



## PannErgy Plc.

Sustainability Management and Environmental, Social and Governance (ESG) Performance Summary and Report  
**2021**

29 April 2022

## Introduction

### PannErgy Group, ESG Report for 2021 (GRI 1)

Today, PannErgy Public Limited Company (hereinafter referred to in itself or together with its scope of consolidation as the “Company” or “PannErgy”; registered office: 1117 Budapest, Budafoki Street 56.; company registration number: 01-10-041618; tax number: 10558377-2-43, website: [www.pannergy.com](http://www.pannergy.com)) released its **Sustainability Management and Environmental, Social and Governance (ESG) Performance Summary and Report** for the 2021 business year. This is the Company’s first such independent report (hereinafter referred to as the “ESG Report” or the “Sustainability Report”).

In addition to the data contained in the audited and consolidated financial statements prepared by the Company’s management in accordance with the International Financial Reporting Standards (IFRSs) for the period ending on 31 December 2021 and submitted for the General Meeting’s approval, this ESG Report also presents the environmental and social impacts of the PannErgy Group's operations during the relevant time period, as well as the Company's strategy and actions with regards to sustainability and environmental protection.

The PannErgy Group believes that is extremely important to determine the influence and impact its activities have on the environment and on society as a whole. The objective of this Sustainability Report is to provide such information to investors and market participants.

In this Sustainability Report, the Company provides deeper and more detailed disclosures, focusing on climate change, climate risk, and sustainable development.

As a renewable energy producer and a major contributor to carbon footprint reductions, the Company sees ESG as a significant opportunity for establishing a framework to identify non-financial aspects that may have a material impact on the performance of an investment, including the assessment and presentation of new non-financial risks.

In recognition of the Company's efforts in the field of renewable energy and sustainability, PannErgy Plc. was awarded the “Award for Responsibility, Sustainability and Corporate Governance” at the BSE Budapest Stock Exchange “Best of BSE 2021” awards ceremony.

### PannErgy for the Energy of the Future

**“Our goal is to become the leading geothermal energy company in the Carpathian Basin, by harnessing and producing the cleanest forms of renewable energy.”**

**“Our goal is to provide sustainable solutions that offer the opportunity to alleviate our energy needs in the long run, showing a way out of hydrocarbon-based energy dependence. Considering the existing demand and our efforts to maintain ecological balance, I am confident that our Company will take advantage of the opportunities provided by innovation and technology, continuing its operations as a greener energy provider.”**

**Dénes Gyimóthy, Acting Chief Executive Officer**

1	Table of Contents	
2	Introduction to the Company	4
2.1	The PannErgy Group's core operations (GRI 2 Disc. 2-1, 2-6, 2-7)	4
2.2	The evolution of the Company's renewable energy production (GRI 2 Disc. 2-6)	4
2.3	PannErgy Group's key operational and financial data for 2021 (GRI 2 Disc. 2-6)	7
2.4	Group organisational structure (GRI 2 Disc. 2-2, 2-6)	8
2.5	Products and services (GRI 2 Disc. 2-6)	9
2.5.1	Production and sale of renewable energy (GRI 2 Disc. 2-6)	9
2.5.2	Implementing geothermal projects (GRI 2 Disc. 2-6)	10
2.5.3	Real estate development (GRI 2 Disc. 2-6)	11
3	The Company's ESG strategy and ESG reporting plans (GRI 103-302)	12
4	Corporate governance	13
4.1	Corporate sustainability strategy, mission, vision (GRI 102-13, 102-16, 201-2)	13
4.2	The Company's objectives in relation to ESG reporting (GRI 2 Disc. 2-13, 2-14, 2-17)	14
4.3	The impact of sustainability risks on assets and liabilities	15
4.3.1	Impact on asset lifetime (GRI 201-2)	15
4.3.2	Impact on operating permits and licenses (GRI 307-1)	15
4.3.3	The potential impact of sustainability on financing (GRI 103-203, 201-2)	15
4.3.4	The going concern principle and related disclosures (GRI 201-2)	16
4.4	PannErgy Plc.'s integrated management system and corporate governance (GRI 2 Disc. 2-9, 2-10)	16
4.4.1	Management Board (GRI 2 Disc. 2-9, 2-10, 2-11, 2-12, 2-13, 2-16, 2-17, 2-18)	16
4.4.2	Audit Committee (GRI 2 Disc. 2-9, 2-27)	18
4.4.3	Other committees (GRI 2 Disc. 2-9)	18
4.4.4	Auditor (GRI 2 Disc. 2-27)	18
4.4.5	The Company's disclosure policy (GRI 2 Disc. 2-27)	19
4.4.6	The Company's insider trading policy (GRI 2 Disc. 2-27)	19
4.4.7	Exercising shareholder rights, presence at the General Meeting (GRI 2 Disc. 2-9, 2-27)	19
4.4.8	Internal control systems (GRI 2 Disc. 2-27)	22
4.4.9	Remuneration policy (GRI 2 Disc. 2-19)	22
4.4.10	Statement on remuneration (GRI 2 Disc. 2-20, 2-21)	23
4.4.11	Conflicts of interest (GRI 2 Disc. 2-15)	24
4.5	The members of the Management Board (GRI 2 Disc. 2-9, 2-10, 2-11, 2-12)	25
5	OUR CONSOLIDATED SUSTAINABILITY PERFORMANCE	26
5.1	PannErgy Group's greenhouse gas ("GHG") emissions savings balance (GRI 3 Disc. 3-3, GRI 302-3, 302-4, 302-5, GRI 305-4, 305-5, 305-6, 305-7)	26
5.2	Energy production and water extraction (GRI 3 Disc. 3-3, GRI 303-1, 303-2, 303-3)	28
5.3	Other water use	29
5.4	Soil and water conservation	29
5.5	Emissions and air pollution control	30
5.5.1	Air quality of geothermal project	30
5.5.2	Electromobility and vehicle emissions	30
5.6	Waste management	30
5.7	The impact of climate change on PannErgy's heat markets (GRI 3 Disc. 3-3, GRI 302-4)	30
5.7.1	PannErgy for the prevention of climate change (GRI 2 Disc. 2-22, GRI 302-5, GRI 305-2)	31
5.7.2	Operations involving carbon savings (GRI 302-1, 302-5, GRI 305-1, 305-2)	32
6	OUR SOCIAL PERFORMANCE	34
6.1	Our stakeholders (GRI 2, Disc. 2-28)	34
6.2	Authorities and supervisory bodies (GRI 2 Disc. 2-29)	34
6.3	Our shareholders (GRI 2 Disc. 2-29)	35
6.3.1	Ownership structure, shareholdings and voting rights (GRI 2 Disc. 2-1, 2-9)	35
6.3.2	List of shareholders with shareholdings over 5% at the end of the period (GRI 2 Disc. 2-1, 2-9)	35
6.4	Membership associations (GRI 2 Disc. 2-28)	36
6.5	Our suppliers and subcontractors (GRI 2 Disc. 2-29)	36
6.6	Our customers (GRI 2 Disc. 2-29)	37
6.7	Employees and company culture (GRI 2 Disc. 2-7, 2-8, 2-29, 2-30)	37
6.7.1	PannErgy Group employees, fluctuation (GRI 2 Disc. 2-7)	37
6.7.2	Workers who are not employees (GRI 2 Disc. 2-8)	40
6.7.3	Communication with employees (GRI 2 Disc. 2-29, 2-30)	41
6.7.4	Corporate culture (GRI 2 Disc. 2-29)	41
6.7.5	Corporate security, employee health and safety (GRI 2 Disc. 2-29)	41
6.7.6	Employee training (GRI 2 Disc. 2-29)	42
6.7.7	Regulations (GRI 2 Disc. 2-27)	42
6.8	Local communities/Corporate Social Responsibility (CSR) (GRI 2 Disc. 2-29)	43
7	THE COMPANY'S ESG REPORTING, GRI STANDARDS	45
7.1	Frequency of sustainability reports (GRI 2 Disc. 2-3, 2-4, 2-6)	45
7.2	Global Reporting Initiative (GRI) disclosures (GRI 1)	45
7.3	External assurance, contact (GRI 2 Disc. 2-5)	45
7.4	The Company's ESG development schedule (GRI 2 Disc. 2-22)	46
7.5	Material topics for ESG reporting (GRI 3 Disc. 3-1, 3-2, 3-3)	47
7.5.1	GRI standards for determining material topics	47
7.5.2	Process of identifying material topics (GRI 3 Disc. 3-1)	47
7.5.3	List of material topics (GRI 3 Disc. 3-2)	48
7.5.4	Managing the material topics (GRI 3 Disc. 3-3)	49
8	GRI CONTENT INDEX	50

## 2 Introduction to the Company

PannErgy Plc. uses clean and renewable energy solutions to build the future, giving every generation the opportunity to create value by applying the principles of environmental protection and sustainability. The Company has set itself the goal of becoming a market leader in the Central and Eastern European region through the use of geothermal energy, which provides significant economical, and ecological value for now and in the future.

In addition to PannErgy Plc.'s green energy activities and its regional leadership role in deep geothermal heat production, the Company is also committed to protecting the environment, and is a prominent advocate of combating climate change.

### 2.1 *The PannErgy Group's core operations (GRI 2 Disc. 2-1, 2-6, 2-7)*

PannErgy Plc. is an public limited corporation entity listed at the Budapest Stock Exchange, included in the BUX basket, and a premium share issuer. Its core activities involve the extraction, sale and utilization for energy generation of one of Europe's most significant thermal water resources and, in particular, renewable geothermal energy. In connection with its operations related to geothermal energy, the Company performs productive operations in the field of renewable energy in Miskolc, Győr, Szentlőrinc and Berekfürdő (in Hungary only). In the framework of selling the thermal energy produced, the Company cultivates long-term contractual relationships with its partners. Sales to local district heating companies are made at the official heating rates set annually by the Hungarian Energy and Public Utility Regulatory Authority for a one-year period starting on 1 October, while sales to industrial customers served directly are made at individually determined free-market value.

As of 31 December 2021, the PannErgy Group has 18 employees, while the annual average statistical headcount for 2021 is 23.

PannErgy Plc. has its registered office, headquarters in Hungary at H-1117 Budapest, Budafoki út 56. Its company registration number is 01-10-041618, and its tax number is 10558377-2-43.

The Company operates in a holding structure. See Chapter 2.4 for detailed information about the subsidiaries.

PannErgy Group's business operations are limited to Hungary. It has no business interests, and maintains no business units, in any other country.

### 2.2 *The evolution of the Company's renewable energy production (GRI 2 Disc. 2-6)*

These days, environmental protection and sustainability are becoming increasingly important. Regulators and market players are beginning to fully recognise the vital importance of these areas, and their role in shaping the future.

It is evident that PannErgy was well ahead of its time in understanding the importance of this segment, almost 15 years in advance. In 2007, when formulating its new corporate strategy to shareholders, the Company's management opted to focus on renewable energy production as a core activity, while scaling back plastics manufacture, which was more harmful to the environment.



The PannErgy Group is still committed to implementing its long-term strategy focusing on the utilization of renewable energy sources. The focus of the strategy is to become the region's dominant company in the utilization of geothermal energy, to maintain this position and to provide highly reliable environmentally friendly services that are free of geopolitical risks to the Hungarian population, as well as to the industrial and institutional market in Hungary, while continuing to create shareholder value.

The Company is fully committed to the utilisation of one of the most active thermal water sources in Europe for the production of energy. Since geothermal heat can be utilised by households and industrial consumers in the long-term, the environmentally sound investment projects implemented by PannErgy could enable significant reductions in expenditures relating to energy and greenhouse gas emission quotas.

In spite of temporary and intermittent set-backs, the increase in the demand for energy is unstoppable in the long term, while the resources, both domestic and global, are limited. Professional and efficient geothermal energy production is not only a form of utilization of a largely untapped source of energy, but also one of the most environmentally friendly and cleanest form of energy generation. The European Union has not only come to welcome such forms of energy generation, but it is now guiding Member States, including Hungary, by way of a strictly regulated program and clear-cut objectives.

That said, it is important to note that the production of renewable energy from deep geothermal wells is not an easy task, with numerous professional challenges hindering the implementation of projects and their safe and efficient operation. PannErgy enjoys a strong competitive advantage in this specialised field, with decades of experience and a proven track record of success in financial, operational and environmental projects. The table below presents the most significant milestones.

Year	Event
1922	PannErgy's legal predecessor is established.
1991	On 31 May 1991, the company – still a plastics company at the time – becomes a joint-stock company
1994	Among the first issuers to list shares on the Budapest Stock Exchange
2007	In November 2007, the Company changes its name to PannErgy and announces its new strategy. The Company set itself the goal of generating and utilising geothermal energy, an untapped resource in Hungary, based on well-founded calculations and research.
2010	Acquisition of sole ownership of Berekfürdő Energia Termelő és Szolgáltató Ltd. This acquisition allows PannErgy to expand its alternative energy portfolio with a power plant fueled with methane obtained from thermal water, which would otherwise be significantly damaging to the environment, as well as the associated technological expertise.
2011	Deepening a geothermal well in Szentlőrinc, construction of a surface system. The Company achieved its first success in 2010 with its geothermal developments by launching its commercial geothermic heat generation and sale of energy operations on 1 January 2011 in the town of Szentlőrinc. The project fully replaced Szentlőrinc's district heating system, which was previously based on crude oil, then on natural gas.
2013	In May 2013, production commenced at Central Europe's largest geothermal power plant, in the form of an investment project implemented by PannErgy. Geotermia Zrt.'s Miskolc project supplying the Avas district of Miskolc won the international GeoPower Market's "Best Heating Project 2013" award.
2014	PannErgy had also implemented the second phase of the Geothermal Project of Miskolc by September 2014. The system – implemented by Kuala Plc. – then began to supply thermal energy in the town of Miskolc to the Downtown and the University heating districts as well.
2014	In addition to the district heating system of Miskolc, its primary heat consumer, the capacity of the Miskolc Geothermal System allowed the company to supply further consumers with environmentally friendly geothermal energy. This is how heating supply was established towards the Company's first industrial customer partner, Joyson (formerly Takata) Safety Systems Hungary Kft.
2014	PannErgy launched its second largest investment project – the Győr Geothermal Project – in the Kisalföld region in early 2014, by deepening four geothermal wells (two production and two reinjection wells) in the villages of Bőny and Pér.
2015	November 2015 saw the inauguration of Győr-Moson-Sopron County's most significant and important energy investment – and not only among geothermal projects –, the Győr Geothermal Project. This project allowed PannErgy to significantly offset fossil fuel emissions by selling heat to Győr-Szol Zrt. and Audi.
2016	In 2016, the Company successfully completed its first major development investment programme for existing geothermal systems, resulting in a significant expansion of its existing competences. A thorough understanding of the somewhat unpredictable chemical and physical challenges of the well system in Győr enabled us to increase the resiliency of the system. By way of capacity upgrades, we increased the maximum thermal water yield capacity of the Győr Geothermal System to 960 m <sup>3</sup> /h.
2017	PannErgy concluded a concession contract in February 2017 with the Hungarian State for the exploration, extraction and utilization of geothermal energy in the region of Győr, for a period of 35 years. PannErgy Koncessziós Kft. was established to examine the geothermal resources over 2,500 meters below the surface, in the zone specified by the concession rights acquired under the concession contract. Accordingly, the company decided to drill a new geothermal well, to further increase its thermal capacity.
2018	The third production well in Bőnyi, BON-PE-03, was bored under the concession won the year before. PannErgy begins to use the additional quantity of heat supplied by its increased capacity for selling additional green energy to its existing customers.
2019	On 28 June 2019, the Company acquired full ownership in Well Research Ltd., owner of the reinjection well (ID: KIS-PE-01B) bored at Kistokaj and connected to the Geothermal System of Miskolc.
2020	Reliable heat generation during the pandemic, ensuring the achievement of the reporting year's planned EBITDA figures, in addition to further investments in capacity expansion and efficiency improvements.
2021	By 2022, the continued capacity expansion and efficiency improvement investment programme started the year before will enable the company to reach a consolidated annual EBITDA level of HUF 3,250 – 3,350 million by 2022. PannErgy further increased its emissions savings by purchasing carbon dioxide quotas to offset its overall operations, overshooting its planned carbon dioxide emissions savings.

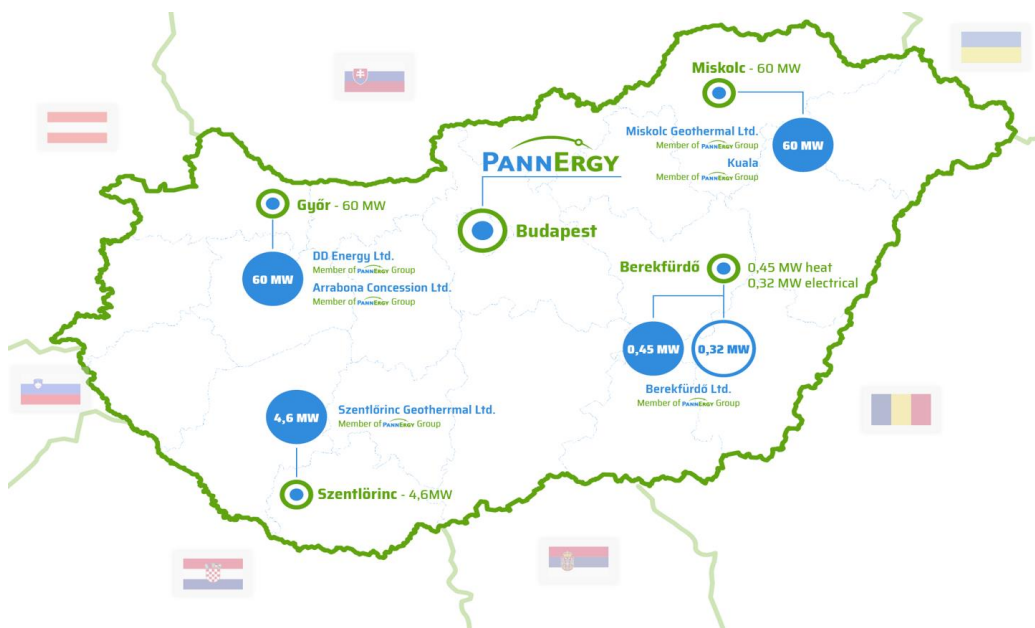
## 2.3 PannErgy Group's key operational and financial data for 2021 (GRI 2 Disc. 2-6)

<b>Consolidated heat sales in the reporting year</b>	<b>1,699 TJ</b>
<b>Installed operational capacity in MW (approx.)</b>	<b>125 MW</b>
<b>Consolidated value of assets</b>	<b>HUF 26,883 million (2021) <sup>1</sup></b>
<b>Consolidated revenue</b>	<b>HUF 6,439 million (2020) <sup>1</sup></b>
<b>Consolidated EBITDA</b>	<b>HUF 2,878 million (2020) <sup>1</sup></b>
<b>Group employee headcount at the end of 2021</b>	<b>18 employees</b>
<b>Ongoing projects</b>	<b>4 projects</b>
<b>Geothermal production wells</b>	<b>7 wells (of which 1 not proprietary)</b>
<b>Reinjection wells</b>	<b>6 wells</b>
<b>Main geothermal heat centers</b>	<b>4 projects</b>
<b>Number of significant heat exchangers</b>	<b>9 exchangers</b>
<b>Length of transmission pipelines (approx.)</b>	<b>44 kilometres</b>
<b>Number of households supplied (approx.)</b>	<b>58 thousand households</b>
<b>Number of industrial customers supplied</b>	<b>6 wells</b>
<b>Employee headcount of industrial customers (approx.)</b>	<b>15 thousand</b>

<sup>1</sup>: The financial report for 2021 will be published on 22 March, 2022 in Budapest Stock Exchange as part of General Meeting proposal. The General Meeting will be held on 29 April, 2022.

## 2.4 Group organisational structure (GRI 2 Disc. 2-2, 2-6)

During the reference period, the Company conducted its geothermal heat production and sales operations in Hungary at four project sites (Győr, Miskolc, Szentlőrinc and Berekfürdő).



PannErgy holding company's parent company is PannErgy Plc., which manages the Group's activities through its wholly owned subsidiary and professional holding management company, PannErgy Geothermal Power Plants Ltd.

The PannErgy Plc. has audited consolidated financial statements and other information on public record. There are no differences between the list of entities included in the financial reporting and the following entities list included in this ESG reporting.

### **The Company's consolidated subsidiaries, entities in consolidated financial statements and ESG reports:**

Name	Share capital (HUF Mn)	Shareholding (%)	Consolidation ratio (%)
PannErgy Geothermal Power Plants cPlc.	2,072.70	100.00	100.00
DoverDrill Mélyfúró Ltd.	86.00	100.00	100.00
Berekfürdő Energia Ltd.	24.10	100.00	100.00
Arrabona Koncessziós Ltd.	6.10	100.00	100.00
TT Geotermia cPlc.	6.00	100.00	100.00
Miskolci Geotermia cPlc. <sup>12</sup>	5.00	100.00	100.00
Szentlőrinci Geotermia cPlc. <sup>1</sup>	5.00	100.00	100.00
DD Energy Ltd.	3.10	100.00	100.00
Kuala Ltd.	3.00	100.00	100.00

<sup>1</sup> As of 31 December 2021, Miskolci Geotermia cPlc. and Szentlőrinci Geotermia cPlc. have been restructured, and will continue to operate as limited liability companies instead of private companies limited by shares. Szentlőrinci Geotermia cPlc's restructuring was registered with the Court of Registration on 25 January 2022.

<sup>2</sup> Well Research Ltd. merged into Miskolci Geotermia cPlc., with effect from 30 June 2021, whereby it was terminated, and Miskolci Geotermia cPlc. (currently Ltd.) became its general legal successor.



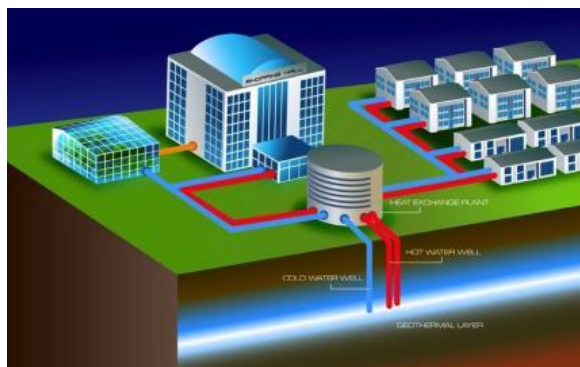
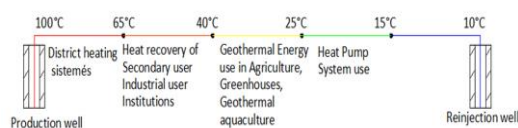
Apart from the above, there were no other significant changes or restructurings in the PannErgy Group.

The company's 2021 financial statements do not include minority interests.

## 2.5 Products and services (GRI 2 Disc. 2-6)

### 2.5.1 Production and sale of renewable energy (GRI 2 Disc. 2-6)

The Company's revenue is generated from the production of renewable geothermal energy and from the sale of the generated green energy to its heat-receiving partners (through district heating companies for residential and industrial customers, and directly to industrial customers).



Generally speaking, the geothermal energy system consists of the following distinct and locally separable components:

- extraction wells, including pump, filter, degasser, water treatment unit;
- Thermal water pipeline between the extraction wells and the geo-heat center;
- Geo-heat center;
- Reinjection pipe system;
- Reinjection wells;
- Secondary pipelines, pumps and heat exchangers.

A traditional geothermal heating system typically includes at least two hydraulic circuits. Firstly, a geothermal loop, which is an insulated heat transmission line servicing the main geo-heat center by connecting the production wells to the reinjection wells. Secondly, a secondary loop, which consists of a pair of insulated transmission lines connecting the thermal heat exchanger station to the heat transfer stations located at the partners' sites, spanning a distance of up to 10-15 kilometers.





The geothermal power plants are owned by the Company. The plants in Miskolc, Győr and Szentlőrinc produce thermal energy, while the Berekfüdő system produces thermal energy and electric power. All power plants operated by the Company use renewable and related energy sources.

Location of geothermal power plant	Nature	Installed operational performance over the reference period	Continuous capacity
Miskolc	Geothermal power plant	60 MW	1,080 m <sup>3</sup> /h
Győr	Geothermal power plant	60 MW	1,110 m <sup>3</sup> /h
Szentlőrinc	Geothermal power plant	4.6 MW	90 m <sup>3</sup> /h
Berekfüdő	Small gas engine power plant	0.77 MW <sup>1</sup>	

<sup>1</sup> 0.45 MW of thermal energy and 0.32 MW of electric power generation capacity is available from the methane extracted from the geothermal source.

### **2.5.2 Implementing geothermal projects (GRI 2 Disc. 2-6)**

The Company serves as contractor in the implementation of geothermal projects, through its specialised subsidiaries, which have extensive experience in project implementation. PannErgy remains in charge of managing the entire project implementation process, possessing the technical know-how to ensure successful drilling of the wells in a professional, high-quality, timely and economical manner.



A particularly high geological and technological risk is a specific feature of all geothermal projects. Members of the PannErgy Group mitigate this risk by way of gathering, integrating and processing the widest possible range of geological and other technical/professional and scientific information.



Due to the incalculable availability of the geothermal energy resources and the limited capacity of the equipment in the unconventional operational environment, the production of geothermal energy entails unforeseeable risks. To mitigate this risk, the Company prepares each of its geothermal projects with great care for detail, after all reasonably accessible data and information that may affect implementation has been collected and evaluated.

Since the Company has the necessary know-how for mitigating these risks, it is able to provide energy contractor services to external partners too, on a limited and ad hoc basis, if there is free capacity. These are primarily consultancy and professional services related to the implementation of geothermal projects or the drilling of thermal wells.

### **2.5.3 Real estate development (GRI 2 Disc. 2-6)**

In addition to the Company's core business, which is renewable energy production, it is also involved in the development of real estate for investment purposes, including industrial facilities and related office space. In the last few years, it sold all of its industrial properties in District XXI of Budapest, and therefore currently the Company only owns such properties in Debrecen.



These properties are not related to the generation and sale of geothermal heat, which is the main business activity of the PannErgy Group. In the medium term, the Company intends to sell the facilities formerly used for plastic manufacturing. Until this is achieved, these properties will be mainly used for rental purposes.

### 3 The Company's ESG strategy and ESG reporting plans (GRI 2 Disc. 2-22, 2-23, 2-24, 2-25)

<p><b>Environmental impact assessment</b> (Environmental)</p>	<p><b>PannErgy is committed to the utilisation of one of the most active thermal water sources of Europe for the production of energy.</b></p> <p>Through the Company's environmentally sound investment projects, geothermal heat can be utilised by households and industrial consumers in the long-term, allowing for significant reductions in energy expenditures. In addition, by replacing fossil fuels imported from abroad, PannErgy's investments will significantly contribute to the reduction of geopolitical uncertainty and strengthen Hungary's energy independence.</p> <p>In order to protect surface and subsurface waters while also ensuring the long-term sustainability of the geothermal system, PannErgy considers it essential to reinject the entire amount of geothermal fluids extracted.</p> <p><b>By exploiting new geothermal energy opportunities and increasing the efficiency of existing capacities, PannErgy is looking towards the future and improving the quality of life for future generations, creating value together with its shareholders, heat-receiving partners and customers.</b></p> <p><b>The Company supports environmental events, and is committed to raising awareness among the younger generations. It organises a number of events to educate the public about geothermal power as a source of renewable energy.</b></p> <p><b>The Company attaches particular importance to compliance with environmental legislation and preventing any violations of environmental statutes or regulations.</b></p>
<p><b>Addressing social issues</b> (Social)</p>	<p>PannErgy's renewable energy generation activities have a number of significant social aspects that need to be addressed.</p> <p>The Company focuses on providing reliable, continuous, and high-quality transmission of the thermal energy generated by the Company's environmentally friendly geothermal investments to its residential and industrial customers. In addition to focusing on the satisfaction of direct and indirect heat consumers, the Company also creates value for society by ensuring that the pricing of the thermal energy it generates remains professionally controlled, or is based on predictable rates. <b>As a combined effect of the legislative framework, regulatory oversight and predictable pricing, direct and indirect customers are able to enjoy fair and predictable energy prices in the long term. Customers have access to renewable energy at rates that are potentially independent of international energy prices. The Company seeks to improve the quality of life of those living in the areas near its projects in a number of ways.</b></p>
<p><b>Executive decision-making</b> (Governance)</p>	<p>PannErgy Plc. is an entity listed on the Budapest Stock Exchange, included in the BUX index basket, and is a premium share issuer.</p> <p>As a public limited company, the Company's executive decision-making process is highly transparent, and its corporate governance is driven by considerations of business-driven shareholder value creation and sustainability. <b>The core activity is the production of renewable energy</b>, meaning that, directly or indirectly, all decisions made by the Company's management have an impact on the environment.</p> <p><b>The Company's management is committed to providing investors with transparent and readily comparable information regarding not only financial data, but also sustainability and green environmental objectives.</b></p>

## 4 Corporate governance

**PannErgy Group's approach to sustainability affects all levels of the Company, including members of the Management Board and every employee. The Company's small but highly competent management team is committed to the expansion of renewable energy projects.**

### 4.1 Corporate sustainability strategy, mission, vision (GRI 2 Disc. 2-13, 2-14, 2-17, 2-22, 2-23, 2-24, 2-25)

PannErgy Plc. believes that the global economy, and more specifically the energy industry, has reached a historic turning point. The importance of decarbonisation is now widely recognised, with market participants increasingly committed to promoting transparency and global cooperation, and trying to adapt their activities to better address these concerns.

That said, the focus on ESG issues and related activities by various market participants is often exhausted in superficial solutions that do not have any real impact on environmental protection or sustainability and achieve nothing more than indicating the market participants' concern about ESG-related issues.

PannErgy, however, is fully prepared to greatly reduce carbon dioxide emissions. Its core business of renewable energy production is inextricably linked to sustainability and environmental goals, and it has been making significant efforts to reduce emissions of carbon dioxide and other greenhouse gases for close to two decades now.



Due to its focus on renewable energy production, the Company's entire activity is based on sustainability, with an efficient, small team, and no ecological footprint. PannErgy's sustainability strategy begins with innovation. It has long championed geothermal energy as an environmentally friendly source of power in Hungary and internationally, and has completed numerous R&D projects over the years.

As a company operating in the renewable energy industry, PannErgy aims to apply the benefits of sustainability to efficiency gains through cost- and energy-efficient operations, and to achieve competitive advantage, with the stated objective of maintaining forward-looking, stable and sustainable business operations.

Our unique know-how and strategy involves cost- and energy-efficient, top-quality industry operations, sustainability goals paired with specific, dedicated measures, as well as the long-term trust of our customers and partners. This is what constitutes the Company's roadmap to becoming a leader among the top companies of a "green and sustainable economy".

Even if environmentally harmful emissions were to cease immediately, the consequences of past environmental impacts would persist for decades, or even centuries. It is partly for this reason that, notwithstanding the 2050 carbon neutrality deadline set by the UN and the Republic of Hungary, the Company is committed to combating the effects of global warming in the present.

Accordingly, PannErgy's entire operation has been carbon neutral for almost a decade, and in fact the Company has achieved significant net negative emissions.

In the future, in addition to the financial targets (with consolidated thermal energy sold and EBITDA as KPI, key performance indicators), the Company will also monitor the achievement of the key targets set out in its sustainability and environmental strategy. The Company defines two such indicators in advance:

- 1) The **consolidated greenhouse gas savings rate** directly related to the production of green energy. It expresses the ratio of the savings made by the Company's renewable energy production compared to the pollutant emissions by fossil energy in connection with.
- 2) The **consolidated amount of greenhouse gas emissions calculated in tonnes** directly related to the production of green energy by the Company, used by residential and industrial customers.

The Company's management considers climate risk factors in its technical decisions. In other words, its operations involve sustainable operational strategies.

As one of its key aims, the strategy includes additional investment activities aimed at upgrading projects already in operation, which will reduce the Company's electricity consumption and increase the efficiency of its green energy use.

The Company will also fully take the aforementioned sustainability considerations into account during the course of future projects for drilling new geothermal wells.

In addition to its new geothermal projects and investments for increasing the capacity and efficiency of existing projects, the Company will also consider the use and deployment of other renewable energy sources (solar, wind) to power its operations.

#### 4.2 *The Company's objectives in relation to ESG reporting (GRI 2 Disc. 2-13, 2-14, 2-17)*

In addition to its annual financial report, PannErgy's sustainability report aims to provide investors and capital market participants with additional information about the way climate risks affect the Company and its environment, including its business strategy for managing said risks, as well as the considerations and assumptions used for the estimates.

The consolidated financial statements have previously included certain information on the Company's environmental and sustainability-related activities in the past, but mostly as a secondary consideration. The globally accepted and legally mandated accounting frameworks used for the consolidated financial statements do not include any specific accounting standard for addressing climate risks and their associated financial impacts. However, there are a number of sustainability and environmental factors that the Company has already described in its previous financial statements.

In order to prepare this ESG report, the Company has begun developing its eco-controlling system, which will complement its existing operational and strategic planning and measurement framework with sustainability factors, targets for reducing the ecological footprint of the Company's operations and green KPIs.

PannErgy describes that Dénes Gyimóthy, Acting Chief Executive Officer, the member of Management board is the delegated responsible for managing the PannErgy's impacts on economy, environment, and people.

Sustainability reporting committee is not yet operational and is being set up. According to the related plan this committee will report to the Management Board as a highest governance body on the ESG issues, the management organization's impacts on the economy, environment, and people. Management Board will review the ESG issues and at the end it will approve the ESG report, the reported information including the Company's material topics.

The reporting frequency will be monthly and the Sustainability reporting committee is scheduled to operate from 2023.

#### *4.3 The impact of sustainability risks on assets and liabilities (GRI Disc. 2-25)*

##### *4.3.1 Impact on asset lifetime (GRI 2 Disc. 2-25)*

The Company's management has evaluated the impact of climate change, and believes that climate-related risks will not significantly impact on the useful lifetime or residual value of existing assets. No indications of impairment have been identified. The reason assets are not subject to impairment is because the development of environmentally friendly technologies will not require the Company to replace its production equipment earlier than expected, all products of the Company qualify as "green products", and the Company will not need to phase out any products in either the near or the distant future.

##### *4.3.2 Impact on operating permits and licences (GRI 2 Disc. 2-25)*

The Company does not expect any permits to be withdrawn in connection with the regulatory enforcement of environmental and sustainability factors. Any new environmental tax burdens that may be introduced in the future are unlikely to affect the Company.

The Company's stronger future focus on environmental protection and sustainability and its transition to lower carbon emissions will not adversely affect the Company's operations, its economic, market, technological or legal environment, or its future projected cash flow.

The Company expects that the greater role of environmental protection and sustainability in the future may lead to the introduction of legislation imposing greater environmental and remediation obligations, when compared to existing legislation. However, as before, the Company has not identified any information or indication that would suggest it will incur significant additional recultivation (remediation) or other environmental costs in the future at its operational sites. The consolidated financial statements issued in the same reporting period as the ESG report do not include any associated provisions.

##### *4.3.3 The potential impact of sustainability on financing (GRI 2 Disc. 2-25)*

The environmental requirements related to climate change and sustainability will not adversely affect the Company's current and short- to medium-term planned financing or its structure, and will in fact provide opportunities for the Company. The Company continues to monitor the legislative and market environment for sustainability-linked, i.e. green bonds, as a potential financing option for environmentally friendly or sustainability-oriented projects. Green bonds

are debt instruments that are linked to issuers' corporate social responsibility (CSR) financing, in addition to meeting certain environmental, social or governance (ESG) targets. In addition to green bonds, financial institutions can also provide borrowers with "green" financing, as part of their lending activities. For such loans, the compliance of the financed client or project with certain sustainability criteria is an advantage, or even a prerequisite.

#### **4.3.4 The going concern principle and related disclosures (GRI 2 Disc. 2-25)**

While almost every company is affected by climate change, the extent of exposure and the impact of risks may vary, depending on the operating sector or geographical location. Certain sectors, such as those emitting high levels of greenhouse gases or those dependent on fossil fuels, are more exposed to climate-related risks, which may well compromise the going concern principle in the future. However, companies in all sectors need to consider the potential consequences of climate-related risks when assessing going concern issues. For some, these risks may immediately induce detailed and company-specific disclosures. For others, the impact may not be as immediate, but they will still need to monitor rapidly changing circumstances.

For PannErgy, this is not an issue, as its core business is renewable energy production that meets environmental objectives while looking to a sustainable future.

#### ***4.4 PannErgy Plc.'s integrated management system and corporate governance (GRI 2 Disc. 2-9, 2-10)***

PannErgy is committed to operate while observing the relevant laws, the MNB's (Hungarian National Bank) provisions and the stipulations of the BSE (Budapest Stock Exchange) Regulations. The structure and operating conditions of the Company are set out in the Articles of Association adopted by the General Meeting.

As far as responsible governance is concerned, PannErgy Plc. provides the following information.

##### **4.4.1 Management Board (GRI 2 Disc. 2-9, 2-10, 2-11, 2-12, 2-13, 2-16, 2-17, 2-18)**

In lieu of a Board of Directors and a Supervisory Board, the Company has a Management Board in order to enable a consistent system of governance. The Management Board carries out the statutory functions of both the Board of Directors and the Supervisory Board. As part of its duties as the Board of Directors, the Management Board defines the Company's strategic policies, makes its most vital decisions, and supervises its operation.

<b>7 members of the Management Board</b>	<b>Experienced professionals with proven track records in several business areas</b>	<b>2 women among the members, ensuring some degree of gender diversity</b>
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During the reference period, the Management Board had seven natural person members – 5 men and 2 women – elected by the General Meeting for an indefinite term of office. Chapter 4.5 includes a detailed introduction of the members of the Management Board.

Independence, diversity, diversity and professional competencies were taken into account in the selection of members of Management Board. Accordingly, the Company's Management Board is properly diversified based on gender, age and professional qualifications. This ensures that that views of stakeholders are duly taken into account.



The Chair of the Management Board is elected by the Board members from among their number. The member of the Management Board serving as the Chief Executive Officer or Acting Chief Executive Officer is appointed by the Board members from among their number.

The Management Board takes decisions with a simple majority. It has a quorum if the majority of its current members are present. In the event of a tie, the Chairman of the Management Board shall have the casting vote.

The Management Board shall establish its own rules of procedure, in accordance with the Articles of Association, containing a detailed description of its duties and procedures falling within its competence.

The Management Board shall prepare a report to the General Meeting on the Company's management, financial position and business policy at least once a year.

The Management Board directly governs the Company and is responsible for carrying out financial duties and implementing its resolutions and decisions. The employer's rights over the Company's direct employees are exercised by the Acting Chief Executive Officer.

The Management Board shall comprise the following members:

Balázs Bokorovics, Chair – independent  
 Dénes Gyimóthy, member – non-independent  
 Gábor Briglovics – independent  
 Katalin Gyimóthy, member – non-independent  
 Attila Juhász member – independent  
 Lilla Marianna Martonfalvai – independent  
 Kálmán Rencsár – independent

The Management Board member serving as the managing director:

Dénes Gyimóthy, Acting Chief Executive Officer

The Chair of the Management Board as the highest governance body is not a senior executive in the organization, there is no conflict of interest.

**In 2021, the Management Board met on 7 occasions, with an average participation rate of 65%, and brought written resolutions on 2 occasions (a total of 3 resolutions) without a meeting, mostly due to the pandemic.**

**Sustainability is a permanent strategic subject at the meetings of the Management Board.** The strategy includes monitoring potential problems that do or may have an impact on the Company's long-term sustainability. When discussing future investment opportunities or the operation of existing projects at Board meetings, the Management Board always considers the sustainability and ESG implications of their decisions, giving preference to solutions with positive impacts.

Within the Management Board, the person in charge of the implementation of sustainability aspects is the Acting CEO of the Company. The CEO is responsible for reporting to the Board of

Directors on the implementation of the sustainability strategy and sustainability issues on a quarterly basis, as needed.

This strategy covers the geothermal projects already in operation (Miskolc, Győr, Szentlőrinc and Berekfürdő) as well as all new projects planned in the short, medium and long term.

Based on the above, it can be said that all critical concerns were discussed during the current operation of the Management Board. Communication on critical concerns was adequate, the Company defined as a critical concern the following:

- all events, transactions that negatively or positively affected the consolidated EBITDA or consolidated heat sales plans for the current year and subsequent years,
- events affecting the Company's sustainability strategy (e.g. pandemic situation),
- other events (e.g. Russian -Ukrainian war).

#### **4.4.2 Audit Committee (GRI 2 Disc. 2-9, 2-27)**

In order to ensure that the functions of the Management Board are carried out and sound decisions are made, the Company's General Meeting has elected a three-member Audit Committee out of the independent members of the Management Board.

The Audit Committee's duties include commenting on the report prepared in accordance with the IFRS, assessing the functioning of the financial reporting system, making proposals on the appointment and remuneration of the auditor, preparing the auditor's contract and carrying out the tasks related to the cooperation with the auditor. Moreover, the Audit Committee regularly monitors whether the classification of transactions between the Company and related parties was appropriate in terms of the identification, public disclosure and regular handling of significant related transactions.

The Audit Committee lays down the rules governing its operation and decision-making. In the 2021 financial year, the members of the Audit Committee were as follows:

Attila Juhász, Chair  
Balázs Bokorovics  
Gábor Briglovics

In 2021, the Audit Committee met on 5 occasion, at a participation rate of 85%.

#### **4.4.3 Other committees (GRI 2 Disc. 2-9)**

The Company does not have a nominations committee or a remuneration committee. These functions are fulfilled by the members of the Management Board as appropriate. The Company operates with a small number of staff and with a narrow scope of activities, therefore establishing various committees and management bodies offers doubtful benefits.

#### **4.4.4 Auditor (GRI 2 Disc. 2-27)**

The Company's auditor is elected by the General Meeting for a term of 1 year.

The Company's auditor: Venilia Vellum Könyvvizsgáló és Adótanácsadó Kft.

The auditor is proposed by the Audit Committee; the proposal is put forward by the presiding officer of the General Meeting that elects the auditor. In the event the candidate of the Audit Committee does not get elected by the General Meeting as the Company's auditor, the Audit Committee shall nominate another person.

The auditor is responsible for auditing the Company's books, submitting a report to the General Meeting on the audit of the reports of the Company under the Accounting Act and the proposal by the Management Board on the distribution of profit and the calculation of dividends, and exercising other rights and carrying out other duties under the law.

During the 2021 financial year, the auditor carried out no activities for the Company other than auditing and the related statutory obligations.

#### **4.4.5 The Company's disclosure policy (GRI 2 Disc. 2-27)**

With respect to its disclosure policy, the Company acts in accordance with the applicable legislation and stock exchange. The Company shall publish its notices on its own website, the website of the Budapest Stock Exchange and on a website specified by the MNB. The publication of notices on the Company's website (www.pannergy.com) shall replace all other disclosure obligations unless otherwise provided by the law and other applicable regulations.

#### **4.4.6 The Company's insider trading policy (GRI 2 Disc. 2-27)**

With respect to insider trading, the Company acts in accordance with the applicable legislation and stock exchange rules. It has an Insider Trading Policy regulating the relevant activities, and holds records on the permanent and ad hoc insiders.

#### **4.4.7 Exercising shareholder rights, presence at the General Meeting (GRI 2 Disc. 2-9, 2-27)**

The Company's capital stock consists of 21,054,655 dematerialised registered ordinary shares of the nominal value of HUF20 (twenty) each, representing equal membership rights and constituting a single series of shares. At the General Meeting of the Company, each shareholder shall have one vote per ordinary share.

On behalf of the Company's Management Board, the entity authorised by the applicable law to keep the record of shareholders (currently the KELER Central Depository Ltd.) keeps a record of shareholders and shareholders' proxies.

Shareholder's rights may be exercised vis-à-vis the Company by any person whose name is registered in the record of shareholders. Shareholders' proxies may exercise shareholder's rights vis-à-vis the Company after they have been registered in the record of shareholders as a shareholder's proxy.

The rules of procedure related to shareholder verification requested in connection with the closing of the record of shareholders prior to the General Meeting are set out in the regulations of KELER Central Depository Ltd. as amended from time to time.

The Company's supreme body is the General Meeting, which consists of the entirety of shareholders.

An annual General Meeting must be held once a year, respecting the statutory time-limit. The agenda of the annual General Meeting shall by all means include the following:

- the report by the Management Board on the Company's business activities in the previous financial year;
- adopting the Company reports according to the EU-IFRS and a proposal by the Management Board on the distribution of profit and the calculation of dividends;
- determining the remuneration due to members of the Management Board and the auditor;
- adopting the responsible corporate governance report to be submitted to the Budapest Stock Exchange;
- adopting a decision on the evaluation of the work carried out by the members of the Management Board in the previous financial year and on granting the discharge they are entitled to.

An extraordinary General Meeting may be convened by the Management Board when it is considered appropriate for the operation of the Company.

An extraordinary General Meeting shall be convened by the Management Board if the previous General Meeting so decided and if it has been requested from the Management Board in writing by the auditor or shareholders representing at least 5% of all votes, the latter specifying the reasons for and the purposes of convening the General Meeting.

The invitation to the General Meeting shall be published by the Management Board in the manner specified for publishing the Company's notices in the Company's Articles of Association, at least 30 (thirty) days prior to the date of the proposed General Meeting.

Any invitations to and any notices regarding the General Meeting shall specify at least the Company's official name and registered office, the venue, date and time of the General Meeting, the agenda of the General Meeting, the conditions prescribed in the Company's Articles of Association of exercising voting rights and the rights to request information and to add items to the agenda of the General Meeting, and the venue and date of the General Meeting scheduled to be held repeatedly due to a lack of quorum.

Regarding issues not listed in the agenda published, the General Meeting shall not adopt a decision unless all shareholders are present and they unanimously consent to the decision.

Shareholders representing at least one percent (1%) of all votes may request the Management Board in writing to add an issue to the agenda of the General Meeting, specifying the reasons for such request, and may put forward a proposed resolution in connection with the items on the agenda.

Shareholders representing at least one percent of all votes may exercise such right within 8 days of the publication of the notice on convening the General Meeting. The Management Board shall add the proposal to the agenda of the General Meeting and publish such addition within 8 (eight) days in the same manner as the publication of the notice on the General Meeting.

The Company shall publish important data of the report under the Accounting Act and the Management Board report, a summary of proposals related to the items on the General Meeting's agenda and the proposals for resolutions, summaries of the number of shares and

voting rights as at the time the General Meeting is convened and the statement on remuneration at least 21 (twenty-one) days before the date of the General Meeting.

The General Meeting shall form a quorum if shareholders representing more than fifty percent of all voting shares are present, in person or through proxy. Such power of attorney shall be issued in the form of a public document or a private document of full probative power and submitted at the place and time specified in the invitation to the General Meeting but at any rate not later than the registration before the General Meeting. Where a shareholder so prefers, the Company shall send him a power of attorney form to the postal or e-mail address specified by the shareholder.

The power of attorney shall remain valid for a single General Meeting or for a fixed term of up to 12 (twelve) months. The power of attorney shall also be valid for the continuation of a suspended General Meeting and a General Meeting that has been repeatedly convened due to a lack of quorum.

Members of the Management Board, the manager, senior executives of the Company and the Company's auditor shall not act as proxies.

In the event the General Meeting still fails to form a quorum 30 (thirty) minutes after the starting time of the General Meeting, the repeated General Meeting shall be convened, with the same agenda, for a time within 15 (fifteen) days of the date of the original General Meeting, with the proviso that the repeated General Meeting shall be convened for a day at least 10 (ten) days later than the day on which it is convened. A General Meeting repeated due to a lack of quorum shall form a quorum with regard to the issues on the agenda of the original General Meeting regardless of the number of persons attending.

At the General Meeting, a person may exercise his or her rights of membership if such person has been registered in the Company's Record of Shareholders on the basis of the shareholder verification initiated in connection with the closing of the record of shareholders prior to the General Meeting.

The date of shareholder verification shall be the 5th (fifth) stock exchange business day prior to the General Meeting unless KELER has specified a different date in its regulations as amended from time to time. Any sale of shares that takes place following the date of shareholder verification prior to the General Meeting shall be without prejudice to membership rights that may be exercised at the General Meeting in question.

On the basis of the records in the record of shareholders, the Management Board shall enable shareholders or shareholder proxies to properly exercise their voting rights by each share at the venue of the General Meeting after they have identified themselves and signed the attendance list.

Shareholders shall not exercise their voting rights unless they have paid up to the Company their contributions that have become due and payable.

Voting at the General Meeting shall be held primarily by voting papers and the manual counting of votes. In that case, the General Meeting shall elect a returning board at the proposal of the Chair of the General Meeting. The returning board shall have 3 (three) members. The returning

board shall submit a written report on the result of the vote; the Chair of the General Meeting shall set forth the result and attach the report to the minutes of the General Meeting.

The presiding chair of the General Meeting shall be the Chair of the Management Board. If the Chair of the Management Board is prevented, the presiding chair of the General Meeting shall be elected by the General Meeting by simple majority on the Management Board's proposal, out of the persons present.

The Chair of the General Meeting shall open the General Meeting, determine if it forms a quorum, appoint the recorder, guide the discussion, give leave to speak and cut off speakers, order a break, draft the proposals for resolutions, order the vote and set forth its result, announce the resolutions of the General Meeting, arrange for the drafting of the minutes of the General Meeting and the attendance list and adjourn the General Meeting.

Minutes of the General Meeting shall be kept as provided for by the Civil Code.

#### **4.4.8 Internal control systems (GRI 2 Disc. 2-27)**

The Company has drawn up an Internal Rules of Procedure on transactions with affiliated parties to ensure the transparency of the transactions with such parties, determine the rules regarding transactions with affiliated parties to prevent them from securing advantages due to their position and appropriately safeguard the interests of PannErgy Nyrt. and non-affiliated party shareholders, including minority shareholders.

#### **4.4.9 Remuneration policy (GRI 2 Disc. 2-19)**

A new law entered into force on 17 July 2019 transposing the European Union's Shareholder Rights Directive II (SRD II) and facilitating the encouragement of long-term shareholder engagement over short-term risk-taking and improving transparency between public companies limited by shares and investors. Based on the stipulations of the Act LXVII of 2019 on the Encouragement of Long-term Shareholder Engagement and the Amendment of Certain Acts with the Purpose of Legal Harmonisation, the Company has prepared a detailed Remuneration Policy. According to Section 3:268(2) of the Civil Code, acting in the capacity of the General Meeting in accordance with Section 9(2) of Government Decree 102/2020 (IV.10.) on derogating provisions governing the operation of partnerships and joint-stock companies during the state of danger, the Management Board has adopted the proposed Remuneration Policy and has published it on the Company's website.

PannErgy Nyrt's Remuneration Policy is effective as of 30 April 2020.

Under Section 3:268(2) of the Civil Code, acting in the capacity of the General Meeting in accordance with Section 9(2) of Government Decree 502/2020 (XI.16.) on the repeated enactment of derogating provisions governing the operation of partnerships and capital companies during the state of emergency, the Management Board supported the first Remuneration Report for the business year 2020, submitted to the General Meeting for a consultative vote, and arranged for making available the Remuneration Report on the Company's website, for at least ten years.

**4.4.10 Statement on remuneration (GRI 2 Disc. 2-20, 2-21)**

The Company informs investors of the persons performing a function in its Management Board ('MB') in 2021 and the remuneration received by such persons in 2021 on the basis of such functions.

Name	Position	Duration of performing a function in 2021	Total remuneration received in 2021 (Gross amount)	Grounds for the remuneration	Fixed part (%)	Variable part (%)
Balázs Bokorovics	Chair of the MB	01.01.2021 – 31.12.2021	HUF 2,340,000	Remuneration of the office	100%	0%
Dénes Gyimóthy	Member of the MB, Acting Chief Executive	01.01.2021 – 31.12.2021	HUF 1,860,000	Remuneration of the office	100%	0%
Gábor Briglovics	Member of the MB	16.04.2021- 31.12.2021	HUF 1,317,500	Remuneration of the office	100%	0%
Katalin Gyimóthy	Member of the MB	01.01.2021 – 31.12.2021	HUF 1,860,000	Remuneration of the office	100%	0%
Attila Juhász	Member of the MB	01.01.2021 – 31.12.2021	HUF 1,860,000	Remuneration of the office	100%	0%
Lilla Marianna Martonfalvai	Member of the MB	01.01.2021 – 31.12.2021	HUF 1,860,000	Remuneration of the office	100%	0%
Kálmán Rencsár	Member of the MB	30.04.2021 – 31.12.2021	HUF 1,240,000	Remuneration of the office	100%	0%
<b>Total:</b>			<b>HUF 12,957,500</b>			

The actual remuneration fully complies with the requirements set out in the Remuneration Policy. While no performance criteria have been laid down in connection with the remuneration on the basis of the principles described above, it should be noted that the Company has achieved its EBITDA target for the financial year 2021, such value constituting the primary financial performance indicator for the Company.

During the past five years, the yearly changes in Group-level remuneration and the development of the Company's performance and the average Group-level remuneration of Company employees other than managers during such period are shown in the tables below, expressed in FTE in a manner enabling comparison

Financial year	EBITDA consolidated according to the IFRS (thousand HUF)	Change in EBITDA consolidated according to the IFRS from the previous financial year (thousand HUF)	Change in the average annual per capita income of managers from the previous financial year (%)	Change in the average annual per capita income of employees other than managers from the previous financial year (%)
2015	1,614			
2016	1,715	6.28 %	-19.49 %	2.19 %
2017	2,241	30.65 %	-8.54 %	1.95 %
2018	2,231	-0.45 %	0.20 %	-0.35 %
2019	2,666	19.48 %	0.00 %	-5.75 %
2020	2,735	2.60 %	0.49 %	28.29 %
2021	2,878	5.23 %	-0.36 %	18.93 %

Financial year	Remuneration of managers			Remuneration of employees other than managers		
	Average headcount (number of persons)	Total annual income (thousand HUF)	Average annual per capita income (thousand HUF)	Average headcount (number of persons)	Total annual income (thousand HUF)	Average annual per capita income (thousand HUF)
2015 <sup>1</sup>	6.55	17,115	2,614	37.84	162,664	4,299
2016	7.36	15,478	2,104	23.72	104,200	4,393
2017	7.52	14,480	1,925	15.25	68,300	4,479
2018 <sup>1</sup>	7.00	13,500	1,929	13.61	60,742	4,463
2019	7.00	13,500	1,929	15.41	64,821	4,206
2020	6.61	12,820	1,938	15.85	85,535	5,396
2021	6.71	12,958	1,931	16.19	103,908	6,418

<sup>1</sup> includes the wages of permanent employees only; temporary, project-based wages have been eliminated

In the past 5 financial years, the Company's annual EBITDA has increased by 67.4%, the average per capita annual income of managers has decreased by 8.2 %, whereas the average per capita annual income of employees other than managers has increased by 46.1 %.

For the financial year 2021, no shares or share options have been offered to the Company's managers.

For the financial year 2021, no variable remuneration has been determined for managers and, therefore, there is no possibility of reclaiming such remuneration.

The Remuneration Policy has been implemented in full accordance with the requirements laid down in the Policy; no exceptions have been made.

Since this is the first time the Company has drawn up a Remuneration Report, no resolution adopted by consultative vote by the General Meeting concerning the Remuneration Report for the previous financial year could be taken into consideration.

#### **4.4.11 Conflicts of interest (GRI 2 Disc. 2-15)**

The Company has Internal Rules of Procedure on transactions with Affiliated Parties. These internal rules are in accordance with applicable legal requirements.

Based on the internal regulations, in 2021, under the supervision of the Audit Committee, the Company reviewed the significant related transactions. On this basis, it was concluded that no transaction in which a conflict of interest had arisen had been identified. There are no conflict of interest relating to cross-board membership, cross-shareholding with suppliers and other stakeholders, to existence of controlling shareholders or to related parties, their relationships, transactions and outstanding balances.

Due to the rules applicable to listed companies, the Company is required to report such transactions; in the absence of a transaction, no such disclosure was made in 2021.



#### 4.5 The members of the Management Board (GRI 2 Disc. 2-9, 2-10, 2-11, 2-12)

##### **Balázs Bokorovics – Chairman of PannErgy Plc.'s Management Board**

He graduated from the Faculty of Chemical Engineering of the Budapest University of Technology in 1996. Between 1996 and 1997, he acted as head of the futures division of a major brokerage house, then served as head of the futures division of Cashline Securities Inc. until 1999, when he was promoted to Managing Director. Between 1999 and 2003, he served as Managing Director of Matrisk Risk Management and Consulting Ltd.



##### **Dénes Gyimóthy – Acting CEO of PannErgy Plc.'s Management Board**

He graduated from Bánki Donát Technical College in 1996. He was a senior consultant at KPMG Hungary between 1996 and 2000, then portfolio manager of Central and Eastern European equity investments at Budapest Fund Management Ltd. until 2004. Between 2006 and 2007, he was on the Board of Directors of Synergon Plc. He was CFO of PannErgy Plc. from 2004 to 2007, then the acting CEO and CFO until 2013. He was Chairman of the Pannunion Plc. Board of Directors from 2010 to 2011. He has served as the Vice Chairman of the Company's Management Board since 2013 and Acting CEO since 2015.



##### **Katalin Gyimóthy – Member of PannErgy Plc.'s Management Board**

She graduated from the Faculty of Financial Management at IBS. She spent more than 10 years in senior advisory positions with leading international consulting firms, primarily in corporate finance and mergers and acquisitions. She has significant management experience, having held – and currently holding – management positions in multiple national and regional SMEs.



##### **Lilla Martonfalvai – Member of PannErgy Plc.'s Management Board**

She graduated from the Faculty of Business Administration and Management of Szent István University in 2003 with a degree in Economic Engineering, specializing in commerce. In 2011, she obtained her Executive Coach certification at KPMG-BME Academy. She was the Business Unit Manager of Boston Scientific Hungary Kft. from 1999 to 2012, and is the Business Development Manager of Matrisk Ltd since 2013.



##### **Gábor Briglovics – Member of PannErgy Plc.'s Management Board**

Graduated as an economist at the Faculty of Economics of Janus Pannonius University in 1992. He has been working in the energy industry since 1994, mainly in the fields of commerce and management of electricity supply and energy production. Sales Director at ALPIQ Csepel Kft. and Executive Director from 2008. He first joined PannErgy Plc.'s Management Board in XXX.



##### **Attila Juhász – Member of PannErgy Plc.'s Management Board**

From 1995, he held senior positions in several Hungarian companies, and from 2004, he was Managing Director and Head of Investments at Benji Invest Ltd. Between 2006 and 2007, he was on the Board of Directors of Synergon Informatika Nyrt., and he has been the Managing Director of FCI Kompozit Szigetelő Kft since 2007. He has been a member of the Board of Directors PannErgy Plc. (formerly Pannonplast Plc.) and later on its Management Board since 2005.



**Kálmán Rencsár – Member of PannErgy Plc.'s Management Board**

He is the founding owner of Soltút Ltd, one of Hungary's leading road construction companies, with 210 employees and a balance sheet total exceeding HUF 26 billion. He has served as the company's Managing Director since 1991. Over the past years, he has been in charge of major investment projects related to the development and expansion of infrastructure in the field of road construction (motorways and other road networks), as well as the construction of several sports and leisure facilities.

**5 OUR CONSOLIDATED SUSTAINABILITY PERFORMANCE****5.1 PannErgy Group's greenhouse gas ("GHG") emissions savings balance (GRI 3 Disc. 3-3, GRI 302-3, 302-4, 302-5, GRI 305-4, 305-5, 305-6, 305-7)**

Recognising the short- and long-term importance of ESG issues, more and more companies and other businesses are disclosing their net greenhouse gas emissions (or savings), making efforts to mitigate the negative impact on the environment. Since PannErgy's core business is renewable geothermal energy production with minimal emissions, the Company's business is based on emission savings instead of emissions.

The Company has defined the total annual emissions savings and the savings rate as key indicators for its overall strategic environmental objectives. Total annual emissions savings is the amount of emissions (in tonnes) saved by the Company during the relevant business period from its direct and indirect heat-transfer partners, as a result of its core green energy production activity. The emissions savings rate is the ratio between the GHG emissions of the energy used in the production and sale of the geothermal energy produced and theoretical GHG emissions calculated for a hypothetical production using an alternative fossil fuel source typical of the region.

**PannErgy's consolidated <sup>1</sup> GHG emissions savings rate in the reporting year was 81%, meaning that, in environmental terms, it saved approximately 4/5 units compared to fossil fuel emissions.**

<sup>1</sup> In line with the consolidated report, the Company also presents the data in this ESG Report in a consolidated form. The Company regards its activities as an environmental portfolio, since renewable production and sales take place within the same geographical region and using the same energy source.

PannErgy Group reports the direct GHG emissions balance of its energy production in its carbon dioxide equivalent, expressed in tonnes. The statement will be broken down by country, but with measurement regions no larger than 100,000 square kilometres, reflecting the justification of geological portfolio theory for geothermal energy production. Accordingly, if the area of a country exceeds 100,000 square kilometres, it is divided into several production regions for the purposes of this presentation.

PannErgy's energy production activities are currently limited to Hungary, which covers an area of 93 thousand square kilometres, meaning that GHG emissions for this region will be reported in a consolidated form.

In 2021, the Company's deep geothermal heat production operations brought a total of 13,157,638 cubic metres of thermal water to the surface (with practically 100% reinjection).

With the assistance of accredited companies and laboratories, the Company carried out two types of measurements to determine the quantity and quality of gases released from the water in the representative production wells selected for sampling.

First, the test was carried out in a more “conventional” way, by measuring the amount of dissolved and separated gases at the wellhead and downstream of the gas regulator tank. Laboratory test samples were also taken at these measurement points. In addition, the water and gas content of the exhaust escaping through the chimney of the degasification tank was also investigated.

The second method used direct mass flow measurements in the chimney to determine the amount of gases released, then calculated the amount of GHGs emitted based on laboratory measurements.

The studies were carried out site-by-site on the production wells with the most dominant yields from the same geological strata, and the general results were supplemented by extrapolation.

In the event of a technology change at the project site that is expected to have a material impact on emissions, the Company will carry out emission measurements annually. Otherwise, measurements will be carried out once every three years.

Volume and reinjection of thermal water extracted in the 2021 financial year by region:

Region	Extraction (m <sup>3</sup> )	Reinjection ratio
Hungary	13,157,638	100%

Average GHG emissions associated with one cubic metre of thermal water:

Region	Carbon dioxide (CO <sub>2</sub> ) amount kg gas/m <sup>3</sup> thermal water	Methane (CH <sub>4</sub> ) corrected for CO <sub>2</sub> equivalent kg gas/m <sup>3</sup> thermal water
Hungary	1.00	0.46

In the calculations, methane emissions were converted into carbon dioxide equivalent by applying an environmental impact multiplier of 29.8. The multiplier was determined based on the latest, 6th measurement of fossil fuel emissions from deep geothermal energy production over a 100-year time horizon (AR6 - <https://www.ipcc.ch/report/ar6/wg1/>), performed by the Intergovernmental Panel on Climate Change (IPCC - [www.ipcc.ch](http://www.ipcc.ch)), a research group on climate change commissioned by the United Nations (UN).

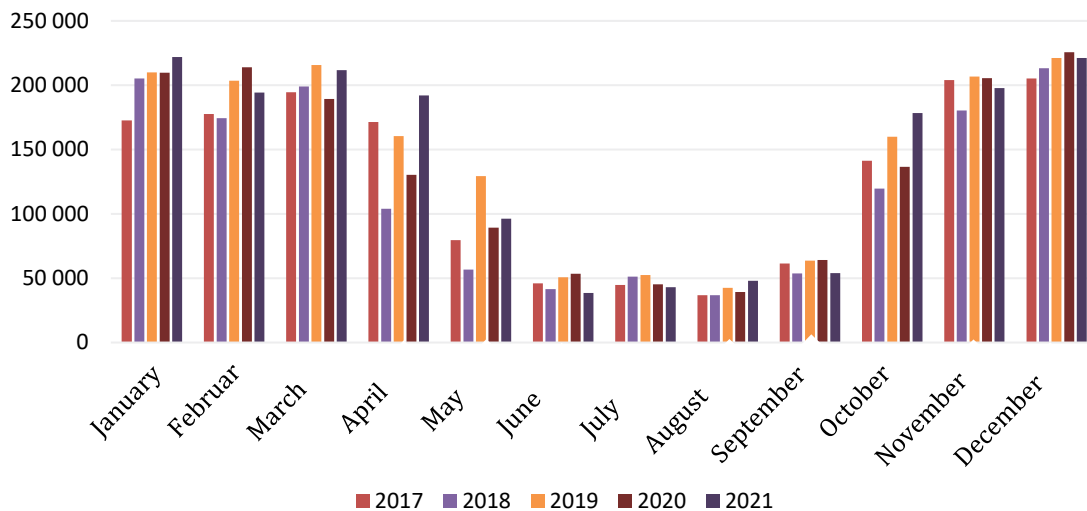
Based on these GHG emissions related to energy production, the Company emits only 19.4%, that is, less than one-fifth, of the GHG environmental burden of the natural gas-based power generation of 90% efficiency considered for the purpose of offsetting emissions.

**In 2021, the Company will have offset (saved) approximately 79 thousand tonnes of CO<sub>2</sub>-equivalent GHG emissions.** The CO<sub>2</sub> impact associated with the electric power demand of geothermal power generation has been fully offset by the Company through the purchase of a Guarantee of Origin (Scope 2) representing 23,000 MWh of electric power generation (Chapter 5.7.2). Therefore, the GHG emissions from the electricity consumption associated with power

generation were considered as carbon-neutral in the present calculation. Similarly, the Company considered the emissions of the power plant in Berekfürdő – which produces electricity and heat by burning methane gas captured from geothermal fluids – as a carbon-neutral activity, due to its small size and the positive GHG impact of converting methane to carbon dioxide.

## 5.2 Energy production and water extraction (GRI 3 Disc. 3-3, GRI 303-1, 303-2, 303-3)

The total consolidated amount (expressed in GJ) of heat sold in 2021 was as follows:



*Consolidated quantities of heat sold, in GJ (including the consolidated quantities of heat sold by the Miskolc, Győr, Szentlőrinc and Berekfürdő projects in a monthly breakdown)*

Comparing the consolidated heat sales of 1,699 TJ in 2021 with 1,602 TJ in 2020 shows an increase of 6%. The improvement in heat sales in the first half of the year relative to the previous year resulted from the weather conditions (favourable with respect to heat sales), as well as the capacity-increasing and efficiency-improving projects implemented in the previous period and the reference year.

The Company's projects contributed to the consolidated heat sales for the year as follows:

Period	Miskolc	Győr	Szentlőrinc	Berekfürdő	Total
2021	768 TJ	909 TJ	21 TJ	1 TJ	1,699 TJ
2020	791 TJ	790 TJ	19 TJ	2 TJ	1,602 TJ

The following water extraction data and re-injection data (due to practically 100% re-injection) are relevant with regards to the consolidated heat sales for the period under review, as detailed above:

Period	Miskolc	Győr	Szentlőrinc	Berekfürdő <sup>1</sup>	Total
2021	6,266,475 m <sup>3</sup>	6,675,694 m <sup>3</sup>	215,469 m <sup>3</sup>	-	13,157,638 m <sup>3</sup>
2020	6,167,320 m <sup>3</sup>	6,038,205 m <sup>3</sup>	227,626 m <sup>3</sup>	-	12,433,151 m <sup>3</sup>

<sup>1</sup>: At the Berekfürdő project, PannErgy uses (and partially disposes of) the gas content of the thermal water extracted from the geothermal wells of third parties for heat and power generation. The amount of gas used amounted to 378,545 m<sup>3</sup> in the reporting period, compared to 352,210 m<sup>3</sup> during the previous year.

### 5.3 Other water use

In addition to the reinjection of the extracted geothermal fluid, the Company annually uses 600-1,200 m<sup>3</sup> of water on average for its operational activities in order to cover the technical water demand in its district heating pipelines, typically in case of secondary systems. This quantity of water is negligible compared to the amount of water circulating in the systems.

For the reference and the base year, the volumes of additional water purchased for the purpose of filling up are as follows:

	2020	2021
Purchased water quantity	687 m <sup>3</sup>	1,102 m <sup>3</sup>

The secondary loop of the geothermal systems operated by the Company consists of pairs of insulated transmission lines connecting the heat transfer centres to the heat transfer stations located at the sites of the Company's heat transfer partners.

The secondary system is closed, meaning that the amount of water circulated is near constant, and water is typically only "consumed" during maintenance testing or draining, or in the event of minor failures.

In order to reduce water consumption, PannErgy Group continuously monitors the amount of water in the secondary system, allowing for immediate detection and troubleshooting in the event of a decrease in water level, thus minimizing the use of additional water.

Other on-site water consumption related to operational activities (water used by operational offices in thermal centres) is negligible, and uses water from the Company's own wells drilled for this purpose, as opposed to purchased water.

### 5.4 Soil and water conservation

Water is a vital natural resource. The Company's geothermal heat production activities bring geothermal fluid (thermal water) to the surface from various depths. The heat from this thermal water is then used to generate and sell thermal energy.

In order to protect surface and subsurface waters and at the same time ensure the long-term sustainability of the geothermal system, PannErgy considers it essential that all extracted geothermal fluids are reinjected. This was fully achieved in the reference year, ensuring that the renewable energy production system remains closed, and thus sustainable, for a nearly unlimited amount of time.

Development of the Company's geothermal projects is always preceded by the acquisition of the necessary environmental and water rights permits. The operation of the projects has no implications for soil or water conservation other than reinjection, and no pollution of this kind occurs.

The geothermal project sites generate a small amount of wastewater, which the Company disposes of via a specialised service provider.

	2020	2021
Discharged wastewater	246 m <sup>3</sup>	246 m <sup>3</sup>

## 5.5 Emissions and air pollution control

PannErgy also focuses on air quality in the course of its operations. The Company's operations may impact air quality with regards to the water and gas content of the gases leaving the chimney of the geothermal system's degasification tank, as well as vehicle emissions.

### 5.5.1 Air quality of geothermal project

The Company's geothermal projects may impact air quality with regards to the water and gas content of the gases leaving the chimney of the degasification tank, which comprises an integral part of the systems. The relevant data is included in Chapter 5.1.

### 5.5.2 Electromobility and vehicle emissions

Starting next year, the Company will replace almost its entire vehicle fleet with electric vehicles. This means that, starting from the second half of 2022, 80% of the Company's operational fleet will consist of electric vehicles. To this end, the Company will install charging stations at all its sites, which will also be made available to its visitors and business partners.

By switching almost entirely to electric vehicles, the Company will achieve a new level of sustainability in electromobility. In the meantime, however, it has already taken steps to fully neutralise the emissions of its vehicles in the period under review by purchasing enough green certificates to offset 57 tonnes of CO<sub>2</sub> emissions associated with its 15,758 litres/year of diesel consumption and 7,950 litres/year of petrol, as well as the 3,886 kWh/year of electricity consumption for charging its hybrid vehicles.

## 5.6 Waste management

As a renewable energy producer, the Company believes in the need to integrate environmental considerations in all areas, including minimising its waste footprint.

The Company's normal operations generate a negligible amount of waste that cannot be recovered in any way, and must therefore be sent to a local landfill. During the reference period and the previous year, approximately 2.5 tonnes of hazardous waste (waste oil, oily water, emulsions) were generated. These were disposed of in a professional manner, in accordance with the relevant statutory requirements.

The Company occasionally generates scrap metal and electronic waste, which is then sold by the Company. No such waste was sold during the reporting period.

In 2021, the Company used approximately 0.34 tonnes of paper, which represents a slight decrease from the 0.35 tonnes used in 2020. Most of the Company's office activities (e.g. electronic invoicing and document management) have been digitised, reducing the amount of paper used.

## 5.7 *The impact of climate change on PannErgy's heat markets (GRI 3 Disc. 3-3, GRI 302-4)*

One of the tangible effects of climate change in Hungary manifests itself in the form of frequent volatile and extreme changes in weather conditions, including ambient temperatures, and a rise in the average temperature of winter months from the historically cold, steadily sub-zero range

to markedly above the freezing point. These changes are not expected to have any adverse impact on the output of geothermal heat generation. In fact, taking the average over several years, the perspectives of input into district heating systems seem favourable. The reason for this—as noted in this report—is the fact that daily geothermal heat sales can produce ideal figures even in ambient temperature ranges well above zero during the heating season. At the same time, the potential decrease in demand for heat during the transitional seasons may be offset or even surpassed by the growth in the potential of the increasingly mild winter periods.

The demand for energy in the large district heating systems supplied by PannErgy is far greater than the amount of geothermal energy that can be fed into those systems. Accordingly, any changes in demand for heat in those heating systems stemming from climate change have no perceivable effect on PannErgy, and the Company does not expect any negative trends in the future either.

The primary goal of PannErgy is to utilise its substantial uncommitted available thermal capacities in addition to the capacities being currently utilised, which is expected to further reduce sensitivity to ambient temperature changes.

The most important areas for potentially utilising free thermal capacities include:

- implementation of energy efficiency and optimisation projects with existing customers, offsetting the environmentally harmful and costly use of fossil fuels;
- cold energy projects for the utilisation of so-called ‘summer’ heat;
- connection of new customers indirectly through district heating systems or directly to the geothermal systems on the primary or the secondary (return) sides;
- technical, energy and R&D projects aimed at the improvement of heat production efficiency.

#### **5.7.1 PannErgy for the prevention of climate change (GRI 2 Disc. 2-22, GRI 302-5, GRI 305-2)**

In line with global efforts, Hungary intends to take resolute action against climate change. The key energy sector action plan for these efforts is the new National Energy Strategy (NES) published in January 2020, which supersedes a similar strategy published in 2011. The NES presents the future of the Hungarian energy sector for the period until 2030 and, at the same time, it provides an outlook for the following decade. The NES takes into account the requirement of the European Union stating that the economies of EU Member States must become climate-neutral by 2050.

The NES is committed to decarbonisation, providing ample leeway for the further proliferation of green and other, emission-free energy production solutions. NES objectives related to the geothermal energy production represented by PannErgy:

- reducing Hungary’s gas consumption and thus its reliance on energy imports;
- giving preference to district heating systems;
- reducing the share of natural gas sources below 50% in district heating systems;
- increasing the utilisation of geothermal sources and urban waste in district heating systems and implementation of the Green District Heating Programme.

As a comprehensive, quantified target, the share of renewable energy sources in gross final energy consumption should be increased to at least 21% by 2030, compared to 13.3% in 2017, whereby greenhouse gas emissions will decline by around 40% compared to the 1990 level.

In 2021, PannErgy's projects contributed to the preservation of a more livable environment and the fight against climate change by triggering approximately 79,000 tonnes of CO<sub>2</sub>-equivalent greenhouse gas emissions. To date, the total estimated greenhouse gas emissions offset from the Company's geothermal business exceeds half a million tonnes.

#### ***5.7.2 Operations involving carbon savings (GRI 302-1, 302-5, GRI 305-1, 305-2)***

The Company's operations remain carbon neutral each year, due to its main activity of renewable energy production. The amount of carbon dioxide emissions offset by its operations and realized by its heat-transfer partners greatly exceed the emissions associated with its operations – its carbon balance skews positive by an order of magnitude. As a green energy producer, PannErgy has long been one of the major players at the forefront of zero-emission energy production in the domestic energy industry. **The Company is proud that, since the implementation of its geothermal strategy, it has been able to replace the emission of more than 500 thousand tons of carbon dioxide with green heat production.** In addition, the Company intends to actively contribute to the achievement of the objectives defined in the Paris Agreement on Climate Change by joining voluntary projects in which small emissions resulting from current operations are compensated for, in part or in whole, in the form of Guarantees of Origin (GOs) and carbon credits. In practice, this can be achieved by acquiring the emission levels of the Greenhouse Gas Protocol.

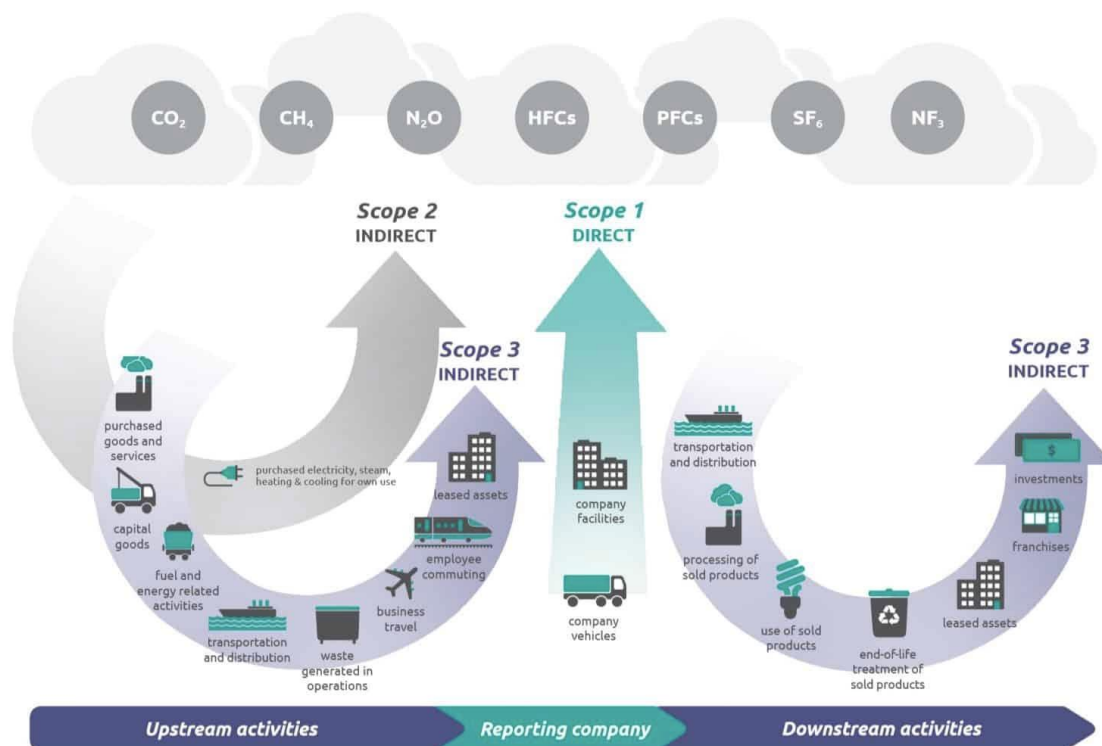
Scope 1 includes direct emissions, which can be sourced to sites, plants or fleets of vehicles owned or controlled by the Company. For instance, these include GHG emissions from the direct combustion of energy sources (e.g. fuel, natural gas), gases created through chemical synthesis, emissions from transport, and GHGs resulting from the evaporation of refrigerants.

Scope 2 covers GHG emissions from the indirect use of energy sources (e.g. electric power or district heating).

Scope 3 includes activities that also indirectly emit greenhouse gases into the atmosphere, such as emissions from the production and use of products or services sold.

A carbon footprint shows how much greenhouse gas is emitted into the atmosphere directly (e.g. vehicle emissions) or indirectly (e.g. production of energy used, emissions related to created waste products, etc.) as a result of a company's activities, a person's lifestyle, or a product's life cycle. The larger the carbon footprint, the greater the impact on climate change.





The carbon footprint can be neutralised through carbon offsetting, which is realised by removing certified and verified emission reduction credits, also known as voluntary emission reduction credits (VERs), from the voluntary carbon market (OTC market), where they are sold as products.

At the start of 2021, PannErgy decided not to keep the current track of its operational development focusing on environmental protection and sustainability, but to achieve fully carbon-neutral operation in every segment, not only its core carbon-saving activities. Accordingly, the Company supplies the electricity necessary for the operation of its machines and equipment, such as well pumps and other surface equipment, from renewable energy sources (Scope 2), and also aims to neutralise the carbon emissions resulting from the fuel and electric power used by the Group's vehicles and the electricity used by its offices (Scope 1), if an appropriate and economically viable solution is found.

**PannErgy compensates for its Scope 1 operational levels by acquiring 57 VCUs (Verified Carbon Units), and for its Scope 2 emissions in 2021, by acquiring a Guarantee of Origin representing 23,000 MWh of electricity produced. The VCUs have internationally recognised "Verified Carbon Standard" certification.**

## 6 OUR SOCIAL PERFORMANCE

### 6.1 Our stakeholders (GRI 2, Disc. 2-28)

PannErgy defines stakeholders as groups of individuals having an interest in or an influence on the achievement of the Company's objectives. These groups are as follows:

Regulatory authorities, supervisory bodies	Shareholders	Suppliers, subcontractors	Customers	Local communities	CSR groups (NGOs, elite and public sports associations)
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PannErgy believes that the views of these organisations on sustainability are important. Through cooperation with these groups, the Company strives to raise awareness of renewable energy, environmental protection and sustainability as prominently as possible.

PannErgy follows the strategy of “Impact Investing”, which entails investing in projects offering ESG, social and environmental benefits. As such, it applies the following three factors in the course of its operations:

**Intentionality:** PannErgy Group has a clear objective and offers business solutions to societal problems (environmental protection), presenting its objective transparently in its business strategy.

**Profitability:** PannErgy Group must operate in a commercially profitable way, creating value for its investors while having a positive impact on the environment.

**Scaleability:** PannErgy Group is clearly committed to financial sustainability, managing growth, new activities and projects in such a way as to remain true to its renewable energy business model.

### 6.2 Authorities and supervisory bodies (GRI 2 Disc. 2-29)

As a company listed on the Budapest Stock Exchange, PannErgy operates with a high level of transparency and regulatory compliance.

Project companies engaged in geothermal heat production have district heat production licences issued by the Hungarian Energy and Public Utility Regulatory Authority (hereinafter referred to as “HEA”), and operate under HEA’s supervision. HEA is also responsible for setting the heat sale price for supplying customers, as the official heating rate, individually for each licensed project company for a one-year duration following 1 October of every year, typically for heating residential and public institutions. HEA is also entitled to make interim price changes as needed. As per the relevant legislation, HEA applies a cap on profitability (pre-tax profit) to ensure that no additional social burden is imposed as a result of the profit motive.

For geothermal projects, the environmental, water and mining authorities carry out pre- and post-licensing procedures.

Regulatory control and authorisation procedures carried out by the authorities:

Type of regulatory procedure	2020	2021
Number of on-site inspections (environmental, water, labour, fire)	4	3
Training (fire safety, ISO, etc.)	3	3
Regulatory permits (environmental)	-	-
Regulatory permits (HEA)	4	3

With regards to PannErgy's presence in public and on the stock exchange, the Budapest Stock Exchange and the Hungarian National Bank act as supervisory bodies to regulate the Company, including the quality of disclosures required by law, as well as insider trading regulations.

### 6.3 Our shareholders (GRI 2 Disc. 2-29)

**The Company's management believes that an investment in PannErgy also achieves social and environmental benefits: in addition to generating financial returns based on share price appreciation or dividend payments, it also provides a positive social or environmental impact for shareholders by giving them a stake in a renewable-energy, carbon-neutral and emissions-saving company.**

#### 6.3.1 Ownership structure, shareholdings and voting rights (GRI 2 Disc. 2-1, 2-9)

Shareholders	Total share capital = Introduced series					
	1 January 2021			31 December 2021		
	% <sup>2</sup>	% <sup>3</sup>	number of shares	% <sup>2</sup>	% <sup>3</sup>	number of shares
Domestic institutions	34.70	43.32	7,306,202	29.19	37.49	6,146,577
Foreign institutions	8.11	10.13	1,708,161	8.05	10.34	1,695,255
Domestic private individuals	27.00	33.70	5,684,997	30.38	39.01	6,395,910
Foreign private individuals	0.41	0.51	85,580	0.32	0.41	66,672
Employees, senior officers	1.93	2.41	407,000	1.94	2.50	409,505
Own holding <sup>4</sup>	19.89	-	4,189,970	22.13	-	4,658,644
Owners that are part of the general government system <sup>1</sup>	7.96	9.93	1,675,745	7.96	10.22	1,675,745
International Development Institutions <sup>3</sup>	-	-	-	-	-	-
Other <sup>5</sup>	-	-	-	0.03	0.04	6,347
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>21,054,655</b>	<b>100.00</b>	<b>100.00</b>	<b>21,054,655</b>

<sup>1</sup> Public administration body

<sup>2</sup> Shareholding

<sup>3</sup> Voting right enabling participation in decision making at the General Meeting of the Issuer

<sup>4</sup> Own holding: Owned by the Company or by its fully owned subsidiary

<sup>5</sup> Not matched shareholders

#### 6.3.2 List of shareholders with shareholdings over 5% at the end of the period (GRI 2 Disc. 2-1, 2-9)

Name	Number of shares	Shareholding (%)	Voting rights (%)
Benji Invest Kft./FCI Kompozit Kft.	3,174,010	15.08	19.36
MVM Energetika Zrt.	1,675,745	7.96	10.22
Soltút Kft./Kálmán Rencsár	1,151,240	5.47	7.02

#### 6.4 Membership associations (GRI 2 Disc. 2-28)

The Company cannot report industry associations, other membership associations, and national or international advocacy organizations in which PannErgy participates in a significant role.

Other organizational memberships:

PannErgy Plc. is an entity listed at the Budapest Stock Exchange, included in the BUX basket, and is a premium share issuer.

#### 6.5 Our suppliers and subcontractors (GRI 2 Disc. 2-29)

PannErgy understands that good supplier/contractor relationships are of paramount importance, both in the establishment of geothermal projects and in the operation of commissioned projects. They are essential for the Company to be able to provide uninterrupted, high-quality service to its customers.

In the course of its operations, PannErgy strives to build long-term relationships with its suppliers based on mutual cooperation and satisfaction, and to ensure that its suppliers continue to operate in a legally and commercially sound and reliable manner.

As a result, the Company retains a stable base of suppliers and subcontractors, with none of the Company's top 10 suppliers having first done business with the Company during the period under review. The top 10 suppliers and subcontracting partners accounted for 72% of the total supplier turnover in the reference period and 69% in the previous year.

Major suppliers who do business with PannErgy for the first time are subject to a business partner evaluation.

In 2021, the Company expanded its procurement team in order to more effectively build and maintain the supplier relationships required to efficiently implement and operate projects, especially for the upcoming larger or more complex investments.

PannErgy also takes into account its sustainability values and ESG considerations when selecting suppliers and subcontractors, and thus places great emphasis on selecting local small and medium-sized enterprises as suppliers and subcontractors, whenever the nature of the required service or procurement permits, giving preference to companies that are local to the area of rural projects and have a positive impact on local communities. In the reference period, 98% of our suppliers were based in Hungary, which was roughly the same ratio as in the previous period. In the long term, the Company plans to supplement its scoring and evaluation system for supplier selection tender processes relevant to its operational and investment activities with ESG rating criteria for the potential suppliers. This means that it will give preference to suppliers and subcontractors whose activities are more centered on ESG. In addition, the Company plans to require all of its major supplier partners to provide an up-to-date ESG statement with acceptable content by 2023.

## 6.6 Our customers (GRI 2 Disc. 2-29)

The Company's activities are concentrated, providing geothermal heat sales to a small number of customers. These concentrated activities allow for a long-term strategic partnership with all clients, taking the ESG concerns of both parties into accounts.

The Company sells the heat it generates directly to its industrial customers and indirectly to its district heating partners, the latter primarily to service residential energy demands.

The Company's customers:

Location	Partner
<b>Miskolc</b>	MIHŐ Miskolci Hőszolgáltató Kft., Joyson Safety Systems Hungary Kft., GS-Yuasa Magyarország Kft., as well as a number of smaller industrial consumers (typically manufacturing and trading companies) in Kistokaj
<b>Győr</b>	GYŐR-SZOL Győri Közszolgáltató és Vagyongazdálkodó Zrt., AUDI HUNGARIA Zrt., as well as a number of industrial consumers (typically logistics companies) in Győr
<b>Szentlőrinc</b>	Szentlőrinci Közüzem Nonprofit Kft.
<b>Berekfürdő</b>	Public utility and industrial consumers in the village of Berekfürdő

PannErgy strives to operate with a high level of efficiency and operational safety, while providing the highest quality of service to meet the financial and environmental needs of its customers. One of the Company's key strengths in dealing with its customers is its small staff that includes highly experienced managers and employees, who can respond immediately and provide flexible solutions to any customer issue or request. This rapid response is not hampered by the inevitable issues of communication and division of labour that are common in larger organisations.

During the reference year and the previous year, the Company has, to the best of its knowledge, not breached any material contractual obligations to its customers, and has not incurred any associated liabilities.

## 6.7 Employees and company culture (GRI 2 Disc. 2-7, 2-8, 2-29, 2-30)

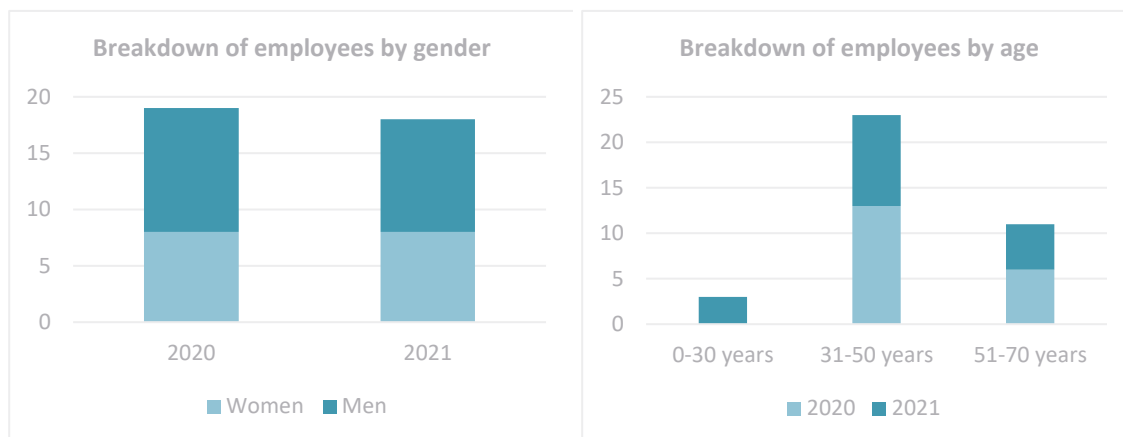
### 6.7.1 PannErgy Group employees, fluctuation (GRI 2 Disc. 2-7)

PannErgy has 4 geothermal heat generation sites in Hungary (Miskolc, Győr, Szentlőrinc and Berekfürdő), and operates its head office in Budapest, with 18 employees at the end of the reference period, to be compared to the 19 recorded on 31 December 2020. The low number of employees relative to the Group's consolidated financial figures (balance sheet total and revenue) is due to the fact that the Company has largely automated the operation of its geothermal systems during the implementation process. The control systems allow for transparency in system functions, greatly simplifying operations.

The PannErgy Group's 2021 average statistical headcount was 23, substantially reduced from the 27 recorded in 2020. The difference between the average statistical headcount and the number of employees is attributable to part-time employment across group members and the increased headcount during the year.

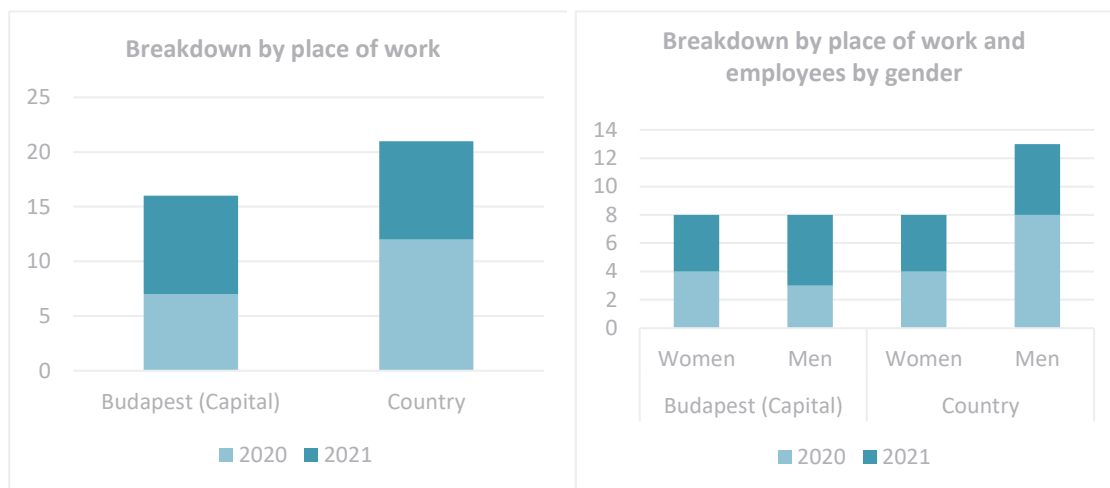
The Company had only permanent employees in 2021.

The headcount information below is actual headcount data and not the average statistical headcount.



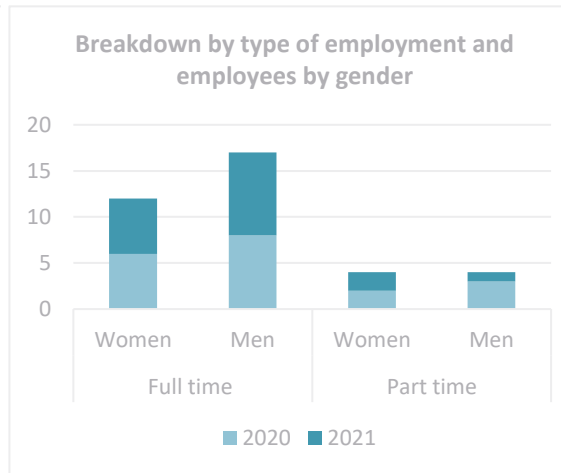
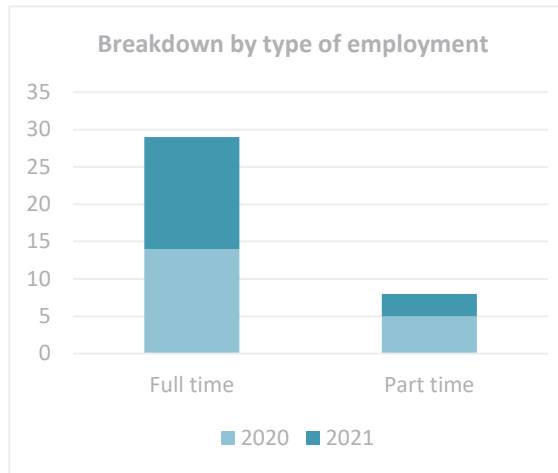
Years	Women	Men	TOTAL
2020	8	11	19
2021	8	10	18

Years	0-30 years	31-50 years	51-70 years	TOTAL
2020	0	13	6	19
2021	3	10	5	18



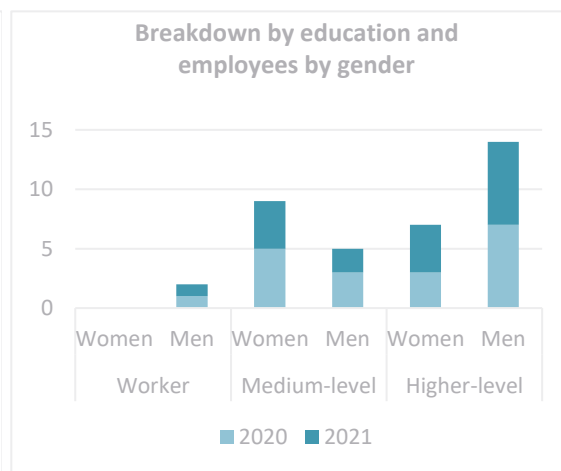
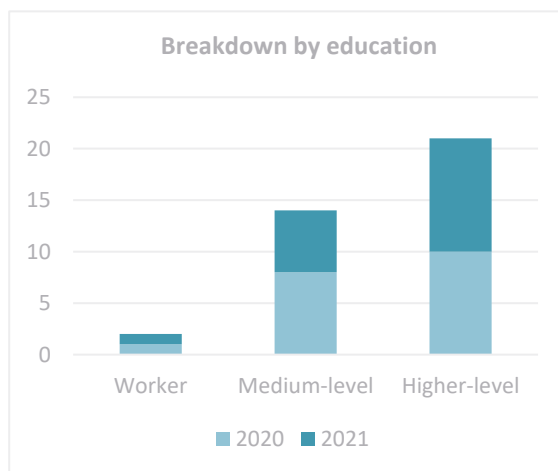
Years	Budapest (Capital)	Country	TOTAL
2020	7	12	19
2021	9	9	18

Years	Budapest (Capital)		Country		TOTAL
	Women	Men	Women	Men	
2020	4	3	4	8	19
2021	4	5	4	5	18



Years	Full time	Part time	TOTAL
2020	14	5	19
2021	15	3	18

Years	Full time		Part time		TOTAL
	Women	Men	Women	Men	
2020	6	8	2	3	19
2021	6	9	2	1	18



Years	Worker	Medium-level	Higher-level	TOTAL
2020	1	8	10	19
2021	1	6	11	18

Years	Worker		Medium-level		Higher-level		TOTAL
	Women	Men	Women	Men	Women	Men	
2020	0	1	5	3	3	7	19
2021	0	1	4	2	4	7	18

In terms of composition, it is clear that the Company supports gender balance and diversity. A balanced gender ratio was achieved in both the reference and the base period, despite the historically imbalanced gender ratio typical of the energy industry.

Regarding the age of the workforce, the vast majority of employees are between 30 and 50 years old. In line with the structure of the holding company, the vast majority of the Company's employees are part-time workers employed in several PannErgy-affiliated companies. This means the average statistical headcount is significantly higher than the actual number of employees. In 2021, PannErgy Group's average headcount was 23, in comparison to 27 in the previous year.

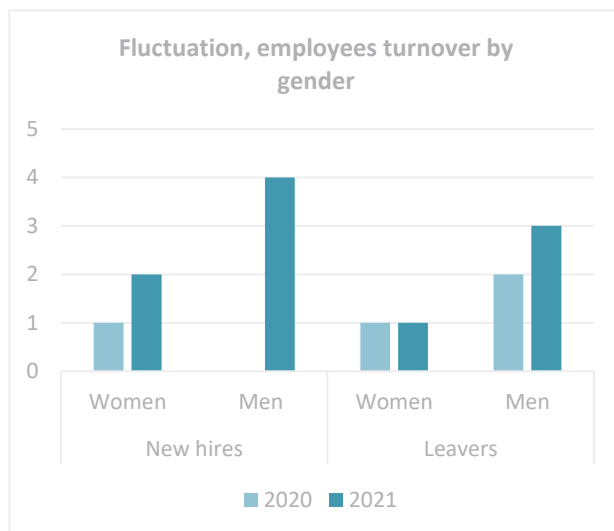
All employees have open-ended work contracts, since fixed-term contracts are not typical of the Company's human resources policy.

The Company does not employ temporary staff. The operation and maintenance of geothermal projects is outsourced to external partners, and is continuously supervised by Company employees. The Company subcontracts the implementation of investment projects (e.g. well drilling), with PannErgy employees providing professional supervision in these cases as well.

The pandemic had a significant impact in 2021 as well. Nevertheless, the Company maintained stable operations, closing a successful business year, enabling it to meet its previously publicized plans. As a result of its successful operations, the Company was able to increase its employee wages at the beginning of 2021 by 5% on average.

#### **Fluctuation, employee turnover:**

During the reference period, 6 people (2 women and 4 men) joined the Company, and 4 people (1 woman and 3 men) left. When compared to the previous year, with 1 person joining and 3 leaving, it can be said that employee turnover has increased.



Employee resignations were made by mutual agreement in all cases, and were motivated by a change of residence or career. In addition to recruiting temporary staff to fill the vacant positions, the Company also expanded its team by 3 additional employees.

This expansion followed an organisational review and assessment by an external independent consultant. On the advice of the external consultant, staff numbers were increased in a number of areas, in order to improve efficiency and employee satisfaction.

#### **6.7.2 Workers who are not employees (GRI 2 Disc. 2-8)**

The Company has three workers who are not employees and whose work is controlled by the PannErgy.



Two of these people perform maintenance tasks at the Berekfürdő project, and one person is the site representative in Debrecen. Their legal relationship is based on a contract of assignment. These workers are not full-time, working part-time for PannErgy, performing the tasks required by the Company. In addition, in other cases, the Company solves maintenance and operation tasks with partners.

### **6.7.3 Communication with employees (GRI 2 Disc. 2-29, 2-30)**

There are no collective bargaining agreements, so the reporting employee data covered by collective bargaining agreements is not required.

The Company's management attaches great importance to regular, effective communication between the Company's management and its employees. The management believes that this increases overall employee satisfaction and motivation. This involves the following:

- regular company newsletters, notifying all employees of useful new information (e.g. staff changes, new employees, people leaving, public disclosures, etc.);
- corporate forums, held at regular intervals, allowing for professional and personal dialogue between the Company's management and its employees;
- the continuous presence of the members of the Management Board at all sites throughout the Company's operations, with all employees having the opportunity to contact them on any matter;
- the Company's management considers it of the utmost importance that all of its employees, regardless of their job title, familiarize themselves with all areas of operation, the details of geothermal heat generation, and the various system elements. As part of this commitment, employees are expected to visit all project sites regularly.

### **6.7.4 Corporate culture (GRI 2 Disc. 2-29)**

PannErgy corporate culture includes the pursuit of operational excellence and safety. The key values of its corporate culture include more than a decade of commitment to the environment, a culture of continuous improvement, and a passion for success.

The Company's corporate culture and its people represent its two most important resources, as well as its key competitive advantages in its efforts to become or remain the leading geothermal energy company in the Carpathian Basin.

The Company's corporate culture focuses on its employees when setting and achieving big goals, striving for continuous improvement, and implementing the transparent and quantifiable processes supporting these objectives.

### **6.7.5 Corporate security, employee health and safety (GRI 2 Disc. 2-29)**

In 2021, employee safety remained a top priority for PannErgy. As every single employee contributes, directly or indirectly, to the efficiency and operational safety of geothermal projects, and as the Company holds itself responsible not only for its duties as an employer, but also for its employees' personal quality of life, employee health and safety was a key priority during the period under review due to COVID-19.

The Company continuously monitors the pandemic and the associated statutory environment. Accordingly, it has dynamically modified its rules on working from home throughout the year, in order to accommodate its employees' individual requests and reasonable needs.

In addition to options for working from home, the Company also provides free COVID testing to employees on an ongoing basis, with quick tests available in both Budapest and at rural sites. The Company has also shouldered the cost of PCR tests, which remain the most effective option for detecting suspicious cases during the reference period. During the reference period, 28 PCR tests were administered and 91 quick tests were procured for 18 staff members, compared to a total of 60 tests in the previous year. In addition to continuous testing facilities, basic medicines and medical equipment (pulse oximeters, blood pressure monitors, etc.) are available at all Company sites.

The Company places a high priority on the safety of its employees and customers, and on the operational security of the heat supply provided to customers. A commitment to safety is a fundamental part of our corporate culture, reflecting our focus on consistent and precise operations. Our corporate safety strategy is based on the principle that the prevention of all potential harm is the only acceptable goal. The Company is proud to have had no accidents or injuries in 2021.

#### **6.7.6 Employee training (GRI 2 Disc. 2-29)**

The Company believes in continuous development, and thus pays special attention to the training and professional development of its staff. Training courses are provided in accordance with the Training Plan.

Due to the pandemic, the amount of training provided in the reference period was significantly lower than in the previous year. In 2021, 212 hours of group training were provided, compared to 769 hours in the previous year. In the last quarter of the reference period, the Company redesigned its Training Plan and re-launched most of its training courses, including language courses, energy industry-related training, financial and accounting courses, and investor relations training. In addition to these training courses, the Company supports the participation of staff in online professional webinars and conferences.

All new employees are required to complete an occupational and fire safety training course, and must familiarize themselves with all applicable regulations.

#### **6.7.7 Regulations (GRI 2 Disc. 2-27)**

During the reference and the base period, the Company introduced new regulations or updated older ones to support operations in the following areas:

- Regulations on insider trading;
- Regulations on handling and archiving documents;
- Information access policies and regulations on the disclosure of classified information;
- Regulations on the handling of invoices, the ordering of vouchers and contract rules;
- Regulations on the use of motor vehicles;
- HR regulations (organisational protocol, rules on advance pay and home office rules);
- Fire and occupational safety regulations.

### 6.8 Local communities/Corporate Social Responsibility (CSR) (GRI 2 Disc. 2-29)

PannErgy is committed to Corporate Social Responsibility (CSR), with a particular focus on environmental, economic and social sustainability. PannErgy Group is constantly looking for CSR programs that can bring tangible social benefits to the residents or environment of a given region or town, primarily in the locations of its geothermal projects. The Company supports local communities in the following ways.

At the local level, PannErgy sponsors successful sports clubs with excellent reputations that are capable of attracting large crowds, thus indirectly improving quality of life for the residents of the region or town in question.



For years, the two most significant such partnerships have been with Győri ETO KC, one of the top international women's handball teams, and MVLC Miskolc Water Polo Club, one of the rural mainstays of Hungarian water polo, considered to be among the elite even at the international level.

These associations have a significant youth base, thus the Company's support can have a significant impact on sport and healthy living among young people.



Matyi, mint a korabeli fiúk, odavan a számítógépes játékokért. Ahhoz viszont, hogy igazán élvezetes legyen egy játék, jó gépre van szükség. A kislány vágya egy olyan laptop volt, melyen kiválóan működnek kedvenc játékaival. Boldogan vette át a Csalodalámpa Alapítvány ajándékát, és sietett is haza, hogy mielőbb kipróbálhassa. Matyi, sok örömet az új laptophoz!

Köszönjük a PannErgy Nyrt. támogatását, segítségükkel ismét mosolyt varázsolhattunk egy beteg gyermek arcára!

**PANNERGY**

Icsó Klára  
kivánság-koordinátor  
Veszprém, 2021.11.25.

PannErgy Group is also committed to supporting the most disadvantaged groups. To this end, it has for many years supported various charities working with sick children, or children growing up in the care of child protection services.

The Company supports various environmental events to raise awareness of global warming and environmental protection (Climate Energy Cooperation Project KFI course, World Water Day events)



PannErgy Plc. provides opportunities for any interested school or educational institution to take part in professional study trips and career orientation plant visits. It works to organise these environmental education events, sometimes even providing free travel.

Several (7) such events took place during the period under review.

The Company considers these events to be particularly vital for promoting renewable energy sources (including geothermal energy) and the importance of environmental protection.

The aforementioned collaborations clearly demonstrate that PannErgy Group focuses not only on its own business operations, but also wishes to take into account the interests of society, which is why it continues to consider its impact on the environment and local residents during the course of its operations, and voluntarily takes steps to improve the quality of life of the local communities around PannErgy Group.

## 7 THE COMPANY'S ESG REPORTING, GRI STANDARDS

### 7.1 Frequency of sustainability reports (GRI 2 Disc. 2-3, 2-4, 2-6)

The reporting period for the Sustainability Report at PannErgy Plc. starts on 1 January and ends on 31 December, which is identical with the period used for its consolidated financial statements. The Company's first ESG report will be created by 31 December 2021. Subsequently, reports will be compiled and published on an annual basis. The reports will be made public on the Company's website ([www.pannergy.com](http://www.pannergy.com)) and on the website of the Budapest Stock Exchange ([www.bet.hu](http://www.bet.hu)).

#### Restatements of information:

Due to the existence of the first report, it is not necessary to amend or republish information included in earlier public reports or to explain the impact of such information on the basis of non-materiality.

#### The contact point for the questions about this ESG report or reported information:

ESG contact: Dénes Gyimóthy ° +36 1 323-2383 ° e-mail: [info@PannErgy.com](mailto:info@PannErgy.com)

PannErgy Plc. 1117 Budapest, Budafoki út 56.; ° +36 1 323-2383 ° fax: +36 1 323-2373

### 7.2 Global Reporting Initiative (GRI) disclosures (GRI 1)

When publishing information and data in the ESG report, the Company uses the presentation GRI Standards (Universal Standards 2021). In preparing the report, which is currently not yet standardised, the relevant GRI disclosures have been included in every chapter.

The GRI standards used are summarized in the Content Index in Chapter 8, with hyperlinks to reports and other publicly available information at [www.pannergy.com](http://www.pannergy.com) provided in the index table for each standard.

All information and data refers to the 2021 financial year (1 January 2021 to 31 December 2021), unless otherwise indicated.

In addition to the information listed below, this ESG report also includes further data related to the GRI disclosures.

### 7.3 External assurance, contact (GRI 2 Disc. 2-5)

The ESG report has not been certified by any external party not duly authorised to do so.

There is no legal requirement, therefore the Company does not have an external audit, assurance yet.

In the Chapter 7.4. the Company's ESG development schedule shows that the Company will prepare an ESG report with external party certification, external assurance from 2025. This schedule takes into account the gradual development and the related legal requirements.

#### 7.4 The Company's ESG development schedule (GRI 2 Disc. 2-22)

The Company has set the following schedule for the content and format of ESG reports (non-binding):

ESG category	2022	2023	2024	2025
Type of disclosure (stand-alone or integrated)	stand-alone	stand-alone	stand-alone	integrated
Frequency of disclosure (annual, quarterly)	annual	annual	annual	annual
Report format (simple or standardised)	simple	simple	standardised	standardised
Third party certification (yes or no)	no	no	no	yes
Objectives (yes; no; is there any monitoring)	no	no	yes	yes
ESG category (level) during the year (the classification based on the existing elements)	entry level	entry level	mid-level	mid-level
Development targets for leveling up by the end of the year (e.g. standard use, certification, etc.)		final selection of standard	preparation for certification	moving to integrated reporting
Actions planned by the end of the year (e.g.: defining the baseline, assessing reporting processes and capacity, improving data collection methodology, creating first draft report)	assessing reporting processes and capacity, improving data collection methodology, creating first draft report	improving the previous report and the reporting process for approaching mid-level	improving the previous report and the reporting process for achieving mid-level	stabilized mid-level report certification

### 7.5 Material topics for ESG reporting (GRI 3 Disc. 3-1, 3-2, 3-3)

According to the GRI 3 Material Topics Standard, the Company must identify in its ESG report all topics that it determines to be material.

#### 7.5.1 GRI standards for determining materials topics

As a renewable energy producer, the Company, arising from its activities, contributes to the protection of the environment by having a positive impact that is clear and can be verified by metrics. This direct positive impact on the environment and sustainability also has an indirect positive effect on the society. The aim of the Company's management is to increase the production of green thermal energy thanks to the improvement of the efficiency and capacity of renewable energy production, which is its main activity, and through this, to achieve the consolidated sales and EBITDA targets, as well as to promote direct environmental protection, and, through both, to add shareholder value.

In identifying the topics that are considered as material for ESG, the Company

- has reviewed its activities and business relationships in the context of sustainability;
- has defined its business and ESG strategy;
- has identified stakeholders in order to be able to define the direct and indirect impacts on them resulting from the activities of the PannErgy Group;
- when assessing the actual and potential impacts, the Company has identified both positive and negative impacts. The only negative impact was the demand for electricity and other utilities (water, gas) in connection with the operation of the Company, the adverse effect of which is negligible in light of the positive impacts of the Company's carbon-reducing activities. **In 2021, the Company offset (saved) approximately 79 thousand tonnes of CO2-equivalent GHG emissions.** The Company is proud to have offset more than 500,000 tonnes of carbon dioxide emissions through its green heat production since the implementation of its geothermal strategy;
- the Company has adequately prioritised the identified actual and potential impacts. The importance of significant greenhouse gas emissions from green heat production as an actual positive impact is justified both by their magnitude and extent, as well as by their probability;
- it has prioritised the impacts that are most material to the reporting, primarily in accordance with the requirements of the GRI standards. This ensured that it did not miss any topic that is likely to be material;
- topics identified in the above-mentioned sector standards that are not material and relevant to the Company are listed and explained by the Company in the GRI Content Index.

#### 7.5.2 Process of identifying material topics (GRI 3 Disc. 3-1)

The Company has strived for completeness in the process of identifying material topics. In this context, the most material topic is the significant savings of pollutant emissions in its renewable energy production activity.

The Company selected the sites of the geothermal projects in Miskolc, Győr, Szentlőrinc and Berekfüdő, as well as the Budapest sites as location of the holding management, as the

identification units. At these sites, it identified the actual and potential negative and positive impacts on the economy, the environment, and people.

The identification is based on process descriptions for technical projects, regulatory documents, ISO process descriptions and independent expert documents on the Company's operations. Based especially on the requirements of the GRI standards, the Company prioritised the topics to be reported based on their materiality, which determine the consolidated sustainability performance of the Company.

The Company has identified the following stakeholders whose perspectives inform the process of identifying material topics:

- Regulatory authorities and supervisory bodies related to geothermal heat production as renewable energy production, such as the Hungarian Energy and Public Utility Regulatory Authority, the Mining Inspectorate, the Mining and Geological Survey of Hungary, Mining Inspectorates, water rights management and environmental protection authorities;
- Shareholders of PannErgy shares listed in the Premium category on the Budapest Stock Exchange;
- Supplier partners with special expertise and experience in geothermal production projects who cooperate with the PannErgy Group in setting up (design and implementation) and commissioning investment projects, as well as operating functional projects (maintenance, operation, facility maintenance);
- Heat-receiving municipal and industrial partners;
- The population of the towns where geothermal projects are located, as local communities;
- NGOs, as well as performance and grassroots sports associations located in the towns where geothermal projects are located.

The definition of material topics to be included in the ESG report is approved by the Company's Management Board which is responsible for the annual review.

### ***7.5.3 List of material topics (GRI 3 Disc. 3-2)***

In its Sustainability Management and Environmental, Social and Corporate Governance (ESG) Performance Summary and Report for 2021, the Company defined the following material topics in order of priority to present the Company's consolidated sustainability performance:

- GHG balance of the PannErgy Group
- Energy production, water extraction
- Impact of climate change on PannErgy heat markets

The Company, as a green energy producer, has a significant carbon neutralising impact, i.e. it saves tens of thousands of tonnes of CO<sub>2</sub> equivalent greenhouse gas emissions every year. This fact, which is particularly positive for the environment and sustainability, fundamentally influences the selection and prioritisation of material topics in the ESG report. In line with this, the Company considers the topics detailed above and their presentation in the ESG report to be a high priority; at the same time it strives for a detailed presentation according to the GRI standards also in the field of social performance and corporate governance.



The PannErgy Group issues its ESG report for the business year 2021 for the first time; thus, a comparison with material topics from the previous reporting period is not relevant information in the ESG report for this period.

#### ***7.5.4 Managing the material topics (GRI 3 Disc. 3-3)***

The significant topics identified in section 7.5.3. are detailed in the following sections of the ESG report, where the Company presents

The Company defined the following material topics in order of priority to present the Company's consolidated sustainability performance:

- GHG balance of the PannErgy Group
- Energy production, water extraction
- Impact of climate change on PannErgy heat markets

Based on the requirements of Disclosure 3-3 Management of material topics of GRI 3 Material Topics, the Company must present the actual and potential negative and positive impacts on the economy, the environment and people. In addition, the Company must also describe actions taken to manage the material topics and related impacts, including actions to prevent or mitigate potential negative or positive impacts, and other information concerning the purposes, their implementation and the provision of information to stakeholders.

In the opinion of the Company, the following GRI Topic Standards are required for adequate quality and detailed presentation:

#### **GHG balance of the PannErgy Group:**

GRI 302: Energy 2016, Disclosure 302-3 Energy intensity, 302-4 Reduction of energy consumption, 302-5 Reductions in energy requirements of products and services.

GRI 305: Emissions 2016, Disclosure 305-4 GHG emissions intensity, 305-5 Reduction of GHG emissions, 305-6 Emissions of ozone-depleting substances (ODS), 305-7 Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions

#### **Energy production, water extraction:**

GRI 303: Water and Effluents 2018, Disclosure 303-1 Interactions with water as a shared resource, 303-2 Management of water discharge-related impacts, 303-3 Water withdrawal

#### **Impact of climate change on PannErgy heat markers:**

GRI 302: Energy 2016, Disclosure 302-1 Energy consumption within the organization, 302-4 Reduction of energy consumption

GRI 305: Emissions 2016, Disclosure 305-1 Direct (Scope 1) GHG emissions, 305-2 Energy indirect (Scope 2) GHG emissions

## 8 GRI CONTENT INDEX



For the Content Index - Advanced Service, GRI Services reviewed that the GRI content index is clearly presented, in a manner consistent with the Standards, and that the references for all disclosures are included correctly and aligned with the appropriate sections in the body of the report.

The service was performed on the English version of the report.

Statement of use	PannErgy Plc. has reported in accordance with the GRI Standards for the period 01/01/2021 – 31/12/2021
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard <sup>1</sup>	-

<sup>1</sup> Renewable energy Sector Standard is under development by GSSB (Global Sustainability Standards Board)

GRI STANDARD	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF.
			REQUIREMENTS OMITTED	REASON	EXPLANATION	
<b>GRI 2 - GENERAL DISCLOSURES 2021</b>						
GRI 2 (2.1-2.5) The organization and its reporting practices	2-1 Organizational details	<a href="#">2.1. (Page 4)</a> <a href="#">6.3.1-6.3.2. (Page 35)</a>				
	2-2 Entities included in the organization's sustainability reporting	<a href="#">2.4 (Page 8-9)</a>				
	2-3 Reporting period, frequency and contact point	<a href="#">7.1 (Page 45)</a>				
	2-4 Restatements of information	<a href="#">7.1 (Page 45)</a>				
	2-5 External assurance	<a href="#">7.3 (Page 45)</a>				
GRI 2 (2.6-2.8) Activities and workers	2-6 Activities, value chain and other business relationships	<a href="#">2.1-2.5 (Page 4-11)</a> <a href="#">7.1 (Page 45)</a>				
	2-7 Employees	<a href="#">6.7.1 (Page 37-40)</a>				
	2-8 Workers who are not employees	<a href="#">6.7.2 (Page 40-41)</a>				
GRI 2 (2.9-2.12) Governance	2-9 Governance structure and composition	<a href="#">4.4, 4.4.1-4.4.3 (Page 16-18)</a> <a href="#">4.4.7 (Page 19-22)</a>				
	2-10 Nomination and selection of the highest governance body	<a href="#">4.4.1 (Page 16-18)</a> <a href="#">4.5 (Page 25-26)</a>				
	2-11 Chair of the highest governance body	<a href="#">4.4.1 (Page 16-18)</a> <a href="#">4.5 (Page 25-26)</a>				
	2-12 Role of the highest governance body in overseeing the management of impacts	<a href="#">4.4.1 (Page 16-18)</a> <a href="#">4.5 (Page 25-26)</a>				

GRI STANDARD	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF.
			REQUIREMENTS OMITTED	REASON	EXPLANATION	
<b>GRI 2 - GENERAL DISCLOSURES 2021</b>						
GRI 2 (2.13-2.21) Governance	2-13 Delegation of responsibility for managing impacts	<a href="#">4.1-4.2 (Page 13-15)</a> <a href="#">4.4.1 (Page 16-18)</a> <a href="#">4.5 (Page 25-26)</a>				
	2-14 Role of the highest governance body in sustainability reporting	<a href="#">4.1-4.2 (Page 13-15)</a>				
	2-15 Conflicts of interest	<a href="#">4.4.11 (Page 24)</a>				
	2-16 Communication of critical concerns	<a href="#">4.4.1 (Page 16-18)</a>				
	2-17 Collective knowledge of the highest governance body	<a href="#">4.1-4.2 (Page 13-15)</a> <a href="#">4.4.1 (Page 16-18)</a>				
	2-18 Evaluation of the performance of the highest	<a href="#">4.4.1 (Page 16-18)</a>				
	2-19 Remuneration policies	<a href="#">4.4.9 (Page 22)</a>				
	2-20 Process to determine remuneration	<a href="#">4.4.10 (Page 23-24)</a>				
	2-21 Annual total compensation ratio	<a href="#">4.4.10 (Page 23-24)</a>				
<b>GRI 2 - GENERAL DISCLOSURES 2021</b>						
GRI 2 (2.22-2.28) Strategy, policies and practices	2-22 Statement on sustainable development strategy	<a href="#">3 (Page 12)</a> <a href="#">4.1 (Page 13-14)</a> <a href="#">5.7.1 (Page 31-32)</a> <a href="#">7.4 (Page 46)</a>				
	2-23 Policy commitments	<a href="#">3 (Page 12)</a> <a href="#">4.1 (Page 13-14)</a>				
	2-24 Embedding policy commitments	<a href="#">3 (Page 12)</a> <a href="#">4.1 (Page 13-14)</a>				
	2-25 Processes to remediate negative impacts	<a href="#">3 (Page 12)</a> <a href="#">4.1 (Page 13-14)</a> <a href="#">4.3 (Page 15-16)</a>				
	2-26 Mechanism for seeking advice and raising concerns	<a href="#">4.3.2 (Page 15)</a>				
	2-27 Compliance with laws and regulations	<a href="#">4.4.2 (Page 18)</a> <a href="#">4.4.4-4.4.8 (Page 18-22)</a> <a href="#">6.7.7 (Page 42)</a>				
	2-28 Membership associations	<a href="#">6.4. (Page 36)</a>				
GRI 2 (2.29-2.30) Stakeholder engagement	2-29 Approach to stakeholder engagement	<a href="#">6.1-6.3. (Page 34-35)</a> <a href="#">6.5-6.8 (Page 36-44)</a>				
	2-30 Collective bargaining agreements	<a href="#">6.7.3 (Page 41)</a>	There is no collective bargaining agreement.			

GRI STANDARD	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDAR D REF.
			REQUIREMENTS OMITTED	REASON	EXPLA-NATION	
<b>GRI 3: MATERIAL TOPICS 2021</b>						
GRI 3 (3.1-3.2) Disclosures on materials topics	3-1 Process to determine material topics	<a href="#">7.5.2. (Page 47-48)</a>				
	3-2 List of material topics	<a href="#">7.5.3. (Page 48-49)</a>				
<b>GRI 3: MATERIAL TOPICS 2021</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	<a href="#">7.5.4. (Page 49)</a>				
<b>GHG BALANCE OF THE PANENERGY GROUP</b>						
GRI 302: Energy 2016 (Topic Standard)	302-3 Energy intensity	<a href="#">5.1. (Page 26-28)</a>				
	302-4 Reduction of energy consumption	<a href="#">5.1. (Page 26-28)</a>				
	302-5 Reductions in energy requirements of products and services	<a href="#">5.1. (Page 26-28)</a>				
GRI 305: Emissions 2016 (Topic Standard)	305-4 GHG emissions intensity	<a href="#">5.1. (Page 26-28)</a>				
	305-5 Reduction of GHG emissions	<a href="#">5.1. (Page 26-28)</a>				
	305-6 Emissions of ozone-depleting substances (ODS)	<a href="#">5.1. (Page 26-28)</a>				
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions	<a href="#">5.1. (Page 26-28)</a>				
<b>ENERGY PRODUCTION, WATER EXTRACTION</b>						
GRI 303: Water and Effluents 2018 (Topic Standard)	303-1 Interactions with water as a shared resource	<a href="#">5.2. (Page 28)</a>				
	303-2 Management of water discharge-related impacts	<a href="#">5.2. (Page 28)</a>				
	303-3 Water withdrawal	<a href="#">5.2. (Page 28)</a>				
<b>IMPACT OF CLIMATE CHANGE ON PANENERGY HEAT MARKETS</b>						
GRI 302: Energy 2016 (Topic Standard)	302-1 Energy consumption within the organization	<a href="#">5.7.2 (Page 32-33)</a>				
	302-4 Reduction of energy consumption	<a href="#">5.7. (Page 30-31)</a>				
	302-5 Reductions in energy requirements of products and services	<a href="#">5.7.1 (Page 31-32)</a> <a href="#">5.7.2 (Page 32-33)</a>				
GRI 305: Emissions 2016 (Topic Standard)	305-1 Direct (Scope 1) GHG emissions	<a href="#">5.7.2 (Page 32-33)</a>				
	305-2 Energy indirect (Scope 2) GHG emissions	<a href="#">5.7.1 (Page 31-32)</a> <a href="#">5.7.2 (Page 32-33)</a>				