An aerial photograph of a gas processing plant. The plant features several large industrial buildings, including a prominent one with a dark blue roof. A complex network of pipes and conduits runs across the site. In the foreground, there are large storage tanks and more industrial structures. The background shows a green field with some smaller buildings and a line of trees. The overall scene is a mix of industrial infrastructure and natural landscape.

A HEXUM Földgáz Zrt.

ESG REPORT

(ESG - Environmental, Social and Governance)

2022.

CEO'S ADDRESS

Dear Reader!

As the CEO of HEXUM Földgáz Zrt., it is important for me to look back, and to give a kind of summary of the year 2022.

2022 was the most turbulent period in the history of our parent company, MSZKSZ and thus of HEXUM companies.

The Russian-Ukrainian war and, as a consequence, the deepening global energy crisis led to energy price hikes and supply difficulties not seen for decades. Pursuant to this situation, and in accordance with the Government's decision, the establishment and procurement of a special reserve in addition to the prescribed strategic reserve of natural gas and the provision of the necessary financing became one of the top priorities of the MSZKSZ and the HEXUM Group.

In the extraordinary situation, we paid particular attention to ensuring that the release of gas reserves could be carried out in the event of a supply crisis as quickly as possible and trouble-free, by ensuring the availability of natural gas reserves and withdrawal capacity.

As part of our ESG strategy, we are committed to a long-term corporate zero-carbon programme to reduce our CO₂ and methane emissions as well as to launch energy conservation projects. We plan to further develop our ESG strategy in the coming years, and continue our carbon neutrality programme and enhance our energy mitigation measures.

Please find details of our activities for sustainable development in the first ESG report of HEXUM Földgáz Zrt.!

Dr. Berze György



CEO
HEXUM Földgáz Zrt.



1. Operating environment of HEXUM Földgáz Zrt., standard management systems

In February 2006, the Hungarian Parliament adopted Act XXVI of 2006 on the strategic stockpiling of natural gas and designated the Hungarian Hydrocarbon Stockpiling Association (MSZKSZ) to establish and maintain the natural gas strategic reserve. The referred law also stipulated that the strategic gas reserve shall be deposited in underground gas storage facilities of sufficient capacity.

In 2006, the MSZKSZ established MMBF Zrt, the predecessor of HEXUM Földgáz Private Limited Company (hereinafter referred to as HEXUM Földgáz Zrt. or the Company). MSZKSZ issued an invitation to tender for selecting the location of the strategic natural gas storage facility and for the implementation of the storage facility. MOL won the tender and started the construction of the underground gas storage facility.

The preparatory phase was completed in the first half of 2008, by this time the facility had received all the necessary permits for construction (e.g. environmental and building permits). MMBF Plc. as the owner (following the 2006 tender procedure) concluded a contract with MOL Plc. for the construction, commissioning and operation of the facility.

MSZKSZ announced in December 2009 that the storage was fully completed and the capacities of the strategic gas storage facility were available from 1 January 2010. The storage was fully filled with 1.2 bcm of natural gas by the end of December 2009. In parallel with the commissioning of the strategic gas storage facility, commercial storage capacities were developed for economic reasons. These commercial capacities have been available since 1 April 2010.

MSZKSZ is the owner of the strategic gas reserve held in the storage facility, which is responsible for securing, withdrawing and/or injecting the gas reserve in accordance with the Deposit Agreement signed in 2007, in accordance with the relevant legislation.

After several changes of ownership, MSZKSZ became the sole owner of the Company again in 2019. With effect from 1 December 2020, MSZKSZ transferred its stake in MMBF Zrt. to HEXUM Holding Zrt. and the name of the Company was changed to HEXUM Földgáz Zrt.

As evidence of our efforts to ensure safe operations, compliance with all relevant international and Hungarian laws and the Seveso Environmental Directive, we implemented ISO 9001, ISO 14001, ISO 45001 and ISO 50001 management systems, which together were certified in 2020 as an Integrated Management

System (IMS). The certificates are available, up-to-date and continuously updated.

2. Environmental performance of the Company (Environmental)

The Company's sites are subject to the Government Decree 314/2005 (XII. 25.) on the environmental impact assessment and the Integrated Pollution Prevention and Control procedure. The Company has IPPC permits for its sites.

IPPC permits (as complex permits) cover all areas of environmental management (air emissions, noise, waste, etc.), except for water management permits, which are issued by the regional water authority. The Company also holds permits for water management operation and monitoring systems for all sites.

In addition, our Company's SZBT-1 site also holds a permit no. NEKH/33653-1/2021-ITM for the performance of operations involving the emission of carbon dioxide greenhouse gases. The permit is valid until revocation.

No chemical reactions or other physical or biological processes occur during the fundamental operations of the underground gas storage facility (injection and withdrawal).

Our Company uses water for social, irrigation, technological (e.g. washing of installations) and fire-fighting purposes. The water is supplied through the drinking water system of the neighbouring MOL site.

Our Company is committed to reducing CO₂ emissions and methane emissions, and as an environmentally conscious company, we set a goal to determine the carbon footprint of our operations, identify opportunities to reduce our footprint and potentially replace unavoidable emissions in line with the emission reduction targets set by the Paris Agreement.

92% of our Company's total carbon footprint is related to the use of natural gas for the technology. Emissions related to electricity consumption account for 7% of the Company's total emissions, while other emission categories account for 1% of total emissions.

In the course of its operations, our Company has already implemented a number of environmentally friendly projects, in addition to the following: the possibility of installing a solar park at the Algyő site or using off-site land, the full application of LED lighting fixtures both indoors and outdoors, and in the longer term, investing in green hydrogen-based operations.

3. Workplace health and safety performance (Safety)

The natural gas storage is classified as a facility dealing with dangerous substances at the upper threshold level, based on the quantity and nature of the dangerous substances used therein. For this reason, our Company prepares and maintains a Safety Report (SR) and an Internal Security Plan (ISP), which serves as an integrated framework within the ISO 45001 management system, in conformity with the Seveso Directive (Directive 2012/18/EU of the European Parliament and of the Council on the management of major-accident hazards involving dangerous substances, amending and subsequently repealing Council Directive 96/82/EC - 4 July 2012), in line with the provisions of the Directive on the control of major-accident hazards involving dangerous substances, as laid down in the Directive 219/2011 (X.20.).

Our Company prepares and maintains risk assessments in accordance with legal requirements. Our valid and certified procedures also include the MEBIR policy, Worker Protection and Fire Safety Policies, Personal Protective Equipment (PPE) program, contractors' work procedures, management of HSE incidents and the Emergency Plan and Prevention Strategy. As part of the Integrated Management System (IMS), employees are trained quarterly and external contractors are trained annually by a HSE expert in the topics of occupational health and safety, fire safety, environmental and emergency response.

In recent years, our Company has given high priority to identifying, properly assessing and taking the necessary measures to address the biological threats associated with the global pandemic COVID-19. Following the emergence of the COVID-19 pandemic in Hungary, an Epidemic Crisis Management Task Force (ECMTF) was established, which took a number of measures, some of which were severe, to prevent the spread of the pandemic.

An external contractor carries out occupational health examinations of workers (every six months for blue-collar workers and every year for white-collar workers).

All official authorisations required to carry out expert activities (e.g. pressure vessel inspector, lifting equipment operator, etc.) are fully available. Official permits for hazardous technologies, equipment and tanks are valid. Safety checks, inspections and maintenance of safety equipment are in order.

Regular safety inspections (e.g. electrical system, pressure vessels, forklift trucks, etc.) are carried out by licensed external contractors.

4. Social performance (Social)

Our Company has held stakeholder engagement plans in place since 2017 and we monitor our internal procedures for all types of stakeholder engagement.

Our Company is one of the largest taxpayers in the Algyő region, paying HUF 285 million in corporate tax in 2019 and HUF 239 million in 2020. In addition, our Company supported various non-profit and charitable organisations with HUF 420 million in 2019 and HUF 610 million in 2020.

The Company maintains most of its contacts with the competent authorities in the various licensing procedures (Mining Authority, Hungarian Energy and Public Utilities Regulatory Authority, Regional Directorate for Disaster Management, etc.), subcontractors and clients.

Our Stakeholder Engagement Plan (SEP) was first published as a stand-alone document in 2009. The SEP lists the categories of stakeholders and presents the Company's consultation and disclosure activities.

We updated the SEP in 2017 with the purpose of narrowing it down to the relevant activities and measures in the operational phase. The document also includes a section describing the complaint handling mechanisms set out in the Company's Business Code.

There have been no complaints reported in recent years, based on the submitted Annual Environmental Reports and the statements made by the competent authority during site visits.

The SEP issued in 2017 includes a detailed consultation plan and publication plan.

The consultation plan lists the categories of stakeholders (public authorities, local residents and businesses, clients, media, etc.). These consultations should be carried out e.g. at the request of public authorities, in emergency situations or at the request of third parties.

Our Company took all necessary measures based on the requirements of the IIR documentation, internal procedures (e.g. Collective Labour Agreement, Code of Ethics, etc.) and its needs.

5. Performance related to governance (Governance)

Our Company's Code of Ethics and Collective Agreement cover all employee-related issues. Contractors' and suppliers' selection processes also cover employees who are not in employment relations and supply chain issues.

We strictly comply with Hungarian and international legal requirements against forced labour, child labour and discriminatory practices. As a responsible employer, our Company does and will not tolerate such practices.

We respect human rights to the fullest extent. We are committed to rejecting all forms of discrimination, gender, age, religion, race, political and trade union affiliation, language and other differences, and to respecting the rights of people with disabilities.

Our Company considers respect for the personal rights and human dignity of our employees to be essential in order to build a working relationship based on mutual trust. Our Company respects the privacy of its employees.

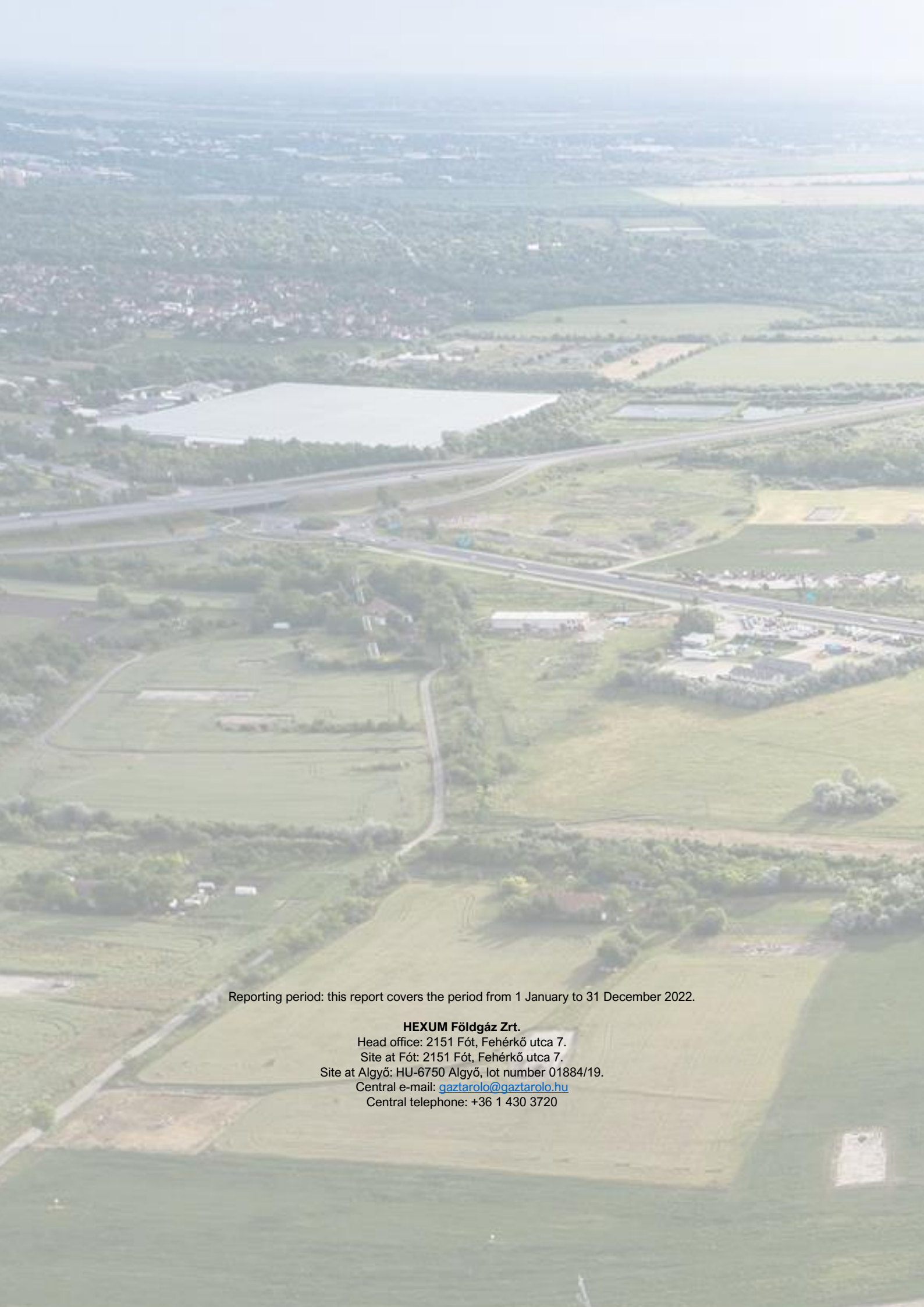
Our Company has introduced a Code of Conduct and Code of Ethics to ensure human rights and to comply with the principles of fairness, transparency, integrity and equal treatment. Since the establishment of our Company, there have never been any allegations of human rights violations.

The founder of our Company is HEXUM Holding Zrt. The Founder has adopted the Articles of Association of the Company. As our Company is 100% owned by the Founder, there is no general meeting of shareholders.

Only the Founder is entitled to adopt decisions on matters within the competence of the General Meeting. The Founder shall decide in writing and shall notify the CEO of its decision in writing. The Founder's decision shall take effect upon notification to the CEO.

Our Company does not have a Board of Directors, the CEO ("CEO") exercises the rights and obligations of the Board of Directors. The CEO manages our Company in an appointment relationship.

The CEO, who is elected and revoked by the Founder, is the number one executive of our Company. Our Company's work organisation consists of the number one executive (CEO), the directors and all other employees.



Reporting period: this report covers the period from 1 January to 31 December 2022.

HEXUM Földgáz Zrt.

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