



ALTEO Green Financing Framework

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Executive Summary

ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság (referred to individually as ALTEO Nyrt., ALTEO or Group) intends to use the proceeds from the issuance of green bonds and the use of green loans to finance and/or refinance green projects that comply with the criteria set out in this Green Financing Framework (hereinafter the Framework). The Framework has been designed according to the requirements set out in the Green Bond Principles¹ (2022) published by the International Capital Market Association (ICMA) and the Green Loan Principles² (2021) published by the Loan Market Association (LMA). The Framework aims to make ALTEO's sustainability efforts more transparent to the Company's investors.

Based on the set of criteria defined in the Framework, projects eligible for financing and/or refinancing must fall into one of the following categories and meet the detailed criteria set out:

1. Renewable energy
2. Energy efficiency
3. Circular economy

The terms for refinancing are the same as for financing.

The allocation of green bond and green loan proceeds are decided on by the Green Committee (hereinafter the Committee or Green Committee) in accordance with the set of criteria defined in the Framework. The Committee is responsible for selecting and evaluating green projects as well as assessing their compliance with Framework criteria, the relevant international legal requirements applicable to the given activity and the procedures laid down in the Rules of Procedure of the Green Committee.

The proceeds from bonds and loans cannot be used for the following activities: gambling, coal-fired energy production, nuclear energy production, pornography, tobacco, arms and defense industries.

Pending the full distribution of proceeds, in the case of proceeds not yet distributed or allocated, the decision on investment in cash/cash on account and/or cash equivalents, money market instruments, short-term liquid securities is made by ALTEO's finance/economic department in line with ALTEO's investment policy and the criteria indicated in the Framework. The proceeds from green bonds and loans are recorded separately by the Company.

ALTEO reports to its investors on the use of green bond and green loan proceeds and the impact of the financed/refinanced projects in an annual Allocation and Impact Assessment Report. A final allocation report is required upon bond maturation. The Committee is also responsible for discussing and adopting these reports, for which the necessary data are provided by the financial reports produced by the accounting department.

¹ https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf

² [Guidance on Green Loan Principles \(GLP\) - LSTA](#)

Introduction

Meeting ambitious global and EU sustainability goals³ and tackling climate change require substantial capital and technological investment. Responsible companies, money market players and investors are, therefore, increasingly taking sustainability considerations into account in their financial decisions. Green bonds and green loans are key financial instruments in the sustainable finance market, helping to channel capital into investments and companies that are sustainable in their environmental and social impact. As the use of green bonds and loans is limited, the *green financing framework* serves, among other things, to ensure the appropriate use of proceeds, and to provide a measure of the impact of projects financed and/or refinanced with such proceeds.

At ALTEO, we have believed in sustainable development from the very beginning, and we take active measures to this end. We have been reporting regularly on our sustainability performance for years. Our goal is to provide the transparency our stakeholders expect, while improving our performance, and continuously learning and developing to become a more environmentally and socially responsible company.

ALTEO's Green Financing Framework provides investors with additional transparency. The Framework has been designed according to the requirements set out in the Green Bond Principles (GBP) published by the International Capital Market Association (ICMA) and the Green Loan Principles (GLP) published by the Loan Market Association (LMA), supplemented by the guidelines of the Central Bank of Hungary⁴. In addition, an external review of the Framework is carried out to assess its alignment with the Green Bond Principles and the Green Loan Principles. The term green bond is used in the Framework as defined by the GBP, i.e. green bonds are any type of bond instrument where the proceeds or an equivalent amount will be exclusively applied by the Company to finance or refinance eligible projects and which are aligned with the criteria set out in the green financing framework. Similarly, the term green loan is used in the Framework as defined by the GLP, i.e. green loans are any type of loan instrument where the proceeds or an equivalent amount will be exclusively applied by the Company to finance or refinance eligible projects, and which are aligned with the criteria set out in the green financing framework⁵.

In the section below, the Framework presents the following in line with the ICMA and the LMA requirements:

- the use of proceeds,
- the process for project evaluation and selection,
- the management of proceeds, and
- reporting.

³ https://ec.europa.eu/info/strategy/international-strategies/sustainable-development-goals/eu-and-united-nations-common-goals-sustainable-future_hu

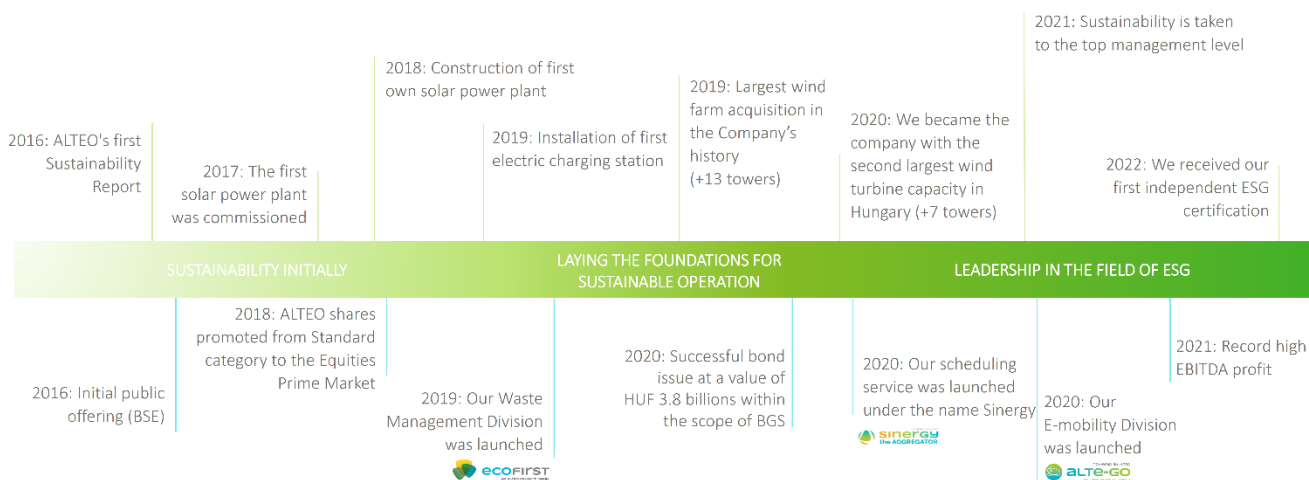
⁴ <https://www.mnb.hu/letoltes/mnb-zold-kotveny-utmutato.pdf>

⁵ Revolving loans can be categorized as green loans under the GLP if the use of their proceeds is sufficiently identifiable and meets the requirements of Appendix 2 of the GLP.

ALTEO and Sustainability

Results achieved







Environmental and social responsibility has been at the heart of the Group's corporate governance from the very beginning. The Group realized very early on that the energy sector plays a key role in meeting climate protection and energy efficiency targets and, as such, the Company is striving to contribute to climate change mitigation through its own operation. The Group, therefore, has an established ESG vision and strategy, and is committed to moving towards sustainability along the following sustainability milestones:



Objectives

In addition to the achievements to date, ALTEO Group has set further ambitious sustainability objectives⁶ for its operation and investments, in line with the UN's Sustainable Development Goals:

⁶ <https://alteo.hu/wp-content/uploads/2017/06/alteo-integralt-jelentes-2021.pdf>

ALTEO Group objectives			UN Sustainable Development Goals												
<ul style="list-style-type: none"> 25% reduction in Nox (nitrogen oxide) emissions by 2030 <table border="1"> <thead> <tr> <th>Our carbon footprint reduction targets</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> <p>*compared to the 2019 base year, ** compared to the 2021 base year</p>			Our carbon footprint reduction targets	2030	2050	Scope 1 *	20%	50%	Scope 2*	30%	75%	Scope 3**	55%	100%	
Our carbon footprint reduction targets	2030	2050													
Scope 1 *	20%	50%													
Scope 2*	30%	75%													
Scope 3**	55%	100%													
<ul style="list-style-type: none"> Water-focused risk analysis by 2023 Q4 Completion of CDP “Water Security” questionnaire in 2024 Completion of biodiversity survey by 2023 Q4 															
<ul style="list-style-type: none"> Maintenance of 0 LTIF (number of lost time work injuries per 1 million hours worked) result in respect of the Company’s own employees Achieving 0 LTIF for non-Company employees by 2025 Introduction of the ISO 27001 cyber security standard by the end of 2023 Development of a detailed CSR plan by the end of 2023 At least 500 hours/year of CSR activity throughout the whole ALTEO Group by 2025 Achieving an operational waste recycling rate of at least 50% by 2030 Paperless* office by 2030 (*up to the level of legal compliance) 			 												
<ul style="list-style-type: none"> Installation of 500 electric car chargers by 2024 Establishment of electric car charging infrastructure on Company sites 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 			 												

ESG-driven Corporate Governance

ALTEO is a dynamically developing Hungarian company with a modern approach, whose business activities are based on the following fundamental pillars:

- renewable energy and natural gas-based energy production,
- energy trade, and
- bespoke energy services and developments for companies.

Our core values also reflect our approach to sustainability. **As a specialist in evolution**, we aim to provide our clients with a sustainable business advantage in an ever-changing economic and social environment. **We adapt to develop** as we firmly believe that the winners of development and the changes it entails are the businesses that are able to adapt. We think ahead, building on past experience and the skills of our professionals. **We lead by example**, both through our actions and our decisions. Our corporate culture is based on knowledge and **knowledge management**, and we strive to achieve market advantage through this. Last but not least, **we operate sustainably**, for the benefit of our employees, our investors and the people involved in ALTEO's life. Our specific sustainability results are presented in our integrated report⁷.

In line with these values, it is of paramount importance to us to provide our clients with a reliable, environmentally-responsible energy supply based on renewable energy sources.

We have drawn up a comprehensive sustainability strategy, which our staff has been involved in formulating from the very beginning. We have defined our sustainability strategy around the following 5 pillars:

1. Reduction of our carbon footprint

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

2. Transportation:

We are continuously greenifying our company fleet so that 50% of our vehicles are hybrid or electric by 2025. Our e-mobility business provides the chargers required for this effort.

3. Waste reduction:

Office waste is collected separately, and we support reuse through education and donations. We are striving to make the office completely paperless⁸.

4. Organization:

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

⁷ <https://alteo.hu/wp-content/uploads/2017/06/alteo-integralt-jelentes-2021.pdf>

⁸ up to the level of legal compliance

5. CSR programs:







We participate in volunteer projects related to sustainability and the environment, and raise funds for selected organizations. We also involve local governments and educational institutions in CSR programs. Our goal is to spend at least 500 working hours each year on charitable activities at Group level by 2025.

Our objective is to become leaders in the Hungarian market through our deep commitment to ESG and to cooperate with our stakeholders to facilitate change for a more sustainable energy production. Our sustainability strategy aims to incorporate both our ESG guidelines and the UN Sustainable Development Goals into our everyday activities.


ALTEO has also established a Green Committee to further strengthen the role of sustainability in the Company's governance and strategy. The Green Committee is an advisory body to the CEO, and plays a key role in integrating ESG considerations into corporate decision-making.

Use of Proceeds

The amount equivalent to the net green bond and green loan proceeds is used by ALTEO to finance and refinance projects with a positive environmental impact in Hungary that meet the eligibility criteria defined below. From among the project categories supporting environmental objectives as defined in the ICMA GBP and the LMA GLP, ALTEO uses the categories of Renewable Energy, Energy Efficiency and Pollution Prevention and Control to determine eligible projects. These contribute to accomplishing ALTEO's sustainability objectives in relation to the UN Sustainable Development Goals specified in the criteria set. Alignment with ALTEO's detailed sustainability objectives is also reviewed when decisions are taken on individual projects.

Eligible project category under the ICMA GBP and the LMA GLP	Corresponding activity	Compliance criterion	Environmental objective ⁹	Related UN Sustainable Development Goals
Renewable energy	<ul style="list-style-type: none"> Installation and acquisition of solar power plants Installation and acquisition of wind farms 	<ul style="list-style-type: none"> Construction or operation of electricity generation facilities using photovoltaic solar energy technology Construction and operation of facilities generating combined heat energy/cooling energy, and electricity from solar energy. On-site installation, maintenance and repair of renewable energy technologies. 	<p>Mitigation of climate change</p> <p>Prevention and reduction of pollution</p>	  
Energy efficiency	<ul style="list-style-type: none"> Investments in energy storage and efficient heat production Use of high energy efficiency heat generation technology 	<ul style="list-style-type: none"> Investment in network capacity and productivity to increase energy efficiency Investments in energy storage, including investments to extend the useful life of used batteries. Replacing fossil fuel equipment with more energy-efficient and grid-regulating equipment, thus helping to increase the efficiency of the electricity grid and enabling the use of renewable energy sources. 	<p>Mitigation of climate change</p> <p>Prevention and reduction of pollution</p>	  

⁹ As defined in the ICMA GBP (2022) and the LMA GLP (2021)

<p>Pollution prevention and control / Circular economy</p>	<ul style="list-style-type: none"> • Waste recycling and reuse 	<ul style="list-style-type: none"> • Separate collection and transport of non-hazardous waste in single or mixed fractions for preparation for reuse or recycling. • Separate collection and transport of electronic waste for preparation for reuse or recycling. • Construction and operation of facilities for the sorting and processing of separately collected waste streams into secondary raw materials, with mechanical recycling, excluding backfilling 	<p>Prevention and reduction of pollution</p>	
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For each project to be supported, the social and/or environmental risks are assessed, and mitigation measures are defined where necessary.

If all or part of the proceeds are used to refinance projects, the Company provides an estimate of the ratio of financing and refinancing in the Allocation Report. It also clarifies which project portfolios are eligible for refinancing and presents the duration of refinancing.

The terms for refinancing are the same as for financing. In both cases, the activities listed in the table above can be supported, subject to the compliance criteria applied.

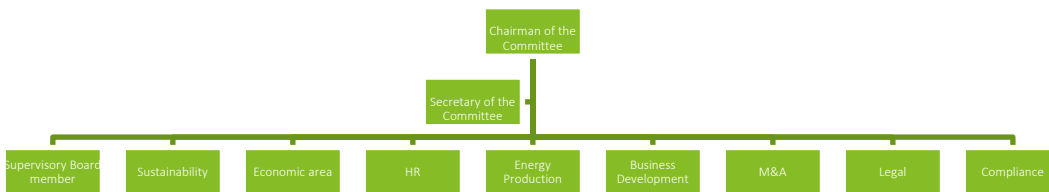
Process for Project Evaluation and Selection

ALTEO uses the proceeds from green bonds and green loans exclusively to finance and refinance activities that qualify as green as per the criteria set by the ICMA and LMA in this Framework. The selection and evaluation of projects eligible for financing and refinancing is based on the criteria set out in the chapter Use of Proceeds.

The Company aims to fully comply with relevant Hungarian and international legislation and best practices related to its activities in issuing green bonds and green borrowing. This includes the ongoing monitoring of possible changes in laws, and updating the Green Financing Framework accordingly.

The ALTEO Green Committee is responsible for selecting, monitoring and reviewing green investments eligible for funding from green bond and green loan proceeds. The management and availability of data and decision processes related to projects is carried out in accordance with ALTEO's related internal governance documents.

Structure of the Committee:



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, 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.

In addition to the Green Committee members, the Green Committee meeting is attended by ad hoc invitees, including the external expert involved by the Green Committee, as per the agenda.

The Committee selects and evaluates green projects and instruments on the basis of the criteria set by the ICMA and the LMA and those set out in the chapter Use of Proceeds. The Committee reviews, where necessary with appropriate expert involvement, whether green projects eligible for financing comply with the relevant national and international legal requirements for the given activity and with the procedures laid down in the Rules of Procedure of the Green Committee. In addition, the Committee decides on the allocation of green bond and green loan proceeds. Documents the decision-making processes and results in all cases.

Furthermore, the Committee tracks the development of the sustainability strategy and the achievement of the goals set.

The Committee decides on the allocation of bond and loan proceeds. Decision-making processes and results are documented in all cases.

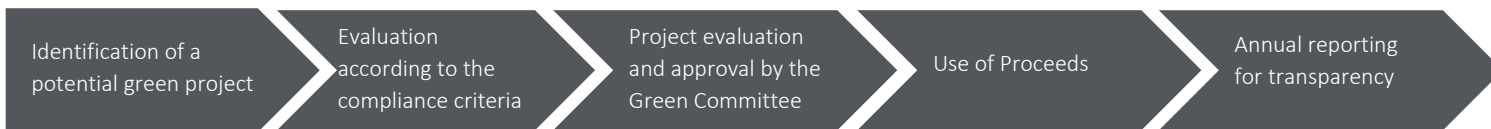
The Committee continuously assesses emerging projects and assets.

The Committee meets at least every three months in relation to its tasks relating to green bonds and green loans, but may convene an extraordinary meeting at any time, subject to prior consultation, or adopt a decision in writing, if there is a need for a review. One example is the review of issues concerning the updating of the Green Financing Framework following a change in the law.

The Committee discusses and adopts the annual reports based on the Green Financing Framework, including the Allocation Report and the Impact Assessment Reports. The content of the two reports is detailed in the chapter Reporting.

ALTEO excludes from the use of proceeds from green bonds and green loan projects related to the following activities: gambling, coal-fired energy production, nuclear energy production, pornography, tobacco, arms and defense industries.

Overview of the process:



Management of Proceeds

The proceeds from green bonds and green loans are allocated on the basis of the Committee’s decision. The Committee decides on the amount of support to be allocated to the various projects.

The Committee supervises that the proceeds from green bonds and green loans are used to finance or refinance green projects within a maximum of 24 months of receipt. The Committee works in close cooperation with ALTEO’s competent financial/economic department to supervise the management of proceeds.

ALTEO takes the utmost care to ensure that the proceeds from green bonds and green loans are not used to finance or refinance, not even on a temporary basis, activities that are not considered green. Pending the full distribution of proceeds, in the case of proceeds not yet distributed or allocated, the decision on investment in cash/cash on account and/or cash equivalents, money market instruments, short-term liquid securities is made by ALTEO's finance/economic department in line with ALTEO's investment policy and the criteria indicated in the Framework. The proceeds from green bonds and green loans are recorded separately by the Company.

If the green loan represents one or more tranches of a loan facility, the Company treats the proceeds from the green loan separately from the rest of the loan facility.

The Committee is responsible for the adoption of the Allocation and Impact Assessment Report on the management of proceeds (periodically). The report is based on financial statements relying on data provided by the IT systems used by ALTEO's financial/economic department. The statements provide information on both allocated and pre-allocated proceeds.

In the event of a change in the regulatory environment, the Green Financing Framework is reviewed. If, as a result of such review, the Committee makes changes to the Framework, such changes only apply to bonds issued and loans taken out after the publication of the amendment of the Green Financing Framework. The amended conditions do not apply to bonds already issued and loans already taken out.

Reporting

ALTEO undertakes to publish, at least once a year, a transparent report to investors on the allocation and use of the proceeds from green bonds and green loans. Reporting is carried out as follows:

- The Company annually publishes the **Allocation and Impact Assessment Report** in relation to the Framework, for the first time after the issue of a bond or borrowing under the terms of the Framework and at least once a year thereafter, until the maturity of the bond or loan and in the event of material changes.
- In the case of financing individual investments, at least two **Impact Assessment Reports** are prepared for each investment, one before the project is implemented and one after implementation, taking specific data into account. The latter can be published as part of the annual report.
- A final allocation report is prepared upon bond or loan maturation.

The **Allocation** Report and the **Impact Assessment** Report will be available on ALTEO's public websites.

Allocation Report

In the Allocation Report, ALTEO discloses information on proceeds from the issuance of green bonds and green borrowing:

- Total proceeds from green bonds and green loans
- Use of green proceeds: Proceeds from green bonds and loans used / total proceeds from green bonds and loans (%)
- Amount and share of capital investments financed and/or refinanced with green bond and green loan proceeds by project category
- Financial details of green projects financed and/or refinanced from green bond and green loan proceeds (amount spent on the given project, the process of implementation (if ongoing) in the current reporting period and, if relevant, in the previous reporting period)

- Non-financial details of green projects financed and/or refinanced from green bond and green loan proceeds (geographical distribution, expected environmental significance in the current reporting period and, if relevant, in the previous reporting period, their contribution to ALTEO's high level sustainability targets)
- Estimate of the ratio of financing and refinancing, duration of refinancing

The Allocation Report is externally verified.

Impact Assessment Report

In the **Impact Assessment** Report, ALTEO discloses the favorable environmental impacts of the green investments identified in the Framework along the following indicators:

Project category	KPI
Renewable energy	<ul style="list-style-type: none"> • Estimated volume of renewable energy produced per year (MWh) • Annual greenhouse gas emissions avoided (tCO₂e)
Energy efficiency	<ul style="list-style-type: none"> • Energy consumption reduction compared to conventional technology (kWh) • Annual GHG emissions avoided compared to conventional technology (tCO₂e) • Volume of energy stored (kWh_e) • Renewable share of stored energy (%)
Circular economy	<ul style="list-style-type: none"> • Volume of waste treated (t) • Annual volume of non-hazardous waste collected for reuse or recycling (t)

The Impact Assessment Report is externally verified.

Updating and Managing the Framework

As described in the chapter Process for Project Evaluation and Selection, the need to update the Framework is reviewed and decided by the Green Committee, according to its annual work program or on an ad hoc basis, as a result of the regulatory or market changes, if any.

Second Party Opinion

As with the Framework, the Second Party Opinion (hereinafter the SPO) will be available on ALTEO's public websites.

The SPO applies to this version of the ALTEO Green Financing Framework.