



Appeninn Plc.
Sustainability Report - 2024

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Letter from the CEO



Dear Partners, Investors and those interested in our services,

The staff and management of Appeninn Plc. have prepared the second Sustainability Report of the Group for the year 2024. As demonstrated by the experiences of the past two years, sustainability and business performance may be considered interlinked objectives in both the short and long term. Our vision and strategy are shaped by the increasing integration of ESG aspects highlighted in the Report.

As a listed company, Appeninn Plc. creates real value and predictable investment for its shareholders, relying on its expertise in real estate investment, professional portfolio management and real estate management activities resulting in a steadily increasing ability to generate profit.

We are proud that the Company and its consolidated subsidiaries keep on meeting their financial targets year on year through the consistent implementation of our business strategy and that the Group could achieve impressive growth through significant acquisitions and the integration of acquired projects.

However, the Group's operations cannot solely rely on the quantifiable aspects of financial reporting. We believe business success and sustainable operations with environmental, social and governance pillars included mutually reinforce each other. Accordingly, we will focus on improving energy efficiency and responsible water management in the buildings in our existing real estate portfolio as well as in the case of future acquisitions. In 2025, we plan to advance in the digitisation of our everyday processes, thus reducing the unnecessary use of paper, and we aim to increase the role of selective waste collection. We will continue with our corporate social responsibility programmes and we are still keen on maintaining a positive, inclusive and supportive, transparent, non-discriminatory corporate culture, always meeting the standards of ethical conduct.

In the life of the Company, our second ESG Report is indeed seen as a milestone. As a premium listed company, we aim to create value and set an example instead of simply meeting the compulsory legal requirements.

Finally, I would like to thank my dedicated colleagues Ildikó Csizmadia and Kira Hodován for their outstanding efforts in creating this Report.

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: Appeninn, Company, Holding)

Form of ownership:

Public limited company

Countries of operation:

Hungary, Poland

Entities covered by the scope of the ESG report: the Holding and its subsidiaries:

In Hungary:

- Appeninn E-Office Plc.
- Alagút Investments Ltd.
- Appeninn Property Plc.
- Appeninn Project-EGRV Ltd.
- Appeninn Project-MSKC Ltd.
- Kantrum Property Ltd.
- Tidaholm Properties Ltd.

In Poland:

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

Reporting period:

- the period covered by the financial statement – 1 January 2024 – 31 December 2024

Number of staff as of 31 December 2024:

- 8

Appeninn Plc. is a major player in the Hungarian real estate market, also present in the Polish real estate market since 2023.

The Company is listed in the premium category of the Budapest Stock Exchange and its revenue generating capacity has been stable and significantly increasing over the last two years.

The Company's core activities are real estate investment and asset management as well as office and retail property rental and property management, with a focus on the office and retail property market. Our primary objectives are active portfolio management, optimising the value and income generating capacity of our real estate portfolio, increasing its diversity in terms of geographical location and functionality, and providing high quality operational services to our tenants.



The Company issued NKP bonds for a total amount of HUF 20 billion in 2019 to refinance its previous bank loans on more favourable terms, reduce encumbrance for its properties and expand its real estate portfolio with high quality assets with a capacity to generate increased revenue. At the time of the bond issuance, Scope Ratings rated the Company 'B+' and the unsecured bond issued 'BB-'.

In its renewed strategy, published in February 2022, the Company set as its primary objectives to transform itself into a Regulated Real Estate Investment Trust (REIT), the development of a cost-efficient organisational and operational structure, increased focus on ESG, to sell its projects related to tourism and the acquisition of properties with a capacity to generate revenue in SEE and CEE regions. Accordingly, the former operating model of the Company was restructured with the majority of its development projects sold in 2022.

In the first quarter of 2023, the Group used the proceeds from these sales to acquire Hungarian and Polish subsidiaries (Dounby Sp. Z o.o., Tidaholm Properties Ltd., Kantrum Property Ltd.), which in turn has led to a significant increase in the scope and quality of as well as revenues from its income generating properties, while the Group's consolidated operating profitability has markedly improved.

The consistent implementation of the strategy formulated in 2022, including commercial real estate purchase transactions implemented with a conservative financing structure, resulted in a positive evaluation by Scope Ratings on the 5th April 2023 regarding the Company's risk profile; Appeninn's issuer rating was raised to "B+ /stable" and its unsecured bond rating to "B+". This rating was reaffirmed on 5 April 2024.

The Company further simplified its corporate structure by first merging the subsidiaries Felhívíz-Appen Ltd. and Appen-Retail Ltd., both owned directly in 100%, into APPENINN Property Plc. on 31 December 2023, followed by the merging of the subsidiaries Szent László Téri Service House Ltd., SECTURA Property Management Ltd., Appeninn BLT Ltd., CURLINGTON Ltd., BERTEX Plc. and Appeninn-Bp1047 Plc. on 30 June 2024.

The Company was registered as a Regulated Real Estate Investment Proforma Company by the Company Court of the Metropolitan Court of Budapest on 12 January 2024, with effect from 1 January 2024, and as a Regulated Real Estate Investment Trust (REIT) on 1 July 2024.



The Company's most important results in 2024:

- Successful integration of the companies and properties acquired in 2023 into the Group while increasing their value, operating quality and cost efficiency.
- Meeting the conditions for registration as a Real Estate Investment Proforma Company and then as a REIT, transparent operation as a result of that and realising the related tax advantages.
- Publication of the Company's first ESG report.
- Stabilisation of Scope's investment-grade rating.
- Maintenance and continuous improvement of a transparent and cost-effective organisational structure.
- Diversifying financing options with new sources of favourable terms.
- Development and implementation of a Code of Ethics and Conduct.

2.1. Organizational structure

The executive body of the Company - instead of having a separate board of directors and supervisory board - is the Board of Directors. It has minimum 5 and maximum 9 members, natural persons only. The majority of the Board of Directors members shall be independent persons as defined in the Civil Code.

Member of the Board of Directors in 2024:

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



The Company's day-to-day work is managed and controlled by the Chief Executive Officer within the legal framework provided by the relevant legislation and the Articles of Association and in accordance with 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 in compliance with the laws in force at any time, the Company's Articles of Association and the Rules of Procedure in force.

Members of the Audit Committee in 2024:

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

2.2. Ownership structure

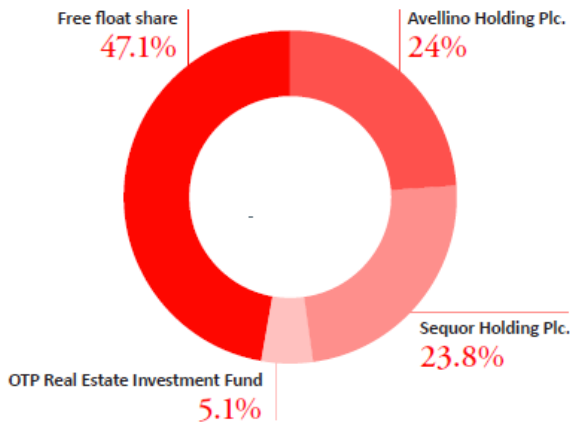
As of December 31, 2023, three shareholders own more than 5% of the shares:

- Avellino Holding Plc.
- Sequor Holding Plc.
- OTP Ingatlanbefektetési Alap

The proportion of free float was 47.07%, 0.0039% of which are Appeninn’s shares.

2.3. Short-term sustainability strategy

To increase the Company’s financial result, energy-efficient and low-carbon operation, having a significant impact on the direct and remote environment of the Company, is essential. To this end, the Company will prioritise the use of innovative technologies and the progressively increasing share of renewable energy sources when making strategic and operational decisions, both when purchasing and generating energy.



With regard to both existing properties and future acquisitions, the Company will focus on increasing energy efficiency, responsible water management and optimising waste management as its most important sustainable business activities.

Taking into account the potentially available administration processes as well as the preferences or possible constraints on behalf of our partners, we will favour digital solutions for document management and decision-making processes, and encourage direct and indirect contacts in our network to do the same, thereby reducing undue strain on the environment. The expansion of selective waste collection in our properties serves similar goals.

Through the implementation of short-term strategic plans,

the Company will integrate sustainability into its business model, not only to promote its profitability and market position, but also to create a more liveable and balanced environment.

2.4. Appeninn’s sustainability vision for the next 10-15 years

In line with increasing expectations and global trends, Appeninn's Board of Directors is committed to put energy efficiency, environmental aspects, corporate responsibility, a corporate climate that encourages and inspires commitment, transparency and compliance with ethical standards into the focus of its operations and decisions, as the integration of ESG aspects into our business processes will have a positive impact on the Group’s long term performance and reputation, as well as on our immediate and remote environment.

We are planning to incorporate further ESG indicators and targets into our Sustainability Reports in the future. When compiling the reports, we will not only bear in mind compliance with legal obligations, but also the aspect of providing a transparent presentation of our goals and performance and reflecting our commitment to sustainability.

3. Sustainability for the Company

Appeninn's sustainability reports are prepared according to the ESG Guide framework of the Budapest Stock Exchange (BSE). The Company aims to improve its reporting practices, making the necessary updates each year in line with the changes in legal requirements and the expectations of the BSE, its shareholders, its partners, the market, its own organisation and its employees. The topics covered in this report have been defined using the Global Reporting Initiative (GRI) materiality analysis and are presented along environmental, social and governance pillars. In order to ensure a comprehensive approach and the widest possible integration of ESG values, the Company's employees, experts and management all actively contributed to the preparation of the 2024 Sustainability Report.

By preparing the Sustainability Report, we aim to understand ourselves better and make our current performance and objectives, along the environmental, social and corporate governance pillars, transparent to our partners as well as to increase the sustainability of our long term financial performance, organisational operations and environmental conditions by consciously applying our ESG concept and objectives.

3.1. Stakeholders and Materiality Assessment

3.1.1. Stakeholders

Appeninn's stakeholders were identified by means of benchmark analysis, with the results discussed and finalised during an internal workshop by the management, experts and staff of the Company. This process identified the following stakeholders:

- Shareholders
- National Bank of Hungary (NBH)
- Budapest Stock Exchange (BSE)
- National Tax and Customs Administration (NTCA)
- Financiers
- Tenants
- 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

Appeninn's first materiality assessment was performed in 2023. Its results were used then to identify the key topics for its first ESG report. The Company amended the sustainability topics and disclosures most relevant to its organisational functions in 2024.

The exact steps of the materiality assessment were as follows:

Definition of context: Conducting an internal workshop and an industry benchmark analysis to assess the ESG performance and objectives of key competitors, taking into account the industry-specific recommendations from two internationally recognised ESG rating agencies:

- Sustainability Accounting Standards Board (SASB) and
- Morgan Stanley Capital International (MSCI) regarding major topics for the real estate and property service sectors.

Identification of materiality issues: These have been identified relying on the aggregated data and information and taking into account expert advice in 2024, too.

Major identified materiality issues:

Environmental pillar:

energy management; carbon reduction; waste management; renewable energy, water management

Social pillar:

diversity; equality and inclusion; corporate social responsibility; corporate culture

Corporate governance:

transparency; ethical business conduct; no corruption of any kind; compliance; non-discrimination.

4. Environmental indicators

Appeninn recognises that environmental protection and a healthy and liveable environment play a prominent and essential role in achieving sustainable development. It is aware of and takes responsibility for the environmental impact of the Group's activities and is committed to mitigate these impacts by its operation in the areas concerned. 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. The Company considers responsible water management as well as reducing waste generation and material use as priorities; to this end, we aim at switching to digital document management and increasing the share of selective waste collection to promote recycling.

4.1. Energy consumption

Efforts of the Group to reduce the energy consumption of its properties and make their operation more sustainable:

- its shopping centres (Székesfehérvár,Zalaegerszeg, Kanizsa Centrum) will be supplied to a significant extent by small solar power plants installed on the roofs. Hence, a significant, albeit seasonally variable share of the electricity consumption of the buildings will be supplied from a renewable energy source;
- Modern and energy-efficient LED technology will be used for the illumination of public areas in rural shopping centres first, and later in other Group properties;
- Group properties have been provided with sub-meters encouraging owners and tenants to save energy;
- Our Polish subsidiary Wiśniowy Management Sp. Z.o.o. only uses green electricity produced from renewable sources (wind, solar and hydro), thus supporting the decarbonisation of the energy sector, the fight against climate change, the improvement of the quality of life and creating the conditions for a sustainable future.

4.1.1. Energy consumption from non-renewable energy sources in 2024

Table 1: Total energy consumption (kWh) of the Appeninn Goup. For subsidiaries not included in the table, energy consumption is not applicable.

Company	Total energy consumption within the organisation	Purchased heating energy (natural gas) consumption	Sold heating energy	Own natural gas	Purchased electricity consumption	Sold electricity	Own electricity consumption
Appeninn Nyrt.	55 213	-	-	-	55 213	55 213	-
Appeninn E-Office Zrt.	3 386 202	1 614 964	329 581	1 285 382	1 771 238	821 201	950 037
Appeninn Property Vagyonkezelő Zrt.	1 705 041	652 085	344 350	307 735	1 052 956	973 608	79 348
Appeninn Projekt-MSKC Kft.	419 235	-	-	-	419 235	419 235	-
Alagut Investments Kft.	-	-	-	-	-	-	-
Kantrum Property Kft.	2 144 630	592 053	592 053	-	1 552 577	1 026 272	526 305
Tidaholm Property Kft.	3 458 634	767 635	767 635	-	2 690 999	2 431 876	259 123
Dounby Sp. Z.o.o.	16 290 552	6 322 455	537 628	5 784 827	9 968 097	7 139 075	2 829 022
Wisniowy Management Sp. Z.o.o.	-				-	-	-
Total	27 459 507	9 949 192	2 571 247	7 377 945	17 510 316	12 866 480	4 643 835

4.1.2. Total renewable energy use in 2024

Table 1: Total energy consumption (kWh) of the Appeninn Group. For subsidiaries not included in the table, energy consumption is not applicable.

Company	Total renewable energy consumption within the organisation	Purchased renewable electricity consumption	Sold renewable electricity
Appeninn Nyrt.	11 319	11 319	11 319
Appeninn E-Office Zrt.	363 104	363 104	168 346
Appeninn Property Vagyonkezelő Zrt.	215 856	215 856	199 590
Appeninn Projekt-MSKC Kft.	85 943	85 943	85 943
Alagut Investments Kft.	-	-	-
Kantrum Property Kft.	318 278	318 278	210 386
Tidaholm Property Kft.	551 655	551 655	498 535
Dounby Sp. Z.o.o.	9 968 097	9 968 097	7 139 075
Wisniowy Management Sp. Z.o.o.	-	-	-
Total	11 514 252	11 514 252	8 313 193

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) accounting standards were applied. Due to the nature of its activities, the Company's own energy consumption is not significant, with a significant share of GHG emissions generated by the energy use of tenants. In the Sustainability Report, Scope 1 and Scope 2 emissions data are presented with a full assessment of Scope 3 data to be conducted later.

For the calculation of the presented market based and location-based Scope 2 emission data, DEFRA (Department for Environment, Food & Rural Affairs) and AIB (Association of Issuing Bodies) conversion factors were applied. Emission data are presented in tonnes, as CO2 equivalent.

4.2.1. GHG emission intensity

GHG emission intensity has been calculated as the ratio of the Company's 2024 sales revenue and the sum of Scope 1 and Scope 2 emissions.

Sales revenue in 2024: EUR 23,124,986
Scope 1 + Scope 2 emissions in 2024: 2,552 tCO₂e
GHG intensity: 110,36 g/euró

Table 3.: Emission of Scope 1 and Scope 2 GHGs of the Appeninn Group (tCO₂e) calculated from the data available.

Company	Scope 1	Scope 2 - location based	Scope 2 - market based	Scope 1+2 market based	Scope 1+2 market based (%)
Appeninn Nyrt.	5,64	0,00	0,00	5,64	0,22%
Appeninn E-Office Zrt.	594,36	209,01	306,48	900,85	35,30%
Appeninn Property Zrt.	222,42	17,46	25,60	248,02	9,72%
Alagút Investment Kft.	76,96	0,00	0,00	76,96	3,02%
Kantrum Property Kft.	0,00	115,79	169,79	169,79	6,65%
Tidaholm Properties Kft.	0,00	57,01	83,59	83,59	3,28%
Dounby Sp. Z.o.o.	1067,24	2195,32	0,00	1067,24	41,82%
Total	1 966,63	2 594,58	585,46	2 552,09	100%

4.3. Waste generation

In the case of the office in Poland and retail properties in Hungary, the generated waste is collected selectively. The proportion of waste collected according to categories is increasing for other properties, too, in line with our earlier targets.

4.3.1. Total waste generation

Table 4: Total volume of waste generated by the Group (t) according to the information available.

Company	Total mass of generated waste (tonne)
Appeninn E-Office Zrt.	31,36
Appeninn Property Zrt.	7,8013
Appeninn Project-MSKC Kft.	13,44
Tidaholm Prperties Kft.	150
Kantrum Property Kft.	32,48
Dounby Sp. Z o.o.	762,81
Total	997,8913

4.4. Water use

The Company and its subsidiaries consume piped water. Their wastewater is discharged into the municipal sewage network. The wastewater discharged by the Group's operation does not pose a threat to natural waters. The data presented for water consumption include both Appeninn Plc.'s and its subsidiaries' own consumption and water use by tenants in leased buildings.

Table 5. Total water consumption by the Appeninn Group (l) according to the information available.

Company	Total body water consumption (litres)
Appeninn E-Office Zrt.	6 232 000
Appeninn Property Zrt.	7 073 000
Appeninn Project-MSKC Kft.	1 388 000
Tidaholm Prperties Kft.	5 506 000
Kantrum Property Kft.	8 872 000
Dounby Sp. Z o.o.	7 326 000
Appeninn Nyrt.	217 000
Total	36 614 000

4.5. Biodiversity Initiative

The apiary at Wisniowy Business Park, established in June 2017, perfectly reflects the Company's commitment to sustainable development and urban biodiversity. The apiary, located in the heart of the office complex, has 5 hives and in the main season (end of June and beginning of July), it provides home for about a quarter of a million Carniolan bees, known for their peaceful nature.

Bees play a key role in maintaining the health of the local ecosystem by pollinating a 2.5 km long line of lime trees, which forms an organic part of the local flora. The flight range of bees living in the hive, estimated at an average of around 3 km, extends the beneficial effects of beekeeping to a large part of the surrounding vegetation.

The apiary is located in the recreational area and it promotes the environmental awareness of the workers. Observing bees and acknowledging the important role they play in the ecosystem contributes to a better understanding and appreciation of nature. The apiary produces about 90 kg of honey each year. This honey does not have to be transported from distant regions and that significantly reduces the carbon footprint of selling it. The apiary is an expression of the Group's commitment to creating a green, sustainable working environment that promotes the well-being of workers while also supporting the local environment.



5. Social indicators

The social pillar of sustainability is just as important for the Company as environmental protection or responsible corporate governance. Relying on these values, we can actively and tangibly contribute to the well-being of local communities and partners as well as to that of the society in a broader sense. The Company places special emphasis on supporting initiatives and programmes that create lasting social values. By taking active responsibility, we can contribute to leaving a more liveable, non-discriminatory and equitable world for future generations, and promote long-term trust in the Group, boosting its reputation.

5.1. Corporate Social Responsibility

Cooperation with UNICEF

Having considered several related initiatives and projects, the #nenézzfélre ("don't look away") campaign was selected in 2023 as the Group's social responsibility programme. This awareness raising campaign highlights the importance of action against school abuse and bullying and the promotion of the mental well-being of young people. The campaign does not only shed light on the most important results of the research, but also aims to combat school bullying and emphasizes the importance of a supportive community. In 2024, the Company decided to continue supporting this project, and also to support the "Back to School" programme, linked to the #nenezzfélre campaign, in the course of the cooperation. The "Back to School" campaign aims at raising awareness, before the start of the school year, of the long-term psychological damage caused by bullying and harassment at school, their negative consequences at individual and social level, and the importance of targeted and conscious prevention. The most distressing aspect of bullying is often the silence of passive bystanders, this is why we think

it is important to recognise the early signs of abuse and take personal action against it, enjoying the support of the community. As for this support, it is not only the duty of parents and educators: peers also play a role of paramount importance. This latter group was represented at Strand Festival in large numbers and, thanks to our support, they were able to follow the related round table discussions and information displayed on giant screens during the event. Appeninn is committed to contributing to social well-being, to that of children in particular, and will continue to champion initiatives such as #nenézzfélre or the Back to School campaign to create a safer environment for our children.



Supporting AMIGOS a gyerekekért Alapítvány (AMIGOS for Children Foundation)

As a new project, Appeninn decided to support the operation of the foundation AMIGOS a gyerekekért Alapítvány (AMIGOS for Children Foundation) in 2024. In the past 10 years, members of the organisation (known as the Amigos) have regularly visited chronically ill children in hospital wards, facilitating and supporting their learning and development.

As part of this partnership, Appeninn has adopted the Burns Surgery Unit at Bethesda Hospital, supporting the Foundation's work within the hospital.

Cooperation with SOS-Gyermekefalvak Magyarország Alapítvány (SOS Children's Villages Foundation)

Appeninn has been supporting SOS-Gyermekefalvak Magyarország Alapítvány (SOS Children's Villages Foundation), a foundation that aims at improving the life of children and young people without parental care, since 2020. The Company supports vulnerable youth by providing SOS Gyermekfaluk with opportunities to raise awareness and perform networking and fundraising activities in its retail centres.

Cooperation with the foundation Segítség, hogy Segíthessünk (Help us to help)

The same way as described above, the Group also supports the fundraiser foundation Segítség, hogy Segíthessünk by providing it with venues in the Christmas season so that the Foundation can organise charity fairs and fundraising events.



5.2. Client Satisfaction

The Company operates an efficient centralized system to manage defects and complaints for all its properties in order to increase customer satisfaction. Tenants may make comments and report technical problems through a central system, where property operators directly receive their messages and forward them to the department deemed most competent professionally. Info-boxes set up in retail properties serve same purpose. Using these, tenants may ask questions, report technical and other problems, make comments and file requests in the most convenient way for them, and property operators can manage these as quickly and efficiently as possible.

5.3. Ratio of female managers

Table 6: Gender composition of the management at Appenin in 2024

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. Accidents at work

Due to the nature of the Company’s activities, the employees of the Group are not exposed to workplace accidents; hence, no workplace accidents occurred in 2024.

5.5. Remuneration Policy

Our Remuneration Policy aims to set out clear, transparent and prudent operating principles that are consistent with the Group's business strategy, objectives and values, support long-term and sustainable business performance and ensure that remuneration practices are implemented in line with effective risk management.

The Group’s Remuneration Policy is based on the basic principle of providing competitive remuneration for the Company’s managers and employees. We believe in determining remuneration in a non-discriminatory and fair manner, proportional with the requirements of the given position regarding professional knowledge, experience, performance and responsibility, thereby promoting and encouraging employee engagement and cooperation within the organisation. In determining the level of individual remuneration, the Company seeks to develop a results-oriented remuneration system that rewards both genuine individual performance and organisational cooperation, while also supporting the achievement of business objectives and boosting work performance.

Our Remuneration Policy includes fixed and variable elements in line with existing Group policies and defines the range of different types of benefits as well as those eligible for these in a consistent and transparent manner. The remuneration concept and the determination of the remuneration and benefits for each function take into account the following:

- Professional knowledge, seniority and performance required by different areas of expertise and positions, impact on the ability to create different types of added value and on operating results
- Direct impact on the Group’s actual and long-term corporate strategy and objectives,
- Impact on the ability of employees to meet the objectives set for them or perform any specific project assignments,
- level of support, team spirit, commitment, loyalty and proactivity within and beyond the performance of the duties specific for the given position.

5.5. 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

Appeninn creates values for its shareholders essentially by means of active portfolio management, professional asset management and the operation and continuous monitoring and optimisation of the funding structure i.e. by achieving above-market returns, hence maximising profitability. The Company is committed to a transparent and flexible organisational structure, and to this end has established a cost-effective and transparent holding structure for its current activities, in line with the legal requirements posed by being a Regulated Real Estate Investment Trust. This holding structure is regularly reviewed in terms of its organisation, processes, corporate structure and internal and outsourced functions.

The Company has a responsible Corporate Governance Report covering all subsidiaries.

6.1. Responsible Procurement Policy

Appeninn issued its current Procurement Rules on 4 April 2023. The Company developed the Rules for Appeninn Group to regulate procurement activities with special regard to the rules to generally enforce transparency and realise business objectives, regulating the procurement process in particular (preparation, implementation, control) as well as to define the responsibilities of those involved and the control of procurement documents, the latter one being a prerequisite for transparent and controlled procurement processes. The inclusion of sustainability objectives was also an essential requirement so that they can be effectively integrated into day-to-day operations and activities. The Company also expects its business partners and contracting partners to comply with market, legal and environmental requirements and standards as used by the industry:

- In the procurement procedure, Appeninn Group shall provide for, and the economic operator submitting a bid shall respect the principles of fairness, transparency and publicity regarding the competition.
- Appeninn Group shall ensure equal opportunities and equal treatment for all economic operators submitting a bid.

- Appeninn Group shall act in accordance with the requirements of good faith and fairness and the proper exercise of rights in the procurement procedure.
- Appeninn Group shall place particular emphasis on the principle of sound and responsible management when using its financial resources.
- The procurement procedure may only be broken down into parts in a way that does not result in circumvention of the Company's Procurement Rules.
- Environmental and sustainability considerations shall be integrated into procurement decisions.
- Procurement procedures, criteria and decisions shall be transparent and documented in all relevant aspects.

6.2. Independence Guidelines

Instead of having a board of directors and a supervisory board, the Company employs a unified management system led by the Board of Directors. The 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.

The majority of the members of the Board of Directors shall be independent as stipulated by the relevant legislation. Members shall be considered independent if they have no legal relationship with the Company other than their membership in 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.

6.3. Risk management

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

Appeninn Group considers all those elements, events, and circumstances inherent to its activities and management as risks which, should they occur, may or will adversely 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. In selecting a risk management strategy for the hazards identified using the risk factors, the likely impact of actions is assessed and compared with their originally intended outcome and the level of risk. the precise definition of responsibilities and authorities, decision levels and conflict of interest rules, the consistent application of the four-eyes principle and the control points built into the process are considered as effective tools for risk management.

The entire risk management process of the Group is supervised, controlled and managed by the members of the Board of Directors (Audit Committee).

6.4. Code of Ethics

At the end of 2024, Appeninn developed its Code of Ethics and Conduct to provide the Company with a set of principles for business and workplace conduct and guidance on the values and standards that the Company will follow in all its business activities. The key provisions of its Anti-Corruption Policy, adopted on 4 April 2023, are set out in a separate section of the Code of Ethics and Conduct.

6.5. ESG Manager

The Company appointed an ESG Manager in 2023.

6.6. Data protection

Since the establishment of the Company including the year 2024, there have been no complaints on behalf of our clients regarding misuse or loss of private data.



Should you have any questions about the Report, do not hesitate to send us an email at info@appeninnholding.com or contact us at <https://appeninnholding.com/kapcsolat/>.



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