

ALTEO INTEGRATED REPORT 2022

# SUMMARY REPORT

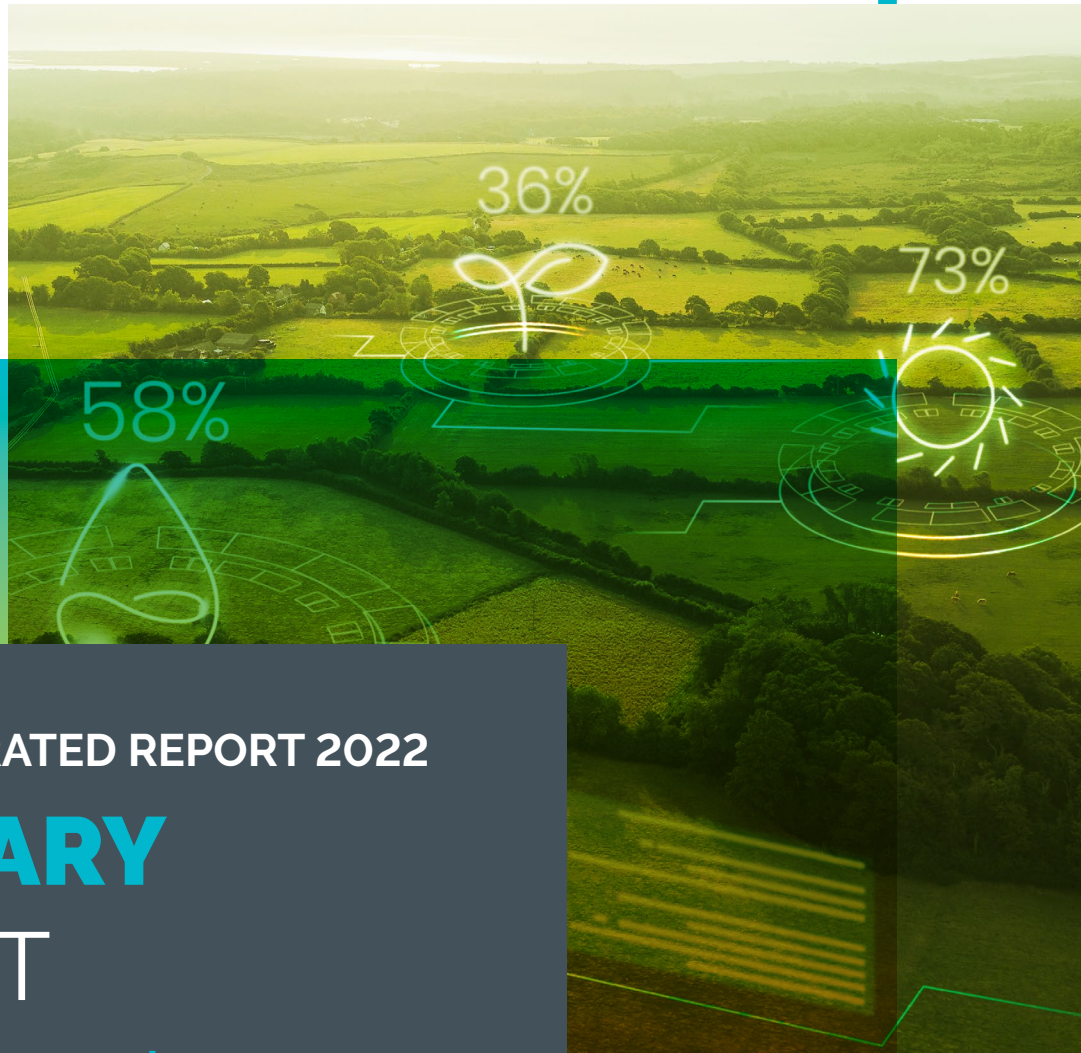
ALTEO's ESG approach,  
objectives and results



alteo

| 2022

ALTEO GROUP





At ALTEO, we believe in sustainable development, which is why we started laying down the foundations for our ESG (Environmental Social and Governance) vision and strategy several years ago. This year, we published our seventh Sustainability Performance Report. Its key messages are summarized here to make them more accessible and clear to all our stakeholders.

## 01 ESG MILESTONES

## 02 OUR SUSTAINABILITY STRATEGY

## 03 ENVIRONMENT

## 04 SOCIETY

## 05 CORPORATE GOVERNANCE

ALTEO is a key player in the Hungarian energy market. 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 development projects offered to companies.

Ensuring that our activities contribute to addressing the global issue of coordination in the context of climate change is of paramount importance for ALTEO, not least given our leadership role. In addition to the activities already mentioned, we offer services (Waste Management, E-Mobility) primarily aimed at fostering the circular economy.

### ENERGY PRODUCTION

- Electricity production
- landfill gas, natural gas, biogas, solar, hydro, wind
- Heat energy production

### E-MOBILITY (AlteGO)

### WASTE MANAGEMENT (ECOFIRST, FE-GROUP)



### ENERGY TRADING

- Virtual Power Plant
- Electricity trading
- Natural gas trading

### ENERGY AND POWER ENGINEERING SERVICES

- Energy and power engineering services
- Operation and maintenance of power plants and power engineering installations
- Construction
- Investment funding

### PRODUCTION MANAGEMENT SERVICES (Sinergy)



# 1. SUSTAINABILITY MILESTONES



While we are continuously enhancing our business performance, we also make sure that we keep learning and improving in order to become an even more environmentally and socially responsible company. In 2022, the focus was on obtaining our first ESG certification (Sustainalytics), developing in detail our Sustainability Strategy and the establishment of the ALTEO Green Committee.

## Sustainability milestones:

## Business milestones:



**2016**  
ALTEO's first Sustainability Report published



**2016**  
Initial public offering (BSE)

**2017**  
First solar power plant commissioned



**2018**  
ALTEO shares promoted from the Standard category to the Equities Prime Market

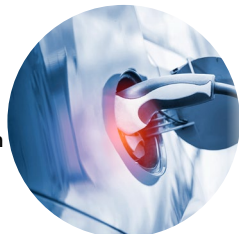


**2018**  
Construction of first own solar power plant



**2019**  
Waste Management Division launch

**2019**  
Installation of first electric charging station



**2020**  
Successful bond issue at a value of HUF 3.8 billion within the scope of BGS



**2020**  
We become the company with the second largest wind turbine capacity in Hungary (+7 towers)



**2020**  
Our scheduling service is launched under the name Sinergy

**2021**  
Sustainability elevated to top management level



**2020**  
E-mobility Division launched



**2022**  
First ESG certification obtained

**2022**  
ALTEO Green Committee established



**2021**  
Record high EBITDA profit



**2022**  
ALTEO's Sustainability Strategy developed in detail

**2022**  
ALTEO acquires a stake of more than 75% in FE-GROUP Zrt.





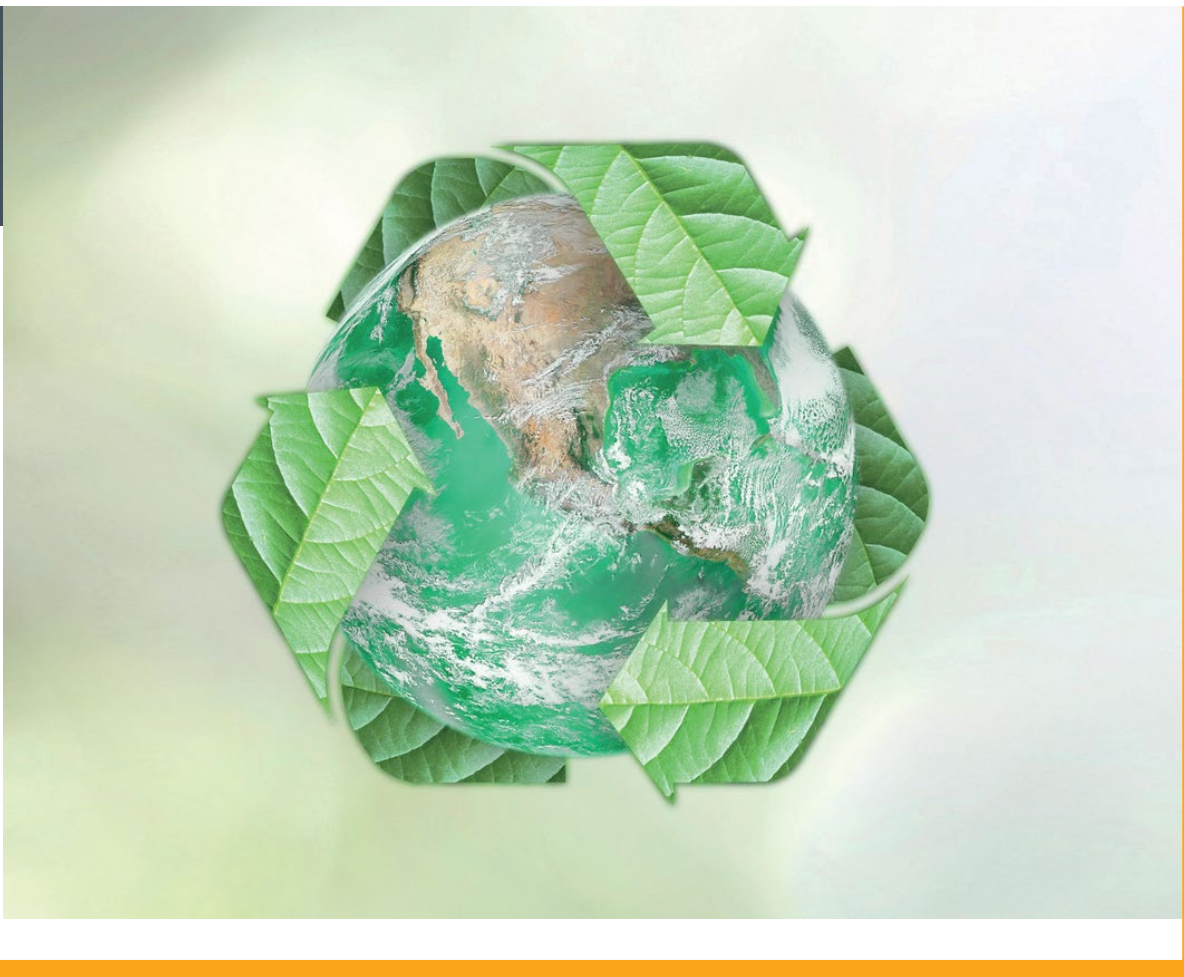
## 2. OUR SUSTAINABILITY STRATEGY




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 MATERIALITY ASSESSMENT SHOWS THAT  
ALTEO GROUP HAS A MATERIAL IMPACT ON SIX SDGS:**

OUR MISSION	TO BE THE COMPANIES OF THE FUTURE, HAND IN HAND WITH OUR PARTNERS.					
<b>Our vision</b>	To create fair value in a changing energy world.		To become a benchmark energy company.		Innovation and customized solutions in combination with professional excellence.	
<b>Focus areas of our Sustainability Strategy</b>	 Reduction of our carbon footprint	 E-mobility, greening of transport	 Reducing waste	 Education on sustainability	 CSR strategy with ESG focus	
<b>Our sustainability objectives</b>	<ul style="list-style-type: none"> <li>• Reduction of GHG emissions</li> <li>• Reduction of air pollution</li> <li>• Increasing the share of the RPM business</li> <li>• Further investment in sustainable energy solutions</li> </ul>	<ul style="list-style-type: none"> <li>• Installing charging infrastructure at ALTEO sites</li> <li>• Increasing the number of chargers installed</li> </ul>	<ul style="list-style-type: none"> <li>• Paperless office</li> <li>• Increasing the recycling rate of operational waste</li> <li>• Completing a biodiversity and water-focused risk analysis</li> </ul>	<ul style="list-style-type: none"> <li>• Using TCFD guidelines in our Sustainability Strategy</li> <li>• Obtaining an EcoVadis ESG rating</li> <li>• Employee education program</li> </ul>	<ul style="list-style-type: none"> <li>• Keeping the number of work-related accidents low</li> <li>• Developing a CSR plan</li> <li>• Promoting CSR activity</li> <li>• Cyber security</li> </ul>	
<b>Related SDGs</b>						












**DETAILED PRESENTATION OF ALTEO'S SUSTAINABILITY STRATEGY  
WITH PERFORMANCE INDICATORS**

OBJECTIVE	KPI	STATUS	COMMENT
 <b>REDUCTION OF OUR CARBON FOOTPRINT</b>			
GHG emission reduction*	<ul style="list-style-type: none"> <li>Reducing <b>Scope 1</b> by 20% by 2030, by 50% by 2050</li> <li>Reducing Scope 2 by 30% by 2030, by 75% by 2050</li> <li>Reducing Scope 3 by 55% by 2030, by 100% by 2050</li> <li>Corporate carbon footprint verification by 2025</li> </ul>		ALTEO Group has already calculated and published the total corporate carbon footprint for its 2021 report, and has set emission reduction targets accordingly.
Reduction of air pollution	<ul style="list-style-type: none"> <li>Reducing NOx by 25% by 2030</li> </ul>		
Increasing the share of the RPM business	<ul style="list-style-type: none"> <li>Increasing the share of the business from 15% to 25% by 2025</li> </ul>		The share of the business was 35.9% as at December 31, 2022.
Further investment in sustainable energy solutions	<ul style="list-style-type: none"> <li>We will invest HUF 35 billion in sustainable energy solutions by 2026</li> <li>Annual disclosure of the total amount invested in renewables and the volume of energy produced from renewables</li> </ul>		
 <b>E-MOBILITY, GREENING OF TRANSPORT</b>			
Establishment of charging infrastructure	<ul style="list-style-type: none"> <li>Installing charging infrastructure at ALTEO sites by 2030</li> </ul>		In 2022, the infrastructure at the head office (Globe) has been set up, and the process is underway at the Győr and Sopron sites.
Increasing the number of chargers installed	<ul style="list-style-type: none"> <li>Installing 200 ALTE-Go electric car charging stations by the end of 2022</li> <li>Installing 500 charging stations by the end of 2023</li> </ul>		Exceeding the 2022 plan, 264 charging points were installed, more than the 200 planned. Our target remains to reach 500 by the end of 2023.
 <b>WASTE REDUCTION</b>			
Paperless office	<ul style="list-style-type: none"> <li>Achieving a paperless office by 2030 up to the legal thresholds</li> </ul>		
Increasing the recycling rate of operational waste	<ul style="list-style-type: none"> <li>Increasing the recycling rate of operational waste to 50% by 2030</li> </ul>		
Completing a biodiversity and water-focused risk analysis	<ul style="list-style-type: none"> <li>Completion of biodiversity survey by the end of 2023</li> <li>Completion of water-focused risk analysis by the end of 2023</li> <li>Completion of CDP "Water Security" questionnaire in 2024</li> <li>Development of a Biodiversity Action Plan by 2025</li> </ul>		





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

 Completed
  Ongoing, on schedule

*\*Defined in line with EU decarbonization targets \*\*Aligned with the EU Taxonomy*



### 3. ENVIRONMENT



ALTEO Group aims to contribute to Hungary's renewable energy production and to delivering climate neutrality by 2050. Energy production and security of supply was a key issue in 2022, with extreme volatility having a significant impact on the energy market. However, these challenges have only reinforced the importance of a more sustainable approach and the need for further uptake of renewable energy production.

In order to operate sustainably, we are not only committed to increasing the use of renewable energy sources in our energy production portfolio, but also to minimizing the company's existing environmental footprint. To this end, we are continuously reducing our greenhouse gas emissions, to the extent possible and in line with the principle of precaution.

To reduce our environmental impact, we are focusing on the areas where we have the most significant impact as an energy sector player:



**GHG EMISSIONS**



- We aim to continuously reduce our GHG emissions along the performance indicators shown in the table above.
- Through its waste trading and recovery activities, ALTEO also contributed to the prevention of 70,508 tons of CO<sub>2</sub>e GHG emissions.
- Our goal is to set science-based (SBTi) GHG reduction targets by 2024.

**WATER CONSUMPTION**



- We are continuously monitoring the quantity and quality of discharged waste water, in line with our own self-monitoring plan and statutory controls.
- The water consumption of ALTEO-owned power plants decreased by 31% in 2022.
- No contamination of soil or groundwater resources occurred in 2022.

**WASTE**



- One of our priority objectives is to increase the recycling rate of operational waste to over 50% by 2030.
- As per legal requirements, waste is stored in workplace and site collection bays at our compounds, separated by type and properties.
- In 2022, the amount of hazardous waste generated by operations decreased by 30%.

**BIODIVERSITY**



- To effectively define a system of specific targets and monitoring, we are currently preparing a biodiversity and water-focused risk assessment.

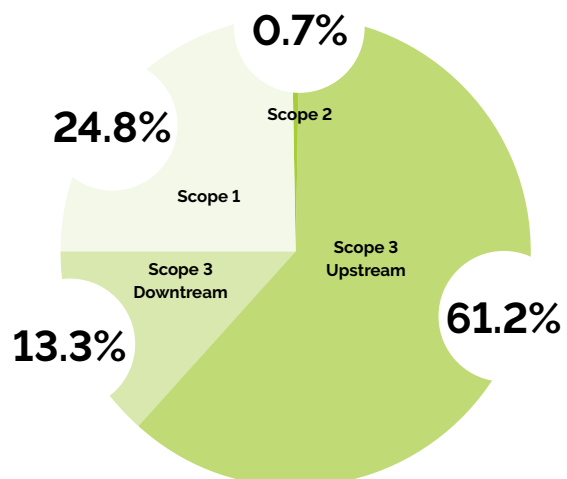


ALTEO's indirect (Scope 3) emissions were measured for the first time for 2021. According to the 2022 survey\*, a significant share (74%) of our greenhouse gas emissions continues to originate from these Scope 3 emissions.

In 2022, our Scope 1 emissions dropped by nearly 65 tCO<sub>2</sub>e and our Scope 2 emissions by 58 tCO<sub>2</sub>e, mainly due to the decrease of heat energy generated by ALTEO-owned power plants.

tCO <sub>2</sub> e	2020	2021	2022
<b>SCOPE 1</b>	230.744	190.959	126.276
<b>SCOPE 2</b>	3.365	3.710	3.652
<b>SCOPE 3</b>	-	344.052	379.861

**Distribution of emissions 2022 (tCO<sub>2</sub>)**



\* The calculation methodology is based on the requirements of the WBCSD/WRI GHG Protocol Value Chain (Scope 3) Accounting and Reporting Standard.



# 4. SOCIETY



At ALTEO, we consider it of the utmost importance to work together with our external and internal stakeholders based on shared values, and to raise their awareness of the foundations on which our corporate culture is built, as this is what enables us to make the right decisions for our common success, based on the same priorities. These values – essential prerequisites for our operation – are set out in our Code of Ethics.

## OUR VALUES



### THE PHYSICAL SAFETY OF OUR STAFF COMES FIRST

Health, safety and environmental protection, humanity, fair treatment, cheerfulness, good atmosphere, camaraderie, freedom to make mistakes, consistency, empathy.

**SECURITY/SAFETY**



### OUR EXPERTISE IS OUR GREATEST ASSET

We don't just work for money, but also intellectual potential, performance, expertise, knowledge, learning, determination, loyalty, flexibility – in our thinking and approach as well.

**EXCELLENCE**



### WE ARE BUILDING AN EFFECTIVE TEAM-WORK CULTURE

Flexibility, transparency, reliability, commitment, responsibility, honesty, integrity, empowerment, self-awareness, respect, openness.

**COOPERATION**

THE FOCUS OF OUR SOCIAL VALUE CREATION IS GROUPED AROUND  
THREE MAIN PILLARS:



OUR EMPLOYEES

One of our key values is to ensure our staff are motivated, professional and experienced.

- **Benefits:** In 2022, we reviewed and made favorable changes to our benefit plan, and set up an employee share ownership program (ESOP).
- **Development and training:** We support the professional training of our staff on an ongoing basis and hold annual training programs to develop staff competences.
- **Diversity:** Increasing diversity is one of our key objectives, and as a step towards that diversity the ALTEO Female Managers' Club was established.
- **Succession program:** We started working on a succession program in 2022 for areas involving specialized jobs.



LOCAL COMMUNITIES

Some of our facilities may impact on the lives of local communities for decades, and as such we consider it important to nurture our relations with local communities.

- **Economic impact:** We create jobs for the local population and help develop the local infrastructure.
- **CSR programs:** At the company level, our employees spent more than 500 hours participating in volunteer programs.
- **Charitable activities:** Supporting the UNICEF Climate Heroes Sustainability Program in 2022.



HEALTH AND SAFETY

Improving the culture of Health, Safety and Environmental Protection (HSE) is one of our ongoing objectives: our core value is safety, our motto is Safety First (or Safety1st).



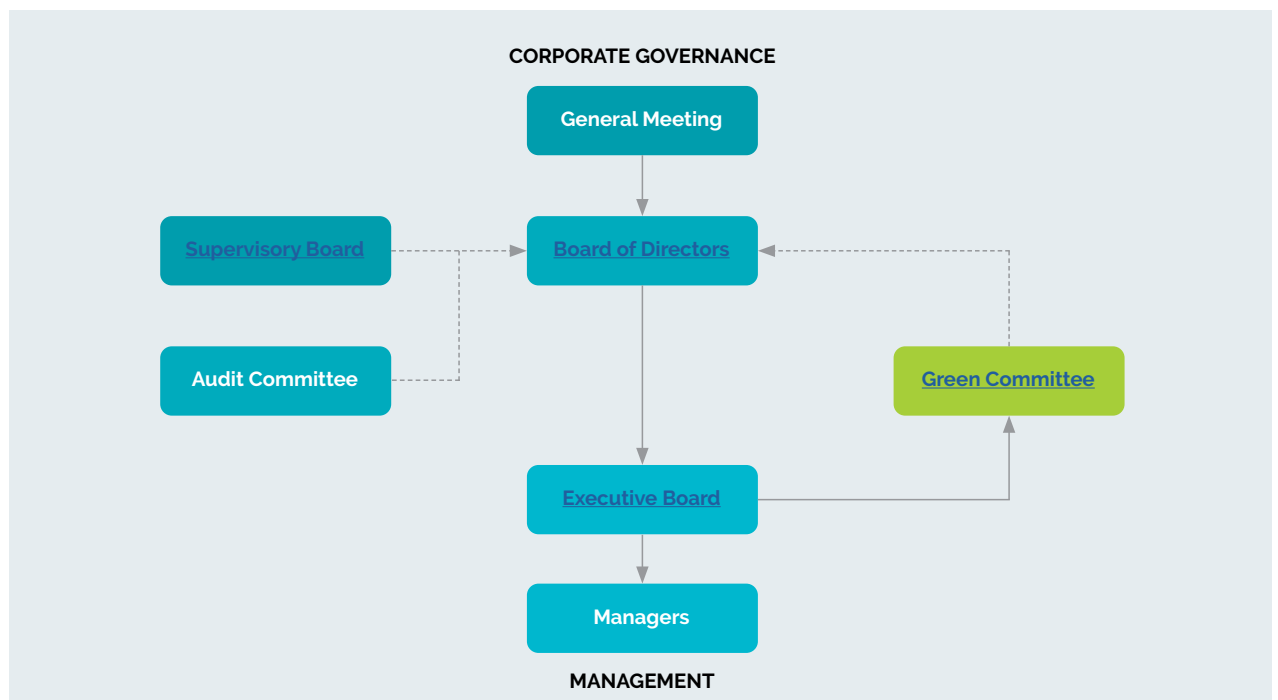
- **Work accidents:** There were no work accidents resulting in lost work days in 2022.
- **Occupational health and safety management system (OHSMS):** This is not a statutory obligation, rather ALTEO's own internal objective, applicable to all employees.
- **Health and safety training:** Training is compulsory for all new entrants, to be repeated annually.



# 5. CORPORATE GOVERNANCE



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



## ALTEO GREEN COMMITTEE

- With the establishment of the Green Committee in 2022, our goal was to create an advisory body that will help integrate ESG considerations into corporate decision-making in the long term. One of the criteria for nominating members to the Committee is 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 should all be represented.
- The committee meets every quarter to monitor the Company's Sustainability Strategy, present and discuss corporate policies and long-term objectives for sustainable development and keep climate risks on the agenda.



## RISK MANAGEMENT AS A KEY FOCUS AREA

Risk management is a cornerstone of ESG-oriented corporate governance. The integration of environmental and social considerations and risks into ALTEO's day-to-day operations has been facilitated by many years of persistent effort to set our [Integrated Management System \(IMS\)](#) and [Health, Safety and Environmental Protection \(HSE\)](#) regime on solid foundations.

We also recognize that the risks underlying climate change are a growing concern for our business, as they can affect the levels of energy demand and supply. In 2022, therefore, we prepared our first scenario analysis based on a TCFD approach to identify climate change related risks and opportunities. The detailed analysis is available in our 2022 Integrated Report.

ALTEO's regulatory regime is key for ensuring transparent operations. The Compliance Management System (CMS) ensures that the Group as a whole complies with laws, internal rules and regulations, as well as the Group Code of Ethics.



### BUSINESS ETHICS

In all our business activities and in our dealings with stakeholders, we act in accordance with the principles of ethics. The values we stand for and the essential prerequisites for our operation are defined in our Code of Ethics.

The standards set out in the Code of Ethics impose higher requirements on ALTEO employees and suppliers compared to existing laws. In 2022, the Code of Ethics was amended to ensure ESG aspects are respected, placing even greater emphasis on a working environment which accommodates employees' feedback. The [Company's Code of Ethics](#) is available on our website.

### RISK MANAGEMENT AND COMPLIANCE

The key objective of the Compliance Management System (CMS) is to keep risks across the entire operation of the Company at a minimum. Compliance risk management primarily involves legal and internal compliance, the cornerstone of which is ALTEO's corporate risk map. This map is updated annually by completing the Compliance Risk questionnaire, which shows the extent managers are aware of the risks in the areas under review.

**The questionnaire covers topics concerning the following five main business areas:** Corporate Governance, HR Policy, Finance/Accounting, Public Disclosure/Information Transfer, Procurement, Corporate Culture and Ethics.

### SECURITY

In the area of security, we pay particular attention to both information security and physical safety.

Throughout the year, we provided ongoing support to business areas on data protection issues arising, and reviewed from a data protection perspective all contracts with data protection implications.

In 2022, we implemented numerous developments in collaboration with our IT team and the IT service provider to raise the level of both IT and information security maturity.

### ANTI-CORRUPTION PROGRAM

One of the main objectives of ALTEO's compliance risk map is to eliminate the possibility of corruption, fraud and abuse.

We pay particular attention to reviewing in detail the business operations and anti-corruption policies of our partners and suppliers, including when conducting due diligence of our business partners.



#### ADDITIONAL INFORMATION

- ALTEO Integrated Report, 2022
- For comments on ALTEO's Integrated Report or this summary, please contact us at [fenntarthatosag@alteo.hu](mailto:fenntarthatosag@alteo.hu)