




Appeninn Plc.  
Sustainability Report – 2023



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# 1. Letter from the CEO



With its expertise, Appeninn Plc. serves diverse customer needs with the highest possible quality. As a listed company, it creates real value and predictable investment for shareholders with its steadily increasing ability to generate profit. We are particularly proud that despite the economic challenges of 2023, the Company and its consolidated and owned subsidiaries have already exceeded their financial goals by its business strategy in the first half of the year. Moreover, the group achieved considerable growth through significant acquisitions.

The successful operation of Appeninn Plc. cannot solely be based on business considerations. We believe that business success and sustainable operations are mutually reinforcing. We prepared and published the Company's first sustainability report in this spirit. Through this report, we would like to present our results along the environmental, social, and governance (ESG) pillars of sustainability and set our future goals.

Before compiling and publishing the ESG report, we reviewed our operations and the entire real estate portfolio. We realised that our activity is essential in making our environment more sustainable. As a result, we pay special attention to increasing the energy efficiency of buildings and practising responsible water management regarding the existing real estate portfolio and during future acquisitions.

In 2024, we plan to advance in the digitisation of our everyday processes, thus reducing the unnecessary use of paper, and our goal is to implement selective waste collection in the properties we own. In addition, we continue our corporate social responsibility programs and meet the expectations of our employees, maintaining a positive corporate culture.

We see our first ESG report as a milestone in the life of our Company; in addition to mandatory regulations, our goal is to create value and set an example within the industry.



## 2. Introduction of the Company

### Official name:

Appeninn Vagyonkezelő Holding Nyilvánosan Működő Részvénytársaság (In English: Appeninn Asset Management Holding Public Limited company, hereinafter referred to as “Company,” “Appeninn”, “the Holding”, “Appeninn Plc.”)

### Nature and form of ownership:

Public limited company

### Countries of operation:

Hungary, Poland

### Entities covered by the ESG report:

#### *In Hungary:*

- Appeninn E-Office Plc.
  - Alagút Investments Ltd.
- Appeninn Property Plc.
  - Felhívíz-Appen Ltd.
  - Appen-Retail Ltd.
- Appeninn- Bp 1047 Plc.
- CURLINGTON Ltd.
- Szent László Square Service House Ltd
- BERTEX Plc.
- Appeninn Project-EGRV Ltd.
- Appeninn Project-MSKC Ltd.
- Appeninn BLT Ltd.
- SECTURA Property Management Ltd.
- Kantrum Property Ltd.
- Tidaholm Properties Ltd.

#### *In Poland:*

- Dounby Sp. Z.o.o.,
- Wisniowy Management Sp. Z.o.o.

### Reporting period:

following the financial statement, the calendar year of 2023, from 1 January 2023 to 31 December 2023

### Number of employees: 8



Appeninn is a dynamically growing real estate investment and asset management company focusing on the office and retail real estate market. Since its foundation in 2009, Appeninn has become a dominant player in the Hungarian real estate market. The Company's principal activities include real estate leasing and facility management.

The Company has been on the Budapest Stock Exchange (BSE) for over ten years and has been listed in the Premium category since 2011. The Company's primary goals are portfolio diversification, yield increase, and stable income generation while creating shareholder value.

From Appeninn's foundation until 2020, it primarily owned office buildings in Hungary's capital and bought logistics and commercial real estate nationwide. According to the Company's strategy approved in 2020, the acquisition and development of tourism projects came to the fore.



As part of this, in February 2020, it acquired a 76% stake in Solum-Invest Ltd., and in June 2020, a 75% stake in Dreamland Holding Plc.

In its amended business strategy published in February 2022, the Company set the sale of its tourism portfolio as a primary goal, as well as the acquisition of commercial real estate in the Southeast European and Central-Eastern European regions, within the framework of which its tourism development projects were sold during 2022-2023.

In 2023, the Appeninn group used the sale proceeds to acquire Hungarian and Polish subsidiaries (Dounby Sp. Z.o.o., Tidaholm Properties Ltd., Kantrum Property Ltd.). As a result of these acquisitions, the range and quality of its income-generating properties and the Company's income increased significantly.

The consistent implementation of the strategy formulated in 2022, including the sale of the tourism development portfolio and the office and commercial real estate purchase transactions implemented with a conservative financing structure, Scope Ratings positively evaluated the Company's risk profile on the 5th April 2023; Appeninn's issuer rating was raised to "B+ /stable" and its unsecured bond to "B+" level.

The purpose of future transactions is to diversify the portfolio while maintaining a stable income-generating capacity.



### The Company's most important results in 2023:

- Sale of tourism development project companies
- Acquisition of new commercial real estate (Tidaholm Properties Ltd., Kantrum Property Ltd.) and Polish office real estate (Dounby Sp. Z.o.o.) and integration of the newly acquired subsidiaries
- Stabilization of the favourable financing structure by achieving the recommended investment category for the Company and its bond
- Standard increase of rental and operational activities
- Transformation of the Holding structure, achieving greater transparency
- Preparation for the registration as a Regulated Real Estate Investment Pre-incorporation entity as of 1 January 2024
- Outstanding improvement in the group's financial results

## 2.1 Organizational structure

The executive body of the Company - instead of a board of directors and a supervisory board - is the Board of Directors, which implements a unified management system. The Board consists of at least five and at most nine persons. The majority of the Board of Directors members must be independent persons as defined in the Civil Code.

### Member of the Board of Directors in 2023:

- Zsolt László Kertai
- Györgyi Magdolna Szathmáriné Szűcs
- Dr. Tibor Endre Illés
- Csaba Törő
- Zoltán Jombik

### Members of the Board of Directors since the 30th of January, 2024 and at the time of publication of the sustainability report:

- Györgyi Magdolna Szathmáriné Szűcs
- Dr. Tibor Endre Illés
- Zoltán Jombik
- Dr. Dezső János Jákó
- Dr. István Hüse

The Company's day-to-day work is managed and controlled by the Chief Executive Officer within the legislation and the Articles of Association framework, following the decisions of the General Assembly and the Board of Directors.

### Chief Executive Officer:

- Györgyi Magdolna Szathmáriné Szűcs

The Audit Committee operates alongside the Board of Directors. It carries out its activities based on the laws in force at all times, the Company's Articles of Association and the rules of procedure in force.

### Members of the Audit Committee in 2023:

- Zoltán Jombik (president)
- Zsolt László Kertai
- Csaba Törő

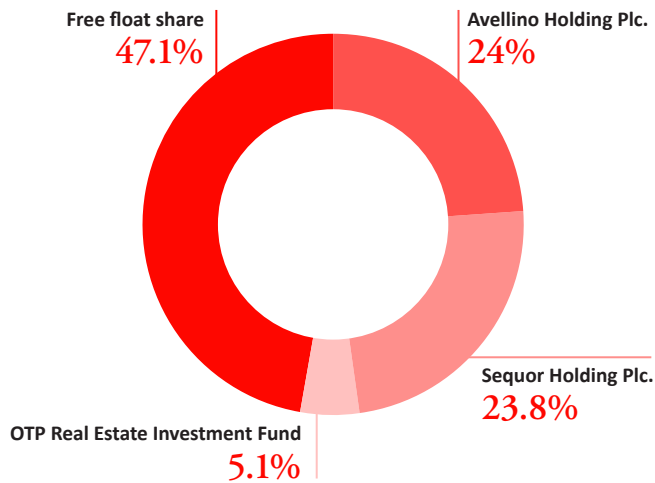
### Members of the Audit Committee since the 30th of January, 2024 and at the time of publication of the sustainability report:

- Zoltán Jombik (president)
- Dr. Dezső János Jákó
- Dr. István Hüse



## 2.2 Ownership structure

As of December 31, 2023, three shareholders in the Company exceed a 5% stake: Avellino Holding Plc., Sequor Holding Plc. and OTP Real Estate Investment Fund, while the free float share was 47.07%, of which 0.0039% are Appeninn's shares.



## 2.3 The Company's short-term sustainability strategy

To increase the Company's financial result, creating an energy-efficient, low-carbon operation in the core business is essential, which generates a significant positive impact for shareholders, business partners and the environment.

Concerning its existing properties and during future acquisitions, the Company intends to prioritise the increase of energy efficiency and responsible water management in its corporate sustainability activities.

The Company's business goals include active portfolio management, ensuring professional asset management and operational services, increased enforcement of ESG aspects, optimising the financing structure, improving and stabilising its income-generating ability at a high level, and geographical diversification.

## 2.4 Appeninn's sustainability vision for the next 10-15 years

The Board of Directors of Appeninn is aware that the importance of corporate responsibility, transparency and energy efficiency will increase worldwide. Incorporating ESG aspects into business activities positively impacts the profitability of the Appeninn group and its immediate and broader environment. Therefore, the Company plans to integrate as many sustainability considerations into its daily operations as possible in the next 10-15 years.

Regarding sustainability reporting, the Company plans to expand its current practice by incorporating further ESG goals and objectives.





# 3. Sustainability for the Company

Appeninn's first sustainability report is prepared according to the ESG Guide framework of the Budapest Stock Exchange (BSE). The Company aims to improve its reporting practices year after year following the legislation, the BSE's and the market's expectations. The topics covered in the report were determined using a materiality analysis, which was carried out in accordance with the Global Reporting Initiative (GRI) standard and presented along with environmental, society, and governance pillars. To ensure a comprehensive approach and commitment to ESG values, the Company's employees, experts and management actively participated in preparing the first sustainability report.

For Appeninn, sustainability is a priority, and ESG aspects have become prominent. By preparing the first sustainability report, the Company strives to understand better its current performance along the environmental, social, and governance pillars and make its environment more sustainable through its activities.



## 3.1 Stakeholders and Material Topics

### 3.1.1 Stakeholders

The Company's stakeholders were identified in a benchmark analysis and subsequently discussed during an internal workshop with the leadership, where the list of stakeholders was finalised. During the analysis, the following stakeholders were identified:

- Shareholders
- National Bank of Hungary (NBH)
- Budapest Stock Exchange (BSE)
- National Tax and Customs Administration (NTCA)
- Financiers
- Clients (renters)
- Employees
- Suppliers

In the future, the Company plans to consult with the identified stakeholders for a more thorough understanding of the ESG-related effects and its impact on ESG-related matters.

### 3.1.2 Materiality assessment

In 2023, Appeninn conducted a materiality analysis for the first time, and the results were used to determine the material topics for the Company's first ESG report. The exact steps of the materiality assessment were as follows:

**Context definition:** An internal workshop was conducted to understand Appeninn's approach to sustainability, an industry benchmark analysis was carried out to assess the ESG performance and objectives of key competitors, and finally, industry-specific material topics outlined by the Sustainability Accounting Standards Board (SASB) and MSCI for real estate and real estate services industries, respectively, were considered.

**Identification of material topics:** Based on the aggregated data and information, the topics of interest to Appeninn were identified and validated with the Company's management.

The research concluded the following list of material topics:



**Environmental topics:**

energy management; reduction of CO2 emissions; waste management; renewable energy



**Social topics:**

diversity, equality and inclusion; social responsibility; corporate culture

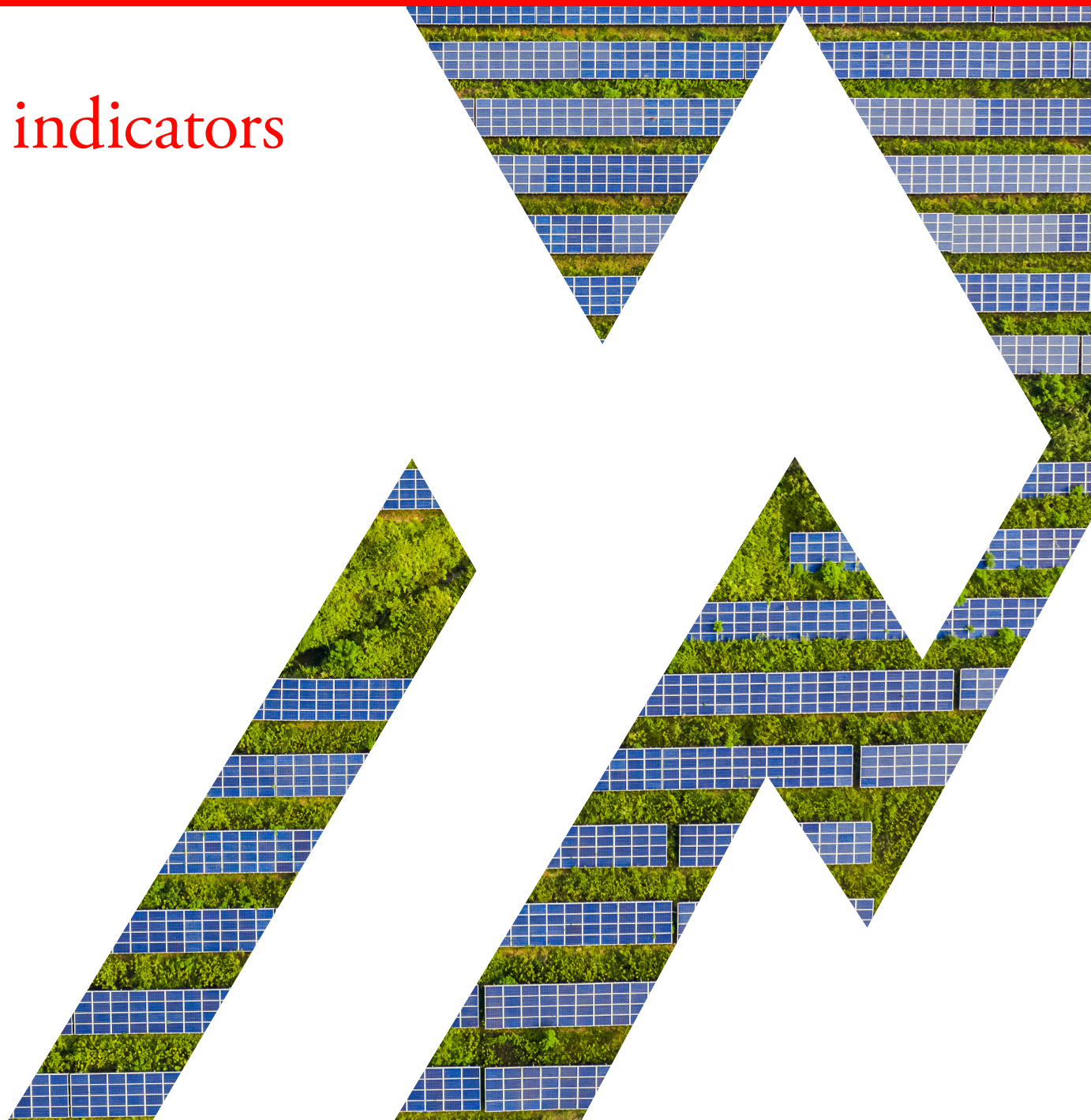


**Governance topics:**

transparency; ethical business conduct; compliance

## 4. Environmental indicators

Appeninn recognises that environmental protection and a healthy and livable environment play a prominent and essential role in achieving sustainable development. Appeninn is aware of the environmental impact of its activities and recognises its responsibility; therefore, it does its best to act on matters it influences. The Company strives to implement projects that reduce the energy use of its properties and increase the share of renewable sources in its energy consumption. Appeninn also considers responsible water management a priority. Appeninn aims to reduce its material use and waste production by transitioning to digital document management and implementing waste collection for recycling.





## 4.1 Energy consumption

Making energy consumption more sustainable is one of the Company's main environmental goals.

To reduce the energy consumption of the group's properties and make them more sustainable:

- contracts for the installation of small solar power plants on the roofs of the shopping centres it owns (Zone Székesfehérvár, Zone Zalaegerszeg, Kanizsa Centrum), thus covering a significant, albeit seasonally changing, share of the buildings' electricity consumption from renewable energy sources;
- the common areas of the Company's rural shopping centres were equipped with LED lighting in 2023;
- the installation of submeters in Budapest properties will be continued, which encourages energy savings in the long term;
- the subsidiary in Poland, Wisniowy Management Sp. Z.o.o. is committed to using green electricity from 2024, produced from renewable sources (wind, solar and water). The goal is to support the decarbonisation of the energy sector by using green energy, thereby fighting climate change, improving people's quality of life, and contributing to creating a livable future.

### 4.1.1. Energy consumption from non-renewable energy sources in 2023

**Table 1.:** Total non-renewable energy consumption (kWh) of the Appeninn group. The group has no energy consumption in the case of subsidiaries not included in the table.



Company	Total energy consumption within the organisation	Purchased heating energy (natural gas) consumption	Sold heating energy	Own natural gas use	Purchased electricity consumption	Sold electricity	Own electricity consumption
Appeninn Plc.	1,397,409	424,363	424,363	-	973,046	973,046	-
Appeninn E-Office Plc.	3,425,997	1,512,909	312,586	1,200,322	1,913,089	595,520	1,317,569
Appeninn Property Plc.	476,052	402,081	-	402,081	73,971	-	73,971
Felhívíz-Appen Ltd.	81,180	68,204	-	68,204	12,976	-	12,976
Appen-Retail Ltd.	13,867	4,072	-	4,072	9,795	-	9,795
Appeninn- Bp 1047 Plc.	30,505	-	-	-	30,505	5,857	24,648
CURLINGTON LTD.	4,742	-	-	-	4,742	3,532	1,210
Szent László Square Service House Ltd.	465,015	371,455	8,110	363,345	93,560	16,891	76,669
Appeninn Project-MSKC Ltd..	440,784	-	-	-	440,784	440,784	-
Tidaholm Properties Ltd..	3,656,253	903,397	887,244	16,152	2,752,856	2,402,475	350,381
Kantrum Property Ltd..	2,041,972	600,654	42,126	558,528	1,441,318	852,594	588,724
Dounby Sp. Z.o.o.	12,544,117	2,125,480	1,427,581	687,899	10,418,637	6,997,687	3,420,950
Wisniowy Management Sp. Z.o.o.	49,043	-	-	-	49,043	-	49,043
<b>TOTAL</b>	<b>24,626,935</b>	<b>6,412,614</b>	<b>3,102,012</b>	<b>3,310,603</b>	<b>18,214,321</b>	<b>12,288,386</b>	<b>5,925,935</b>

#### 4.1.2. Total renewable energy use in 2023

**Table 2.:** Total renewable energy consumption (kWh) of Appeninn group. The group has no energy consumption in the case of subsidiaries not included in the table.

Company	Total renewable energy consumption within the organisation	Purchased renewable electricity consumption	old renewable electricity
Appeninn Plc.	97,305	97,305	97,305
Appeninn E-Office Plc.	191,309	191,309	59,552
Appeninn Property Plc.	7,397	7,397	-
Felhívíz-Appen Ltd.	1,298	1,298	-
Appen-Retail Ltd.	980	980	-
Appeninn- Bp 1047 Plc.	3,051	3,051	586
CURLINGTON LTD.	474	474	353
Szent László Square Service House Ltd.	9,356	9,356	1,689
Appeninn Project-MSKC Ltd.	44,078	44,078	44,078
Tidaholm Properties Ltd.	275,286	275,286	240,248
Kantrum Property Ltd.	144,132	144,132	85,259
Dounby Sp. Z.o.o.	1,338,000	-	-
<b>Dounby Sp. Z.o.o.</b>	<b>2,112,664</b>	<b>774,664</b>	<b>529,070</b>



## 4.2 Scope 1 and Scope 2 greenhouse gas (GHG) emissions

When calculating the Company's greenhouse gas (GHG) emissions, the internationally recognised Greenhouse Gas Protocol (GHG Protocol) regulations were applied. Considering its activities, the Company's energy consumption is not significant; the majority of GHG emissions are derived from the energy consumption of the renters. The first sustainability report presents the Scope 1 and Scope 2 emission data. A full assessment of the Scope 3 data will be made later.

When presenting Scope 2 emission data, market-based and location-based calculation data are presented. The conversion factors of DEFRA (Department for Environment, Food & Rural Affairs) and AIB (Association of Issuing Bodies) were used during the calculation. Emission data are presented in tonnes, CO<sub>2</sub> equivalent.

### 4.2.1 GHG emission intensity

The greenhouse gas emission intensity was calculated as the quotient of Appeninn's sales revenue 2023 and the total amount of Scope 1 and Scope 2 emissions emitted in the same year.

**Sales revenue in 2023:** 18,675,526 EUR

**Scope 1 + Scope 2 emissions in 2023:** 2,343 tCO<sub>2</sub>e

**GHG intensity:** 125.46 g/EUR

**Table 3.:** Scope 1 and 2 of Appeninn group greenhouse gas emissions (tCO<sub>2</sub>e) are based on the available information.

Company	Scope 1	Scope 2 - location-based	Scope 2 - market-based	Scope 1+2 location based	Scope 1+2 market based (%)
Appeninn Plc.	-	-	-	-	0%
Appeninn E-Office Plc.	220	386	422	606	25.9%
Appeninn Property Plc.	74	22	24	95	4.1%
Felhévíz-Appen Ltd.	12	4	4	16	0.7%
Appen-Retail Ltd.	1	3	3	4	0.2%
Appeninn- Bp 1047 Plc.	-	7	8	7	0.3%
Szent László Square Service House Ltd.	66	22	25	89	3.8%
Tidaholm Properties Ltd.	3	103	112	106	4.5%
Kantrum Property Ltd.	102	173	188	275	11.7%
Dounby Sp. Z.o.o.	128	1,003	1,095	1,130	48%
Wisniowy Management Sp. Z.o.o	-	14	16	14	1%
<b>TOTAL</b>	<b>606</b>	<b>1,737</b>	<b>1,896</b>	<b>2,343</b>	<b>100.0%</b>



## 4.3 Waste generation

In the case of properties in Poland, selective waste collection takes place. For the time being, in Hungary, the Company does not implement a unified selective waste collection practice; the future goal is to introduce and apply this both in its operations and for the properties rented out.

### 4.3.1 Total waste generation

**Table 4.:** All generated waste (t) of the Appeninn group based on the available information.

Company	Total mass of generated waste (tonne)
Appeninn E-Office Plc.	1,132
Appeninn Property Plc.	106
Felhévíz-Appen Ltd.	12
Appen-Retail Ltd.	207
Appeninn- Bp1047 Plc.	12
CURLINGTON LTD.	57
Szent László Square Service House Ltd.	70
Appeninn Project-MSKC Ltd.	19
Tidaholm Properties Ltd.	73
Kantrum Property Ltd.	165
Dounby Sp. Z.o.o..	1,065
<b>TOTAL</b>	<b>2,917</b>

## 4.4 Water use

The Company's water consumption comes from piped water, and the municipal sewage network is used for wastewater discharge. During the group's operation, no wastewater discharge endangers natural waters. Appeninn Plc.'s and its subsidiaries' own consumption and tenants' use in leased buildings are presented when presenting water consumption.

**Table 5.:** Total water consumption (l) of the Appeninn group based on the available information.

Company	Total body water consumption (litres)
Appeninn Plc.	3,336,000
Appeninn E-Office Plc.	3,836,680
Appeninn Property Plc.	1,652,000
Appen-Retail Ltd.	65,000
Appeninn- Bp 1047 Plc.	43,000
CURLINGTON LTD.	48,000
Szent László Square Service House Ltd.	1,188,000
Appeninn Project-MSKC Ltd.	1,478,000
Tidaholm Properties Ltd.	5,061,000
Kantrum Property Ltd.	8,121,000
Dounby Sp. Z.o.o.	7,109,300
<b>TOTAL</b>	<b>31,937,980</b>





## 4.5 A biodiversity initiative

The apiary at Wisniowy Business Park, established in June 2017, perfectly reflects the Company's commitment to sustainable development and the biodiversity of the urban environment. Located in the heart of the office complex, the apiary consists of 5 hives, which, in the primary season (end of June and beginning of July), shelter about a quarter of a million bees of the Krain breed, known for their gentleness.

Through their pollination activity, bees play a crucial role in maintaining the ecosystem's health. The bees make pollination flights along a 2.5 km-long row of linden trees, part of the local flora. The average flight range of the bees living in the hive is about 3 km, allowing the apiary to extend its influence to a significant part of the surrounding vegetation.

In addition to the location provided for the beehives, the leisure area that houses the apiary offers workers and visitors relaxation during the working day while increasing their environmental awareness. Observing bees and becoming aware of their importance in the ecosystem contributes to a better understanding and appreciation of nature, even in an urban environment. Approximately 90 kg of honey is produced annually in the apiary. Locally produced honey, without transport from distant regions, significantly reduces the carbon footprint associated with distribution. Beekeeping shows the company's commitment to creating a green, sustainable work environment that promotes the well-being of employees and supports the local environment.





# 5. Social indicators





## 5.1 Corporate Social Responsibility Programs

The social pillar of sustainability is as important to the Company as environmental protection or responsible corporate governance. In 2023, after considering several related initiatives and projects, the #nenézzfélre (don't look away) campaign was selected, which draws attention to the importance of action against school abuse and bullying and promoting the mental well-being of young people.



66% of schoolchildren reported regularly experiencing bullying during their studies. This is a pressing issue that we, as a community, cannot afford to ignore. In response to this, UNICEF Hungary launched a campaign to strengthen the often passive, silent observers of violence. The campaign promotes HelpApp, UNICEF Hungary's anti-bullying application, which provides insight and tools to combat various forms of violence against children, including guidance for bystanders who witness bullying and who want to help the victim.

The campaign sheds light on the most important results of the research and aims to reduce school bullying and promote awareness by emphasising the importance of a supportive community.

Appeninn is committed to contributing to social well-being and development and strongly supports initiatives such as the #nenézzfélre campaign, which aims to create a safer environment for our children.

The Company also supports young people in critical situations by creating opportunities for appearances, networking and fundraising in its retail centres for the SOS Children's Village.

## 5.2 Client Satisfaction

The Company introduced an error management system for all its properties to increase customer satisfaction. Tenant complaints and technical problems can be reported through the APFM system, where the property operators receive them directly and handle the comments most efficiently. Infoboxes set up in retail properties serve the same purpose: to give tenants the opportunity to indicate their questions and possible technical problems in the most comfortable way, and the operator can start handling any comments or errors as quickly as possible.



## 5.3 Ratio of female managers

**Table 6.:** Management composition by gender at Appennin in 2023

Number of employees	Top management	Mid-management	Total
Female	1	1	2
Male	0	1	1
Total	1	2	3
Ratio of female employees (%)	100%	50%	66.7%



## 5.4 Workplace accidents

Due to the nature of the Company's activities, the employees of the Holding are not exposed to workplace accidents, and no workplace accidents occurred in 2023.

## 5.5 Remuneration policy

The remuneration policy defines fundamental principles that ensure clear, transparent, and prudent operations that align with the Company's business strategy, goals, values, long-term interests, and sustainable business performance. Furthermore, remuneration practices must align with efficient and effective risk management implementation, the regulation of the compensation system, and the Company's long-term plans.

The basic principle of the Company's remuneration system is to provide competitive remuneration for the Company's managers and employees; therefore, during its design, special attention is paid to determining the benefits fairly, proportionate to the responsibilities of the given position, which promotes and encourages the long-term employment of committed employees. When determining the level of remuneration, the Company strives to reward reasonable and genuine performance, promote the realisation of economic objectives, and encourage efficient work.

The remuneration policy applies fixed and variable compensation elements following the Company's governing rules. Considering the Company's revenue, plans, and sustainability goals, the CEO transparently and consistently determines the scope of those who receive variable benefits and the level of remuneration adjusted to performance, considering the differences manifested in the various fields and positions. Performance-based compensation is defined as achieving annual and longer-term company goals and goals for the person concerned. The cost and profit effects of unplanned extraordinary projects during the year are considered based on individual considerations.

## 5.6 Employee satisfaction

Given the size and activity of the Company, employee satisfaction is regularly measured during the semi-annual/annual performance evaluation. Employees can always give direct feedback to the CEO or the Board of Directors.

## 6. Governance indicators

For Appenninn, the primary source of shareholder value creation is active portfolio management, which provides professional asset management and operational activities and optimises the financing structure, thus achieving an overall return above the market average and maximising profitability. The Company is committed to a transparent and flexible organisational structure, for which it has created a cost-effective holding structure that matches its current activities, the transparency of which is further enhanced by the organisational changes implemented for the sake of achieving the Regulated Real Estate company status.

The Company has a responsible corporate governance report covering all subsidiaries.



## 6.1 Responsible Procurement Policy

Sustainability was fundamental when defining and implementing the Company's procurement strategy. The Company has incorporated sustainability goals and strategy into its procurement policy, making these part of everyday operations and implementation. It requires its business partners to comply with legal and environmental protection requirements and standards following industry practice. The Company's procurement policy defines the following principles:

- In the procurement procedure, the Appeninn group must ensure that the economic operator submitting the offer respects the competition's purity, transparency, and openness.
- The Appeninn group ensures equal opportunities and treatment for the economic operators who submit offers.
- The Appeninn group is obliged to act in good faith and fairness and by the requirements of the proper exercise of law during the competitive procedure.
- When using its financial resources, the Appeninn group must act with the efficient and responsible management principle.
- The procurement procedure can only be divided into parts that do not circumvent the provisions of the Company's procurement regulations.
- The Appeninn group strives to consider environmental protection and sustainability aspects during procurement.

- The procurement procedure must be transparent, i.e., documented at every stage. The documentation must include requests for proposals if the detailed rules for the procurement procedure require or allow the obligation to submit a proposal.

The Company has a responsible procurement policy covering all subsidiaries.

## 6.2. Independence guidelines

Instead of the board of directors and the supervisory board, the Company implements a unified management system led by the Board of Directors. The Holding's Board of Directors performs the duties of the board of directors and the supervisory board as defined by law.

The Company's guidelines regarding the independence of the members of the Board of Directors and the members of the Audit Committee and the applied independence criteria were defined and recorded in the Company's Independence Guidelines policy following the Responsible Corporate Governance Recommendations adopted and published by the Budapest Stock Exchange Plc.

By legal obligations, the majority of the members of the Board of Directors must be independent. The members are considered independent if they do not have a legal relationship with the Company other than membership of the Board of Directors and a legal relationship based on a transaction that is part of the Company's everyday activities and satisfies the needs of the members of the Board of Directors.

The Board members declare their independence when taking up their membership assignment. The General Assembly elects the members of the Audit Committee from among the independent members of the Board of Directors.

## 6.3 Risk management

Risk management is of paramount importance to protect Appeninn group's financial stability and good reputation, as well as the use of capital for competitive business activities that serve the interests of shareholders. When developing its risk management guidelines, the Company considered the principles of integrity, completeness, methodology, transparency, continuity, and proportionality.

The Appeninn group considers all elements, events, and circumstances inherent to its activities and management as risks that, if they occur, adversely affect, or may affect the operation of the Company. The Company determines the degree of risk as the product of the probability of the threat occurring and the magnitude of the potential damage caused. During the selection of the risk management strategy applied to the hazards identified along with the identified risk factors, the foreseeable effect of the measure is assessed and compared with the initially planned result in connection with the given activity. The most effective tool for risk management is risk management built into the process.

The members of the Board of Directors supervise and are responsible for the entire risk management of the Company.



## 6.4 Anti-corruption policy

When developing the anti-corruption policy directive, independence and risk management guidelines were also considered. The Company has an anti-corruption policy covering all its entities.

In line with the objectives and strategy of the Appenninn group, it is committed to integrity, fairness, and responsibility, and it supports the fight against corruption and all initiatives that promote ethical behaviour within and beyond the group.

The group believes it is not enough to fight corruption only with the tools of criminal law; social cooperation is also needed. Considering this, it intends to take organisational action against corruption and applies zero tolerance to corruption and violations of its anti-corruption policy.

To enforce zero tolerance against corruption, the group applies the following general procedural and operating principles:

- accurately defines the rights and duties of the employees by properly and officially recording the responsibilities, clearly designating the decision-making levels, to avoid overlaps between individual functions and decision-making rights concentrated to one person;
- develops officially defined procedures for carrying out the specific activities of individual employees and expects their application;

- monitors the activities and transactions of individual employees per the laws, as permitted by them;
- expects that business partners make decisions based on predetermined criteria in all cases where the regulations require this.

The group establishes relations with its partners based on assessing professionalism, competence and competitiveness and does not apply other aspects that include the possibility of corruption. The Company minimises the risk of corruption during cooperation with contractual partners, paying particular attention to the tendering and preparation process. The Company pays great attention to contractual partners acting on behalf of the group, considering the related reputational and performance risks.

## 6.5 ESG manager

An ESG manager was appointed in 2023.

## 6.6 Data security

There were no substantiated complaints related to violations of customer privacy and loss of customer data either in 2023 or since the Company was established.

Should you have any questions about the report, please get in touch via email at [info@appeninnholding.com](mailto:info@appeninnholding.com) or the website <https://appeninnholding.com/kapcsolat/>.

