	
Electricity generation using bioenergy	4.8 (Annex I) / D35.1.1.	1.923	15.9	I.						
Electricity generation from fossil gaseous fuels	4.29 (Annex I) / NA	2.983	24.7	I.						NA
Sorting and material recovery of non-hazardous waste	2.7 (Annex II) / E38.32	133	1.1				I.			NA
CapEx of taxonomy-eligible but environmentally not sustainable activities (taxonomy-non-aligned) (A.2.)		5.039	41.7	40.6			1.1			0
A: CapEx of taxonomy-eligible activities (A.1+A.2.)		8.717	72.2	71.1			1.1			17.5
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES										
CapEx of taxonomy-non-eligible activities		3.357	27.8							
Total (A+B)		12.074	100							

RATIO OF CAPEX/ TOTAL CAPEX

	Taxonomy-aligned, by objective	Taxonomy-enabled, by objective
Climate change mitigation (CCM)	30.5%	40.6%
Adaptation to climate change (CCA)	0%	0%
Water and marine resources (WTR)	0%	0%
Transition to a circular economy (CE)	0%	1.1%
Pollution prevention and control (PPC)	0%	0%
Protection of biodiversity and ecosystems (BIO)	0%	0%

TABLE 3: PROPORTION OF OPEX ATTRIBUTABLE TO PRODUCTS OR SERVICES RELATING TO TAXONOMY-ALIGNED AND TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES IN 2023²³

Financial year 2023				Material contribution criterion						DNSH criteria (compliance with the Do No Significant Harm principle)									
Economic activities (1)	Code(s) (2)	Absolute amount of OpEx (3)	OpEx ratio, 2023 (4)	Climate change mitigation (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Social Safeguards (17)	Ratio of taxonomy-aligned (A.1.) / taxonomy-eligible (A.2.) OpEx (2022) (18)	Category (transitional activity) (19)	Category (enabling activity) (21)
Text		HUF million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	T	E
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable (taxonomy-aligned) activities																			
Electricity generation using solar photovoltaic technology	4.1 (Annex I) / D35.1.1	287	0.4	100							I.		I.		I.	I.	0.3	T	
Electricity generation from wind power	4.3 (Annex I) / D35.1.1	1.117	1.6	100							I.	I.	I.		I.	I.	0.9	T	
Electricity generation from hydropower	4.5 (Annex I) / D35.1.1	164	0.2	100							I.	I.			I.	I.	0.1	T	
Storage of electricity	4.10 (Annex I) / NA	60	0.1	100							I.	I.	I.		I.	I.	NA		E
Landfill gas capture and utilisation	5.10 (Annex I) / E38.2.1.	142	0.2	100							I.			I.	I.	I.	0.1	T	
Landfill gas capture and utilisation Installation, maintenance and repair of charging stations for electric vehicles in buildings (and at parking spaces belonging to buildings)	7.4 (Annex I) / F43.1.1.	278	0.4	100							I.					I.	0.3		E
Installation, maintenance and repair of renewable energy technologies	7.6 (Annex I) / F42.1.1.	24	0.1	100							I.					I.	NA		E
Collection and transportation of hazardous and non-hazardous waste	2.3 (Annex II) / E38.1.1	241.7	0.3				41.7				I.	I.		I.		I.	NA	T	
OpEx relating to environmentally sustainable activities (taxonomy-aligned) (A.1.)		2,313.7	3.3	3.0			0.3										2.2		
Of which: transitional		1,951.7	2.7	2.4			0.3										2.2	T	
Of which: enabling		362	0.6	0.6													0		E

²³ Pursuant to Annex II to Delegated Regulation (EU) 2021/2178 regarding disclosure

A.2. OpEx of taxonomy-eligible but environmentally not sustainable activities (taxonomy-non-aligned activities)											
				Y/N	Y/N	Y/N	Y/N	Y/N	Y/N		
Electricity generation using bioenergy	4.8 (Annex I) / D35.1.1.	479	0.7	I.							NA
Electricity generation from fossil gaseous fuels	4.29 (Annex I) / NA	14.855	20.7	I.							NA
Collection and transportation of hazardous and non-hazardous waste	2.3 (Annex II) / E38.1.1	580	0.8				I.				NA
Sorting and material recovery of non-hazardous waste	2.7 (Annex II) / E38.3.2.	2.371	2.5				I.				NA
OpEx of taxonomy-eligible but environmentally not sustainable activities (taxonomy-non-aligned) (A.2.)		18.285	25.5	21.4			3.3				0.1
A: OpEx of taxonomy-eligible activities (A.1+A.2.)		20,598.7	28.7	24.4			3.6				2.3
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES											
OpEx of taxonomy-non-eligible activities		51,146.3	71.3								
Total (A+B)		71.745	100								

OPEX RATIO/ TOTAL OPEX

	Taxonomy-aligned, by objective	Taxonomy-enabled, by objective
Climate change mitigation (CCM)	3%	21.4%
Adaptation to climate change (CCA)	0%	0%
Water and marine resources (WTR)	0%	0%
Transition to a circular economy (CE)	0.3%	3.3%
Pollution prevention and control (PPC)	0%	0%
Protection of biodiversity and ecosystems (BIO)	0%	0%

TABLE 4: ACTIVITIES RELATING TO NUCLEAR ENERGY AND FOSSIL GAS²⁴

Activities relating to nuclear energy		
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
Fossil gas related activities		
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of cogeneration heat/cooling energy and power generation facilities using fossil gaseous fuels.	YES
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cooling energy using fossil gaseous fuels.	YES

²⁴ Pursuant to Annex III to Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 and Delegated Regulation (EU) 2021/2178. <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R1214>

TABLE 5: TAXONOMY-ELIGIBLE BUT TAXONOMY-NON-ALIGNED ECONOMIC ACTIVITIES

Line	Economic activity	Revenue		CapEx		OpEx	
		Climate change mitigation (CCM)		Climate change mitigation (CCM)		Climate change mitigation (CCM)	
		Amount	%	Amount	%	Amount	%
1.	Amount and proportion in the denominator of the applicable KPI of taxonomy-aligned economic activities as specified in Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139						
2.	Amount and proportion in the denominator of the applicable KPI of taxonomy-aligned economic activities as specified in Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139						
3.	Amount and proportion in the denominator of the applicable KPI of taxonomy-aligned economic activities as specified in Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139						
4.	Amount and proportion in the denominator of the applicable KPI of taxonomy-aligned economic activities as specified in Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139	21.101	21.3	2.983	24.7	14.855	20.7
5.	Amount and proportion in the denominator of the applicable KPI of taxonomy-aligned economic activities as specified in Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139						
6.	Amount and proportion in the denominator of the applicable KPI of taxonomy-aligned economic activities as specified in Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139						
7.	Amount and proportion in the denominator of the applicable KPI of taxonomy-aligned economic activities not mentioned in lines 1 to 6						
8.	Amount and proportion in the denominator of the applicable KPI of taxonomy-eligible but not taxonomy-aligned economic activities	21.101	21.3	2.983	24.7	14.855	20.7

Line	Economic activity	Amount	Percentage
1.	Amount and proportion in the denominator of the applicable KPI of economic activities specified in line 1 of Table 1 that are taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II of Delegated Regulation (EU) 2021/2139		
2.	Amount and proportion in the denominator of the applicable KPI of economic activities specified in line 2 of Table 1 that are taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II of Delegated Regulation (EU) 2021/2139		
3.	Amount and proportion in the denominator of the applicable KPI of economic activities specified in line 3 of Table 1 that are taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II of Delegated Regulation (EU) 2021/2139		
4.	Amount and proportion in the denominator of the applicable KPI of economic activities specified in line 4 of Table 1 that are taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II of Delegated Regulation (EU) 2021/2139		
5.	Amount and proportion in the denominator of the applicable KPI of economic activities specified in line 5 of Table 1 that are taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139		
6.	Amount and proportion in the denominator of the applicable KPI of economic activities specified in line 6 of Table 1 that are taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II of Delegated Regulation (EU) 2021/2139		
7.	Amount and proportion in the denominator of the applicable KPI of taxonomy-non-eligible economic activities not mentioned in lines 1 to 6		
8.	Amount and proportion in the denominator of the applicable KPI of taxonomy-non-eligible economic activities		

12 INTEGRATED REPORT GLOSSARY

Accounting Act	Act C of 2000 on Accounting;
Ács Wind Turbine	the wind turbine with the nominal capacity of 2 MW owned by EURO GREEN ENERGY Kft., 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 operated by ALTEO's team of specialists and 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., Hungary; company registration number: Cg. 01-09-901186)
ALTE-GO	ALTE-GO Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-09-998498)
ALTEO Energiakereskedő	ALTEO Energiakereskedő Zártkörűen Működő Részvénytársaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-10-047253)
ALTEO ESOP Organization	ALTEO Employee Share Ownership Program Organization (registration number: 01-05-0000133)
ALTEO Group or Group	the Company and the Subsidiaries together
ALTEO or Company	ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-10-045985)
ALTEO-Depónia	ALTEO-Depónia Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-09-906261)
ALTEO-Therm	formerly Győri Erőmű Kft., ALTEO-Therm Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-10-047253)
Articles of Association	the Articles of Association of the Company effective as of April 21, 2023, 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
Bábolna Wind Turbine	The wind turbine owned by Pannon Szélerőmű Kft. and located in Bábolna consists of 7 wind turbines, has a nominal capacity of 15 MW, and sells the generated electricity to MAVIR under the KÁT regime. The wind farms are operated by ALTEO's team of specialists and are maintained by ALTEO and the Hungarian subsidiary of the wind turbine manufacturer, VESTAS Hungary Kft.;

Balatonberény Solar Power Plant	Owned by SUNTEO Kft., located in Balatonberény and constructed by the ALTEO Group on its own account, the solar power plant with an installed electricity generation capacity of 6.2 MW, sells the electricity it generates to MAVIR under KÁT for 25 years or until the total authorized generation volume is reached. The power plant is operated by ALTEO's own specialists.
BGS	The Bond Funding for Growth Scheme launched by the Central Bank of Hungary, the details of which are available on the website of the Central Bank of Hungary;
Board of Directors	the Company's Board of Directors
Board Procedures	Rules of procedure of the Company's Board of Directors effective from September 5, 2023
Bőny Wind Turbine	Owned by EURO GREEN ENERGY KFT., and located in Bőny and Bábolna, the wind turbine consists of 13 turbines and has a 25 MW nominal capacity. It sells the generated electricity to MAVIR under the KÁT regime, and will do so until January 31, 2023 at the latest or until the total authorized generation volume is reached. The wind farms are operated by ALTEO's team of specialists and are maintained by ALTEO and the Hungarian subsidiary of the wind turbine manufacturer, VESTAS Hungary Kft.
BSE or Budapest Stock Exchange	Budapesti Értéktőzsde Nyilvánosan Működő Részvénytársaság (registered office: H-1013 Budapest, Krisztina körút 55; company registration number: Cg. 01-10-044764)
Capital Market Act	Act CXX of 2001 on the Capital Market
Central Bank of Hungary	the Central Bank of Hungary (Magyar Nemzeti Bank);
Civil Code	Act V of 2013 on the Civil Code;
Debrecen I.	A small-scale power plant owned by ALTEO-Depónia Kft., 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 625 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-Depónia Kft., 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 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.
Domaszék	Domaszék 2 MW Naperőmű Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-09-278226)
Domaszék Solar Power Plant	The solar power plant owned by Domaszék 2 MW Naperőmű Kft., 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 regime for 25 years 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, 100% owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; 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
ELECTRICITY ACT	Act LXXXVI of 2007 on Electricity
Energigas	Energigas Korlátolt Felelősségű Társaság, indirectly and fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12; company registration number: Cg. 01-09-715418)
Energikum	Energikum Energetikai Zártkörűen Működő Részvénytársaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12; company registration number: Cg. 01-10-142420)
ESOP	Employee Share Ownership Program
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., Hungary; company registration number: Cg. 01-09-921340)
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 River Hernád (including, among others, turbines, generators 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. Currently the generated electricity is already being sold on the competitive market. 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 River Hernád (including, among others, turbines, generators 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 electricity generated in the hydropower plant is sold on the competitive market and holds a green premium entitlement within the METÁR regime. The power plant is operated by ALTEO's own specialists.
Government Decree implementing the Electricity Act	Government Decree No. 273/2007 (X. 19.) on the implementation of the Electricity Act
Green Committee	the Green Committee of the Company
Győr Power Plant	owned by ALTEO-Therm and located in Győr, the power plant cogenerates heat and electricity and supplies heat energy to companies operating in the industrial zone of the city and, to a lesser extent, residential consumers. The power plant's installed electricity generation capacity is 17.7 MW, its installed thermal capacity is 24.099 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 and maintained by ALTEO's team of specialists.
HAS	the Hungarian Accounting Standards;
HEPURA	the Hungarian Energy and Public Utility Regulatory Authority (formerly known as: Hungarian Energy Office)
HUF or Hungarian forint	the Hungarian forint, the legal tender of Hungary
HUPX	the organized Hungarian electricity market operated by HUPX Zrt.;
IFRS	International Financial Reporting Standards;
Integrated Report or Report	this document
Jánossomorja Wind Turbine	The wind turbine with the nominal capacity of 2 MW owned by EURO GREEN ENERGY Kft., located in the area of Jánossomorja, 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 operated by ALTEO's team of specialists and are maintained by ALTEO and the Hungarian subsidiary of the wind turbine manufacturer, VESTAS Hungary Kft.;
KÁT	the electricity taking-over system based on the rules set out in the Electricity Act, the Government Decree implementing the Electricity Act and Government Decree no. 389/2007 (XII. 23) on the obligatory dispatch and purchase of electricity generated from waste or from renewable energy sources and co-generated electricity;
Kazincbarcika Heating Power Plant	owned by ALTEO-Therm and located in Kazincbarcika, the heating power plant cogenerates heat and electricity and sells heat to the local district heating supplier at the price set by the Price Decree until September 30, 2032. The power plant's installed electricity generation capacity is 9.3 MW, its installed thermal capacity is 54.4 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.

MAVIR	MAVIR Magyar Villamosenergia-ipari Átviteli Rendszerirányító Zártkörűen Működő Részvénytársaság (registered office: H-1031 Budapest, Anikó utca 4.; company registration number: Cg. 01-10-044470)
METÁR	mandatory offtake system of heat energy and electricity generated out of renewable and alternative sources
METÁR Decree	Government Decree No. 165/2016 (VI. 23.) on the subsidies for the mandatory offtake and premium type purchase of electricity generated from renewable sources
Monor Solar Power Plant	Owned by Monsolar Kft., located in Monor and constructed by the ALTEO Group on its own account, the solar power plant with an installed electricity generation capacity of 4 MW sells the electricity it generates to MAVIR under the KÁT regime for 25 years or until the total authorized generation volume is reached. The power plant is operated by ALTEO's own specialists.
Monsolar	Monsolar Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-09-291864)
Nagykőrös Biogas Plant	ALTEO Group has been operating the Nagykőrösi Biogas Plant since 1 January 2016 at request of Energigas. The Nagykőrös Biogas Plant uses around 50,000-60,000 tons of agricultural and food industry waste, by-products and expired food per year. The two gas engines in operation in the biogas plant, with a total installed electrical capacity of 2,000 kW, are supplied with biogas with a 52-58% methane content by four fermenters. The project company sells the generated electricity to MAVIR under the KÁT regime until 2030. Operation and maintenance includes the handling and feed-in of incoming feedstock, the monitoring and operation of the biogas technology as a whole, the operation of gas engines, as well as low and high current systems and auxiliary systems.
Nagykőrös Solar Power Plant	owned by SUNTEO Kft., located in Nagykőrös and constructed by the ALTEO Group on its own account, the solar power plant with an installed electricity generation capacity of 6.9 MW sells the electricity it generates to MAVIR under the KÁT regime for 25 years or until the total authorized generation volume is reached. The power plant is operated by ALTEO's own specialists.
NAV	the National Tax and Customs Authority (abbreviation of the Hungarian name: NAV);
Offeror	MOL RES Investments Zártkörűen Működő Részvénytársaság (registered office: H-1117 Budapest, Dombóvári út 28, company registration number: 01-10-046154)
Ózd Power Plant	owned by ALTEO-Therm and located in Ózd, the heating power plant cogenerates heat and electricity and sells heat to the local district heating supplier at the price set by the Price Decree until December 31, 2030. The power plant's installed electricity generation capacity is 4.8 MW, its installed thermal capacity is 4.8 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.
Pannon	Pannon Szélerőmű Villamosenergia Termelő és Értékesítő Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-09-374969)

Pápakovácsi Wind Turbine	The wind turbine with the nominal capacity of 2 MW owned by EURO GREEN ENERGY Kft., located in the area of Pápakovácsi, 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 operated by ALTEO's team of specialists and are maintained by ALTEO and the Hungarian subsidiary of the wind turbine manufacturer, VESTAS Hungary Kft.
Price Decree	Decree No. 50/2011 (XI. 30.) of the Minister of National Development on determining the price of district heating sold to district heating suppliers, and the fee for district heating supply for household users and institutions handled separately
Remuneration Policy	remuneration policy according to Act LXVII of 2019 on the Encouragement of Long-Term Shareholder Engagement and the Amendment of Certain Acts with a View to Legislative Harmonization
Shares or Share	all or any of the series 'A' registered dematerialized ordinary shares issued by the Company at any time, each with a face value of HUF 12.5;
Sinergy	Sinergy Energiaszolgáltató, Beruházó és Tanácsadó Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-09-680396)
Sinergy Energiakereskedő	Sinergy Energiakereskedő Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-09-178667)
Small-scale landfill gas power plants in Debrecen	Debrecen I and Debrecen II. small-scale power plants that produce electricity from the landfill gas generated at the Debrecen landfill site.
Sopron Power Plant	owned by ALTEO-Therm and located in Sopron, the heating power plant cogenerates heat and electricity and sells heat to the local district heating supplier at the price set by the Price Decree until September 30, 2025. The power plant's installed electricity generation capacity is 6 MW, its installed thermal capacity is 38 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.

Subsidiaries or Subsidiary	<p>all or any of the following companies owned by the Company:</p> <ol style="list-style-type: none"> 1. ALTE-A; 2. ALTEO-Depónia; 3. ALTEO Energiakereskedő; 4. ALTEO-GO; 5. ALTEO-Therm; 6. Domaszék; 7. ECO-FIRST; 8. EDELYN SOLAR; 9. Energigas; 10. Energikum; 11. EURO GREEN ENERGY; 12. FE-GROUP; 13. Monsolar; 14. Pannon; 15. Sinergy; 16. Sinergy Energiakereskedő; 17. SUNTEO; 18. Tisza-WTP.
SUNTEO	<p>SUNTEO Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-09- 997687);</p>
Supervisory Board	<p>the Company's Supervisory Board</p>
Supervisory Board Rules of Procedures	<p>rules of procedures of the Company's Supervisory Board effective from March 26, 2010</p>
The Acquirers	<p>Főnix Private Equity Fund (Főnix Magántőkealap) managed by Diófa Alapkezelő Zrt. (Gránit Alapkezelő Zrt. as of January 10, 2024) and Riverland Private Equity Fund (Riverland Magántőkealap) managed by Indotek-Investments Zrt.</p>
Tiszaújváros Heating Power Plant	<p>owned by ALTEO-Therm and located in Tiszaújváros, the heating power plant cogenerates heat and electricity and sells heat to the local district heating supplier at the price set by the Price Decree until January 1, 2034. The power plant's installed electricity generation capacity is 9.448 MW, its installed thermal capacity is 45.8 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.</p>
Tisza-WTP	<p>Tisza-WTP Vízelőkészítő és Szolgáltató Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-3580 Tiszaújváros, Ipartelep 2069/3.; company registration number: Cg. 05-09-009864)</p>
Törökszentmiklós Wind Turbine	<p>Owned by EURO GREEN ENERGY KFT. and located in Törökszentmiklós, the wind farm with 1.5 MW nominal capacity sells the electricity it generates to MAVIR under the KÁT regime until the total authorized generation volume is reached. The wind turbine is operated by ALTEO's team of specialists and maintenance is carried out by ALTEO and Romwalter GmbH.</p>
Virtual Power Plant	<p>Sinergy Energiakereskedő's activity, in the framework of which it organizes certain electricity generator units of the ALTEO Group in a system operation unit;</p>

13 ESG DATA WAREHOUSE

Sustainability indicators of ALTEO Group (excluding FE-GROUP)

Activity	Unit	2022	2023	Year-on-Year	Indicator
ENERGY					
Electricity production	MWh	803,705	600,831	74.8%	2-6
Electricity sales	MWh	800,018	683,685	85.5%	2-6
Natural gas sales	MWh	219,318	160,638	73.2%	2-6
Installed electrical capacity of power plants owned by ALTEO Group	MW	135.40	137.50	101.6%	EU1
Power plants not owned by ALTEO Group	MW	84.90	82.90	97.6%	EU1
Installed electrical capacity					
Installed electrical capacity of ALTEO-owned renewable power plants	MW	69.61	71.64	102.9%	EU1
Installed electrical capacity of ALTEO-owned cogeneration natural gas power plants	MW	65.80	65.80	100%	EU1
Installed electrical capacity of cogeneration natural gas power plants operated by ALTEO	MW	82.90	82.90	100%	EU1
Installed electrical capacity of renewable power plants operated by ALTEO	MW	2.0	0	0%	EU1
Electricity produced					
Electricity generated by power plants owned by ALTEO	MWh	298,784	318,141	106.5%	EU2
Electricity generated by power plants operated by ALTEO	MWh	504,920	282,690	56.0%	EU2
Distribution of energy generated by ALTEO's power plants					
Industrial power plant	%	63	48		2-6
Heating power plants	%	20	28		2-6
Power plant utilizing renewable energy sources	%	17	24		2-6
Installed heat capacity					
Installed heat capacity of power plants owned by ALTEO Group	MW	184.38	189.49	102.8%	EU1
Installed heat capacity of power plants not owned by ALTEO Group	MW	593.56	593.56	100%	EU1
Heat energy produced					
Heat energy generated by power plants owned by ALTEO	GJ	1,283,584	1,294,929	100.9%	EU2
Heat energy generated by power plants operated by ALTEO	GJ	7,921,587	6,171,065	77.9%	EU2
Primary energy consumption					
Total primary energy use in power plants owned by ALTEO	GJ	2,154,246	2,326,517	108%	302-1
Total primary energy use in power plants operated by ALTEO	GJ	10,235,714	8,987,308	87.8%	302-1
Total energy consumption within the organization	GJ	963,451	1,874,962	194.6%	302-1
Average availability rates of heat energy producing power plants					
Average availability rate of all power plants – electricity	%	96	96		G4-DMARendelk EU30
Average availability rate of all power plants – heat energy	%	91	97		G4-DMARendelk EU30
In-house consumption of sites					
Electricity consumption of power plants operated but not owned by ALTEO	GJ	43,058	36,915	85.7%	302-1
Electricity consumption of power plants operated and owned by ALTEO	GJ	29,861	20,819	69.7%	302-1
Total energy consumption not at power plants	GJ	25,708	17,635	68.6%	302-1

Activity	Unit	2022	2023	Year-on-Year	Indicator
GREENHOUSE GAS EMISSION					
“Scope 1”, “Scope 2”, “Scope 3” carbon dioxide emissions					
Total direct (“Scope 1”) carbon dioxide emissions of ALTEO Group	tCO ₂ e	126,276	133,360	105.6%	305-1
Total indirect (“Scope 2”) carbon dioxide emissions of ALTEO Group	tCO ₂ e	3,396	3,031	89.3%	305-2
“Scope 3” Upstream	tCO ₂ e	311,917	274,178	87.9%	305-3
“Scope 3” Downstream	tCO ₂ e	67,945	34,017	50.1%	305-3
Total “Scope 3” emissions	tCO ₂ e	379,861	308,195	81.1%	305-3
Received and purchased CO₂ quota					
ALTEO Group’s free allowances of CO ₂ e emissions	tCO ₂ e	14,806	14,281	96.5%	EU5
ALTEO Group’s allowances of CO ₂ e emissions allocated at auction	tCO ₂ e	98,616	97,087	98.4%	EU5
Specific CO₂ emission of ALTEO Group					
Specific CO ₂ emission of ALTEO Group	kgCO ₂ e/GJ	54.96	55.89	101.7%	EU5
AIR POLLUTANTS					
Air pollutant emissions of power plants owned by ALTEO					
CO	kg	138,596	168,010	121.2%	305-7
NO _x	kg	245,465	236,707	96.4%	305-7
NMHC	kg	37,170	62,437	168%	305-7
SO _x	kg	0	120.25		305-7
PM	kg	0	2		305-7
Air pollutant emissions of power plants operated by ALTEO					
CO	kg	151,528	158868	104.8%	305-7
NO _x	kg	492,625	348366	70.7%	305-7
NMHC	kg	529	245	46.3%	305-7
SO _x	kg	1,137	84	7.4%	305-7
PM	kg	0	0		305-7
E-mobility					
Charging stations established by ALTEO Group throughout the year	units	103	193		ALTEO-1
Total number of charging stations installed by ALTEO Group	units	264	457		ALTEO-1
Indicators for our strategic objective to increase the share of renewables-based energy production capacity					
Total amount invested in renewable energy – CapEx	HUF million	1,120	3,678	328.4%	ALTEO-3
Volume of energy produced from own renewables	GJ	496,800	509,126	102.5%	ALTEO-3
HYDROPOWER					
Water consumption of power plants and water treatment facilities owned by ALTEO (except hydropower plants)					
Industrial water	m ³	3,279,267	3,547,008	108.2%	303-3
Piped potable water	m ³	68,397	89,231	130.5%	303-3
Subsurface water	m ³	14,604	18,861	129.1%	303-3
Water consumption of power plants operated by ALTEO					
Industrial water	m ³	2,563,252	1,909,931	74.5%	303-3

Activity	Unit	2022	2023	Year-on-Year	Indicator
Piped potable water	m ³	3,526	3,190	90.5%	303-3
Subsurface water	m ³	3,779	2,659	70.4%	303-3
Annual water consumption of hydropower plants	million m ³	800	1,214	151.8%	303-3
HAZARDOUS WASTE					
Hazardous waste generated by the operations of ALTEO					
Recycling	t	0	0		306-3
Reuse	t	0	0		306-3
Incinerating	t	0	0		306-3
Landfilling	t	4	71	1775.0%	306-3
Other	t	130	247	190.0%	306-3
WASTE					
Non-hazardous waste generated by the operations of ALTEO (t)					
Recycling	t	0	0		306-3
Incinerating	t	0	0		306-3
Landfilling	t	1,760	2,087	119%	306-3
Other	t	13	150	1154%	306-3
EMPLOYEES					
Total annual compensation ratio	%	551	3,813		2-21
Number of employees	persons	307	361	117.6%	2-7
Ratio of female and male employees					
Number of female employees	persons	66	82	124.2%	2-7
Number of male employees	persons	241	279	115.8%	2-7
Number of employees by sex and type of contract					
Full-time male	persons	240	277	115.4%	2-7
Full-time female	persons	62	77	124.2%	2-7
Part-time male	persons	1	2	200.0%	2-7
Part-time female	persons	4	5	125.0%	2-7
Staff turnover					
New male employees	persons	38	65	171.1%	2-7
New female employees	persons	13	20	153.8%	2-7
Number of employees leaving	persons	30	34	113.3%	2-7
Staff turnover rate	%	9.8	9.4		401-1
Training and education					
Average hours of employee training		31	40	129.0%	404-1
Average hours of training per female employee	hours	26	25	96.2%	404-1
Average hours of training per male employee		32	44	137.5%	404-1
HEALTH AND SAFETY					
Accidents involving ALTEO employees					
Number of fatal work accidents		0	0		403-9
Number of serious work accidents		0	0		403-9

Activity	Unit	2022	2023	Year-on-Year	Indicator
Number of notifiable work accidents		0	1		403-9
Number of near-miss accidents		150	115	76.7%	403-9
Number of hours worked		501,008	595,294	118.8%	403-9
Accidents involving non-ALTEO employees					
Number of fatal work accidents		0	0		403-9
Number of serious work accidents		0	0		403-9
Number of notifiable work accidents		0	0		403-9
Number of subcontractors (companies)		275	318	115.6%	403-9
Number of non-ALTEO employees (headcount of subcontractors)		3,677	577	15.7%	403-9
Number of hours worked		215,913	61,974	28.7%	403-9
Frequency of work accidents involving ALTEO employees					
Fatality rate		0	0		403-9
Serious work accident rate		0	0		403-9
Work accident rate		0	0.3		403-9
Frequency of work accidents involving non-ALTEO employees					
Fatality rate		0	0.0%		403-9
Serious work accident rate		0	0.0%		403-9
Work accident rate		0	0.0%		403-9

Sustainability indicators of FE-GROUP

Activity	Unit	2022	2023	Year-on-Year	Indicator
GREENHOUSE GAS EMISSION					
Scope 1, Scope 2, Scope 3 carbon dioxide emissions					
Gross direct (Scope 1) CO ₂ emissions	tCO ₂ e		508		305-1
Gross indirect (Scope 2) CO ₂ emissions	tCO ₂ e	First assessed in 2023	65		305-2
Total "Scope 3" emissions	tCO ₂ e		3,001		305-3
HYDROPOWER					
Water consumption of FE-GROUP					
Industrial water	m ³	250	243	97.2%	303-3
Piped potable water	m ³	0	0		303-3
Subsurface water	m ³	0	0		303-3
WASTE					
Total received and total transferred waste volume, and recovery and pre-treatment ratio in the course of FE-GROUP's activity					
Total input	t	31,086	36,785	118.3%	FeGr1
Total output for direct recovery and further treatment (R+E)	t	23,267	31,510	135.4%	FeGr1
Recovery and pre-treatment ratio	%	74.8	85.7	114.6%	FeGr1
Non-hazardous waste generated by the operations of FE-GROUP					
Recycling	kg	0	5,180		306-3
Reuse	kg	0	0		306-3
Incinerating	kg	0	0		306-3
Landfilling	kg	5,640	0		306-3
Other	kg	9,000	0		306-3
HAZARDOUS WASTE					
Total hazardous waste generated by the operations of FE-GROUP					
Recycling	kg	0	0		306-3
Reuse	kg	0	0		306-3
Incinerating	kg	0	0		306-3
Landfilling	kg	0	0		306-3
Other	kg	9,470	10,080	106.4%	306-3
ENERGY					
Total energy consumption within the organization	GJ	9,477	9,577	101.1%	302-1
EMPLOYEES					
Number of employees		98	93	94.9%	2-7
Ratio of female and male employees					
Number of male employees		75	71	94.7%	2-7
Number of female employees		23	22	95.7%	2-7
Number of employees by sex and type of contract					
Full-time male		72	68	94.4%	2-7

Activity	Unit	2022	2023	Year-on-Year	Indicator
Full-time female		23	22	95.7%	2-7
Part-time male		3	3	100%	2-7
Part-time female		0	0		2-7
Workers who are not employees		1	45	4500%	2-7
Staff turnover					
New male employees		22	38	172.7%	2-7
New female employees		4	9	225.0%	2-7
Number of male employees leaving		24	44	183.3%	2-7
Number of female employees leaving		7	10	142.9%	2-7
Staff turnover rate	%	32	58	181.3%	401-1
Training and education					
Average hours of employee training		2.51	5.67	229.6%	404-1
Average hours of training per female employee		2.00	2.00	100%	404-1
Average hours of training per male employee		2.76	7.65	277.2%	404-1
HEALTH AND SAFETY					
Accidents involving FE-GROUP employees					
Number of fatal work accidents		0	0		403-9
Number of serious work accidents		0	0		403-9
Number of notifiable work accidents		6	9	150.0%	403-9
Number of near-miss accidents		0	2		403-9
Number of hours worked		178,635	155,844	87.2%	403-9
Frequency of accidents involving FE-GROUP employees					
Fatality rate		0	0		403-9
Serious work accident rate		0	0		403-9
Work accident rate		6.7	11.6	173.1%	403-9