

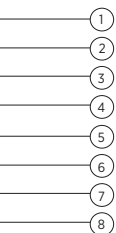
BUDAPEST STOCK EXCHANGE LTD.

SUSTAINABILITY REPORT 2022



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Our aim is to ensure the sustainable functioning of capital markets

GRI 2-22

Sustainability is one of the most important and perhaps most frequently heard terms these days, originally defined as an approach and corresponding action that “meets the needs of the present without compromising the ability of future generations to meet their own needs” (UN Brundtland Report, 1987). Economic actors are increasingly referring to sustainability criteria as aspects of ESG, covering environmental and social considerations, as well as aspects of governance. In the business world, sustainable thinking and the integration of ESG principles into corporate operations is being driven by a more and more stringent regulatory environment and pressure from supply chains, investors, creditors and,

increasingly, consumers. These requirements will push companies towards considerably more transparent reporting in the future, with EU regulation gradually extending the obligation to disclose non-financial (sustainability-related) information to a growing number of companies over the next five years. Recent global social and economic developments have highlighted that without change and adaptation, there can be no development or even progress. In addition to the economy, the COVID-19 pandemic claiming millions of lives, the war in Ukraine and the subsequent energy crisis and inflation are affecting large sections of society. These events underscore the fundamental

principle of the sustainability approach: we cannot continue to operate in the world without paying attention to environmental and social factors, preparing for the risks they represent, or seizing the opportunities they bring to create a sustainable future for future generations.

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Exchanges can help market participants to prepare in a number of ways: through regulatory, educational and market development initiatives, and by creating the knowledge, tools and market infrastructure necessary for sustainable operation. The BSE has played a pioneering role among Hungarian organisations disseminating the ESG approach and educating the public, thereby steering domestic companies towards sustainable operation.

In addition to supporting market participants, stock exchanges must also integrate the vision of sustainability into their own operations and set an example for listed companies.

Therefore, the BSE has developed its own ESG strategy, with the following core elements:

- » assessing and adapting to the impacts of climate change and societal challenges;
- » a long-term commitment to achieving sustainable goals;
- » progressively preparing market actors for the green transition and sustainable development;
- » creating market infrastructures and business toolkits to support transition and adaptation;
- » ensuring the transparent functioning of markets, supporting corporate ESG reporting.

Concurrently with its sustainability strategy, the BSE adopted a reporting schedule based on the recommendations of its ESG Reporting Guidelines, and volunteered to prepare its first sustainability report in accordance with the standards of the GRI 2021 framework as applicable from 2023, as well as the SASB 2018 standards for security and commodity exchanges.

Dr. Mihály Patai
Chairman of the
Budapest Stock
Exchange

Richárd Végh
CEO of the
Budapest Stock
Exchange



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THE BUDAPEST STOCK EXCHANGE

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A BRIEF INTRODUCTION TO THE BSE

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PRESENTATION OF THE VALUE CHAIN

| A brief introduction to the BSE

Born again

The Budapest Stock Exchange first opened its doors more than 150 years ago (1864) but was forced to close down after World War 2. For a long time, no stock exchange was operating in Hungary, nor was there a capital market. The changes of the 1990s allowed the stock exchange to rise from its ashes, and the BSE was reborn. Soon it began to develop fast, along with the Hungarian economic and financial sector.

Central player

As the central player in the Hungarian money and capital market, the BSE now provides the highest standards of service to issuers, traders and investors in securities from all around the world, on a par with standards in developed markets. Through its services, it provides opportunities for companies raising funds, trading services to stock exchange member investment service providers and related information services for capital market participants. In addition, BSE is also involved in depository, settlement and clearing activities on the capital and energy markets,

through its affiliates in the KELER Group.

Wide range of products

The Exchange offers a wide range of products. Alongside equities and debt securities, which are traditionally the most popular, the range also includes investment funds and structured products, as well as international equities. The BSE derivatives market encompasses not only futures and options trading, but also a foreign currency market with the highest trading volume in Europe and a commodities market, which is unique in the region.

Cutting-edge solutions

The Budapest Stock Exchange evolved into one of the most innovative markets in the region: it was the first to introduce, among other activities, options and futures trading. The Exchange pioneered the listing of exchange-traded funds (ETF) in the region and was among the first to use central counterparty services, an essential component of the safety of settlements, in collaboration with KELER. In addition to

traditional regulated market trading, the BSE, as a market operator, has set up three multilateral trading platforms and markets with differing profiles over the past 10 years.

Extensive engagement

The activities of the BSE (and its scope of impact) are not limited to traditional stock exchange operations and services, but also extend to programmes and activities that go beyond its immediate scope of operations and interests. Therefore, the Exchange plays an essential role in the development of Hungarian corporate governance culture, in building the capital market community, disseminating economic knowledge and innovation across the capital market and financial ecosystem. It is committed to strengthening the role of capital markets in Hungary, helping companies to grow and be competitive, while ensuring the prosperity of households, where the BSE enjoys a high level of trust as a key player.

FOUNDED

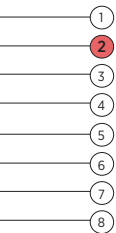
1864

CLOSED

1948

REOPENED

1990



The operation and financial management of the stock exchange

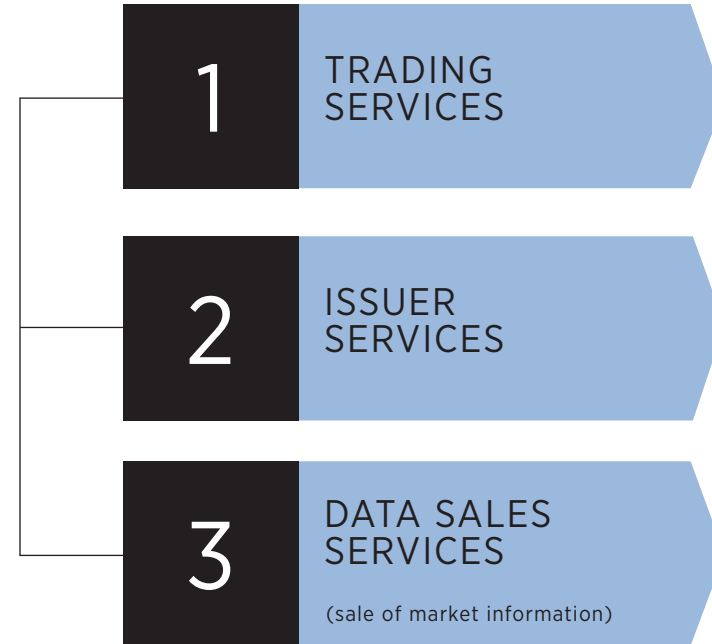
GRI 2-6

In line with the rules governing profile clarity, the Budapest Stock Exchange may only engage in the activities specified in Section 298 of the Capital Market Act*. Accordingly, the BSE may only engage in exchange market operations and ancillary activities related to exchange market operations, the operation of a trading system as per Section 5(1)(h) and (i) of the Investment Firms Act**, and data reporting activities, the operation of platforms to facilitate the raising of funds by companies on the capital market, IT services and services related to the operation of the market as per Section 6/A of the Investment Firms Act.

Activities related to exchange market operations, and thus activities that may be performed by the BSE, include educational, IT, publication production and distribution, data reporting and professional advisory services provided to issuers to facilitate the listing of securities on the stock exchange.

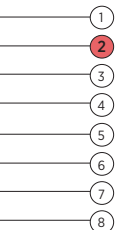
The BSE's sources of revenue come from its three main business lines.

THE THREE MAIN BUSINESS LINES OF THE BSE



In line with the rules governing profile clarity, the Budapest Stock Exchange may only engage in the activities specified in Section 298 of the Capital Market Act.

* Act CXX of 2001 on the Capital Market
 ** Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing Their Activities



The listing, distribution and trading of exchange-traded products takes place in a system of sections defined by the BSE, with each section representing a market with different trading rules. The classification of product groups by section is determined by the specific characteristics of the various investment vehicles. The revenue-generating impact of the products tradable in each section is illustrated in the table below:

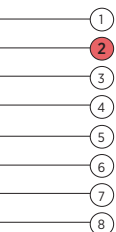
Revenue-generating impact of BSE-traded products in three business lines

● Generates revenue in the given business line ● Does not generate revenue in the given business line

Trading System	Xetra T7			MMTS2	
Market	Spot market			Derivatives market	
Section	Equities Section	Debt Securities Section	MTF markets	-	Commodity market
Products	Equities Investment units Certificates ETFs Compensation notes	Government securities Discount treasury bills Corporate bonds Mortgage bonds	BÉTa market – Foreign equities and foreign ETFs Xtend market - SME equities Xbond market – Corporate equities	Equity futures and index Currency futures Equity options and index Currency (foreign exchange) options	Grain futures Grain options
Issuer revenue	●	●	●*	●	●
Trading revenue	●	●	●	●	●
Data sales revenue	●	●	●	●	●

*Xtend and Xbond
Source: BSE

The audited annual reports of the BSE, as adopted by the General Meeting, are available on the > [Electronic Reporting Portal \(gov.hu\)](#) and on the BSE website (> [BSE financial management data – BSE site](#)).

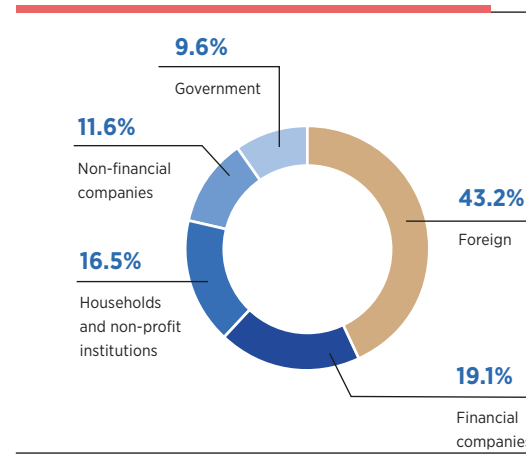


1. TRADING BUSINESS LINE

The equity market is the most important segment of the Budapest Stock Exchange, typically generating more than 80% of trading revenues. In international comparison, the equity market remains concentrated, with three blue chip companies accounting for the vast majority of turnover. BSE charges a percentage-based trading fee for the buying and selling of shares by investment firms on the exchange, depending on the value of the transaction.

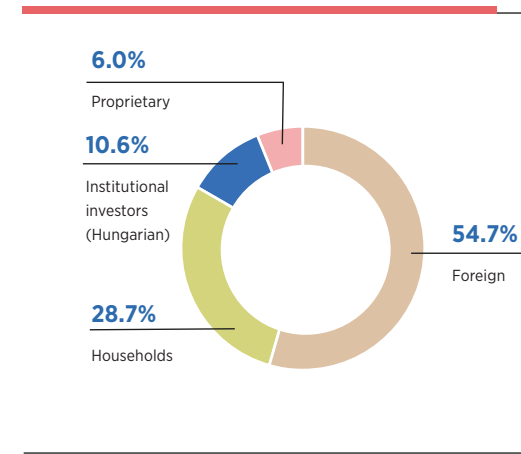
The Budapest Stock Exchange is an open market, easily accessible to foreign investors, as evidenced by their turnover share of over 50% and their more than 43% shareholding. At the same time, the role of retail investors is also prominent, with private investors accounting for more than a quarter of turnover on the BSE.

Distribution of equity market capitalisation by investor group, December 2022



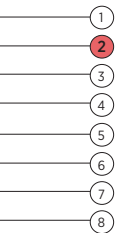
Source: MNB

Distribution of spot market turnover, January-December 2022



Source: BSE

The BSE is an open market, easily accessible to foreign investors, but the role of retail investors is also prominent.



2. ISSUER SERVICES BUSINESS LINE

The primary markets of Budapest Stock Exchange enable companies of various sizes, mainly from Hungary, to raise funds for their growth. BSE operates market segments specialised in equities, bonds and small and medium-sized enterprises. It charges issuing companies an initial listing fee for its services upon their IPO and an annual ongoing trading fee, depending on the size of the issue.

EQUITY MARKETS

Regulated market and BSE Xtend

The equity section, which has evolved in a dynamic manner over recent years, is the most important segment of the BSE, both in terms of listings and trading. In addition to the regulated market segment, 2017 saw the launch of the BSE Xtend multilateral trading platform, which provides small and medium-sized enterprises in Hungary with easy public market access.

The shares listed in the equity section are those of Hungarian companies – although the BSE allows for dual or even ordinary listing of foreign listed companies, the primary target market is mainly domestic companies.

BÉTα market

The BSE launched BÉTα market, its alternative trading platform (MTF), in 2011, and has continued to dynamically develop it. This market primarily aims to serve retail investor needs at the highest level; in this context, the BSE provides access in HUF to products (shares and ETFs) quoted on international stock exchanges in a form of dual listing.

Recognising the importance of ESG products, the BSE made additional new ESG ETFs available for trading at the end of 2020. In the same year, the BÉTα market arrived at an important milestone: in addition to the stocks of wholly foreign companies, the instruments of Wizz Air Holdings – whose business activity has close ties to the Hungarian economy – were also added to the list of securities. The BSE's future plans include the expansion of the product range in line with investor demands.

The primary markets of the Budapest Stock Exchange enable companies of various sizes, dominantly from Hungary, to raise funds for their growth.

DEBT SECURITIES MARKET

In the past decades, the domestic corporate bond market as a form of financing has been rather limited, with bank loans dominating the debt-type fundraising of Hungarian companies. In order to increase liquidity in the bond market, in July 2019 the Magyar Nemzeti Bank (MNB, Central Bank of Hungary) launched the Bond Funding for Growth Scheme (FGS), a non-financial corporate bond programme, which has brought a strong volume increase in the segment.

Growing social and environmental expectations to increase the volume of “green” investments have also helped the stock market to increase the number of green corporate bonds. As a result, a total of 29 green securities (mortgage bonds, government bonds, ETFs and BSE Xbond corporate bonds) were available for trading at the end of 2022. These also include green government bonds, with a total nominal value of HUF 70 billion and EUR 1.5 billion.

Government securities and mortgage bonds are also traded on the BSE, including an increasing share of green products, while structured products (certificates, warrants) have been available for several years.

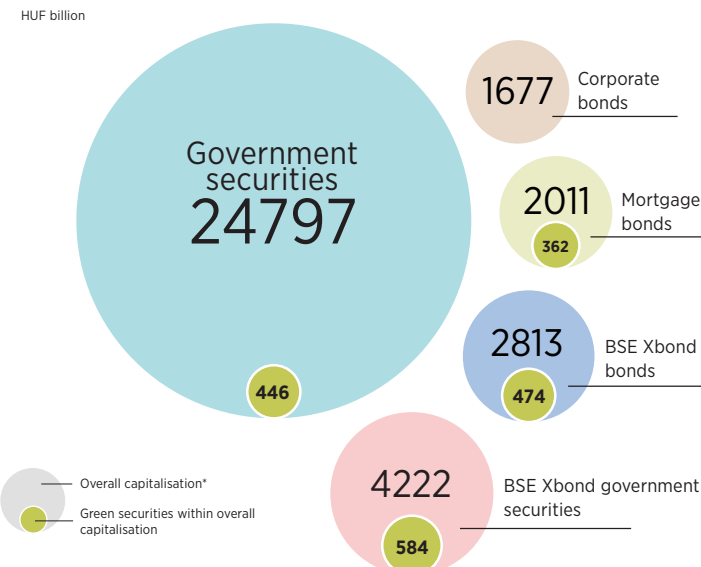
BSE debt securities market capitalisation* and Xbond listings – 2019-2022

	2019	2020	2021	2022
Government securities (HUF bn)	16,090	19,993	21,254	24797
BSE Xbond government securities (HUF bn)	-	-	3,262	4222
Corporate bonds (HUF bn)	568	704	1,141	1677
Mortgage bonds (HUF bn)	1,321	1,785	1,723	2,011
BSE Xbond corporate bonds				
Value of transactions (HUF bn)	28	598	1,618	2813
Quantity of bonds (pcs.)	1	31	84	116
Number of issuers (pcs.)	1	28	66	92
Green securities on the BSE (number of securities)**	-	2	20	29

*At year-end closing prices and EUR/HUF exchange rates; **Bonds, mortgage bonds, government bonds, ETFs and BSE Xbond corporate bonds

Source: BSE

Debt securities section, green securities, 2022



* At year-end closing price and EUR/HUF exchange rate

Source: BSE

INDICES

Indices play an increasingly crucial role in investments: their benchmark function makes them important for asset managers with active investment policies, and they are indispensable for the more and more prominent, cost-efficient, passive investment strategies as well.

The past five years have brought about a significant improvement both in the BSE's offer of indices and in the quality of the indices. Recognising investors' current needs regarding indices and in compliance with the requirements set by the regulatory environment, the Exchange has recently implemented a number of index developments.

Index developments typically generate two streams of revenue for the stock market. On the one hand, market players using indices as benchmarks pay a licence fee to the owner of the index, in this case the BSE. On the other hand, if a product based on an index is listed on the BSE, the resulting transaction fees are recognised among trading revenues. The trading fee income also increases indirectly, if an index-tracking fund tracks re-weighting on the BSE platform, i.e. it transacts directly with the securities that make up the index to ensure the most accurate tracking.

MAIN INDEX DEVELOPMENTS ON THE BSE

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Launching the CEEplus index in the framework of regional cooperation

Creating the mortgage bond index family

Creating the corporate bond index family

Implementing developments in the existing BSE equity indices (BUX and CETOP)

The past five years have brought about a significant improvement both in the BSE's offer of indices and in the quality of the indices.



3. DATA SALES BUSINESS LINE

Data relating to trading on stock markets and listed companies (in short: stock market data) are of high value to the various capital market participants. Their sales are an important source of revenue for many stock exchanges, including the BSE, typically accounting for more than a third of their revenues.

For the use of data, the BSE charges a licence fee to end users of the data (typically professional or stock exchange traders) through various fee packages involving investment and information service providers, and the situation is similar for the use of data in the IT systems of the investment services sector (non-display subscriptions and technical connection fees).

+1 INFORMATION TECHNOLOGY AND DIGITALISATION

Although BSE does not consider it a separate business line, its business operations rely predominantly on various IT solutions (including services provided to its market partners – similarly to the operating model of international and domestic financial and capital market service providers and institutions).

Of course, one of the most important aspects is that these systems must be available in an uninterrupted and reliable manner. In addition to operation and operational security, however, it is also necessary to ensure that these business IT applications evolve functionally to meet current user needs as well as security and other requirements. As in previous years, high availability and compliance with strict regulatory requirements dictated by the critical infrastructure role of central market operations continued to be a key focus in 2022.

On BSE, trading basically takes place in two central trading systems. One is the Frankfurt T7 (formerly Xetra) system, provided and operated by the Vienna Stock Exchange (WBAG) and the German Stock Exchange (DBAG), and the second is the MMTS system, further developed and operated by the BSE. There are technically two of the latter: the MMTS1, which serves OTC auction activity, and the MMTS2, which serves the exchange-traded derivatives market.



The ownership and corporate governance structure of the BSE

OWNERS AND AFFILIATED COMPANIES

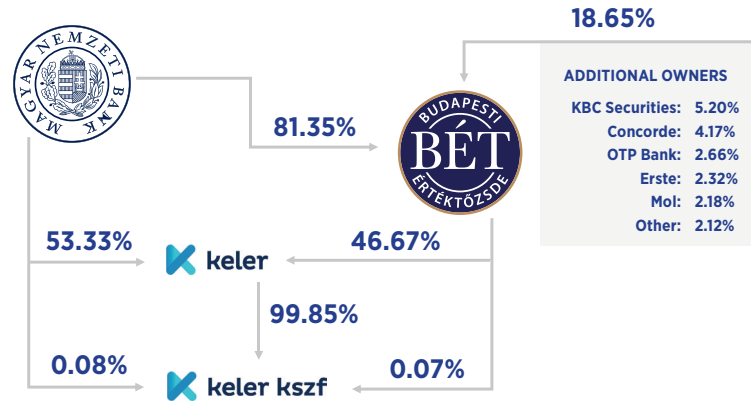
GRI 2-9-21, 25-26

The main owner of the stock exchange is Magyar Nemzeti Bank, which acquired the stakes of the Austrian CEESEG AG and Österreichische Kontrollbank AG in 2015. As a result of the transaction, MNB acquired an 81.35% stake, making it a qualified majority shareholder of the BSE.

The BSE holds a minority stake (46.67%) in KELER Központi Értéktár Zrt. and KELER KSZF Központi Szerződő Fél Zrt. (the other main owner being MNB, with a stake of 53.33%), which both play

Ownership structure of BSE and its affiliates

(31 DECEMBER 2022)

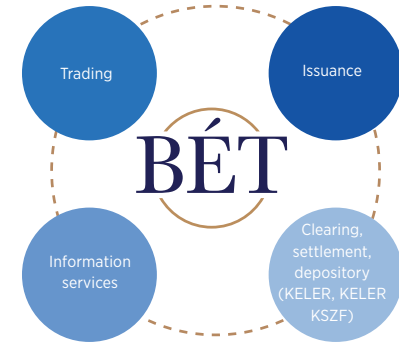


an important role in the operation of the stock exchange not only as affiliated companies but also as part of the service infrastructure.

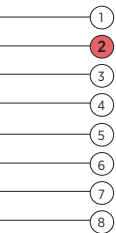
KELER operates in Hungary as Central Securities Depository (CSD) authorised to provide basic CSD services and other ancillary services under the provisions of the Central Securities Depositories Regulation (CSDR) and the Hungarian Capital Market Act. All securities transactions concluded on BSE are settled by KELER.

The authorisation of KELER KSZF Központi Szerződő Fél Zrt. under the European Market Infrastructure Regulation (EMIR) entitles the company to operate as a central counterparty in all EU Member States for the specified asset classes. The main direct shareholder of KELER KSZF is KELER Zrt., with a 99.85% stake; MNB and BSE hold direct stakes of 0.08% and 0.07%, respectively. BSE's indirect stake in respect of KELER KSZF Központi Szerződő Fél Zrt. amounts to 46.60% through KELER Központi Értéktár Zrt.

Roles of BSE and its subsidiaries



The minority owners of the stock exchange consist of members and issuers (in the case of OTP, both issuer and member capacity applies).



ORGANISATIONAL STRUCTURE, CORPORATE GOVERNANCE

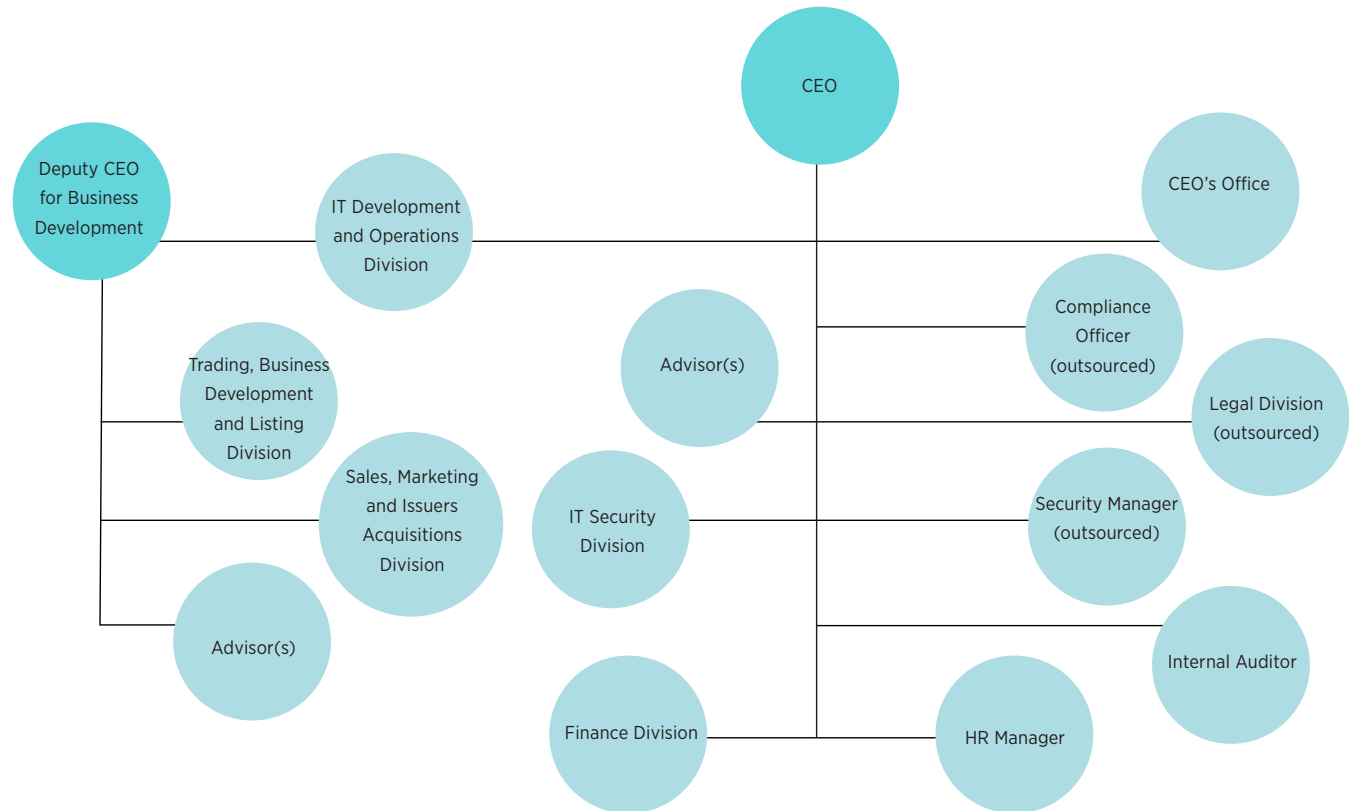
GRI 2-9-11

Since April 2006, the Budapest Stock Exchange has been a private limited company with a General Meeting of shareholders as its supreme governing body. The Board of Directors is authorised to take decisions relating to the management of the company which do not fall within the competence of the General Meeting. The Board of Directors is also responsible for decisions on managing the company's impact on the economy, the environment and people. The management body is the Board of Directors, and a Supervisory Board is responsible for monitoring the interests of shareholders. A detailed description of the organisation is available on the BSE website ([BSE Articles of Association](#)).

The business organisation is headed by the CEO, who is also a member of the Board of Directors. The CEO is assisted in their work by a Deputy CEO. The company's business organisation consists of several internal organisational units. The functions, operation and rules of cooperation of the individual units are set out in the Organisational and Operational Rules, which can also be found on the BSE website ([BSE Organisational and Operational Rules](#)).

Decisions relating to the day-to-day operation of the company are taken by the CEO, the Deputy CEO, the directors of the various departments concerning their own areas in of operation and, in certain cases, other employees, within their scope of competence set out in the company's Articles of Association, General Terms of Service and Organisational and Operational Rules. (For a detailed description of these decision-making powers, see Annex 2 to the Organisational and Operational Rules.)

Organisational structure of Budapest Stock Exchange Ltd.



Source: BSE

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BOARD OF DIRECTORS

The highest governance body of the company is the Board of Directors. Its members are elected by the General Meeting, to which any shareholder is entitled to nominate persons. There are legal requirements regarding the qualifications and professional experience of the members of the Board of Directors, which are also set out in the Board's Rules of Procedure (relevant competences: capital market, financial, economic management competences). The Rules of Procedure also stipulate that the Board must make every effort to ensure that its professional competence is the broadest possible and that its members are as diverse as possible in terms of gender, age and professional background. Together, the Directors must have the management skills required to perform the duties of the Board, as well as an appropriate knowledge of the BSE's activities and the associated risks associated.

In case there is a change in Directors, at its first subsequent meeting the Board adopts an assessment of diversity. If it is considered that diversity is not sufficiently ensured and that has a significant adverse effect on the functioning of the board, the Board of Directors calls on the controlling shareholder of the company to ensure that the principles of diversity are applied as fully as possible.

The identity of the individual members of the Board, once elected, must be notified to the supervisory body (MNB), which may require the company to elect a new member in case of non-compliance (although there is no obligation of seeking approval prior to election).

The Board of Directors is composed of up to 7 members, who at the time of reporting are:

Members of the BSE Board of Directors

Name (executive positions)	Function	Representation	Independent	Nó	Other under-represented social groups
dr. Mihály Patai (Deputy Governor of MNB, Member of the Monetary Council and the Financial Stability Council)	non-executive member - chairman	majority shareholder representative (MNB)	-	-	-
dr. György Bacsa (Executive Director of Mol Nyrt.)	non-executive member	minority shareholder representative (Mol Nyrt.)	✓	-	-
Attila Bánfi (Executive Director of OTP Bank Plc.)	non-executive member	minority shareholder representative (OTP Plc.)	✓	-	-
dr. Barna Fömmötör (Director General of MNB, Member of the Financial Stability Council)	non-executive member	majority shareholder representative (MNB)	-	-	-
Zsolt Kuti (Executive Director of MNB, Member of the Board of Directors of KELER Zrt.)	non-executive member	majority shareholder representative (MNB)	-	-	-
dr. Géza Máté (Director of MNB)	non-executive member	majority shareholder representative (MNB)	-	-	-
Richárd Végh (CEO of BSE, Member of the Board of Directors of KELER Zrt. and the Investor Protection Fund)	executive member	employee, CEO	-	-	-

86%

(non-executive/
all members)

29%

(minority shareholder
representatives/all members)

29%

(independent
members/all
members)

0%

(female
representative/
all members)

0%

(members of an under-
represented social group/all
members)

The term of office of the current members expires on 31 May 2023 or on the date of the 2023 electoral General Meeting, whichever is earlier. Pursuant to the provisions of the Civil Code, all members of the Board of Directors are senior officers. The Chairman is not an employee or CEO of the company.

SUPERVISORY BOARD

The Supervisory Board is responsible for the ownership control of the company in accordance with the provisions of the Civil Code. The Supervisory Board shall examine the proposals submitted to the General Meeting and present its relevant position to the meeting of the decision-making body.

The Supervisory Board may inspect the documents, accounting records and books of the legal entity, request information from senior officers and employees, examine the company's financial management and contracts and have them examined by an expert.

The Supervisory Board may comprise 3-6 members. Its members at the time of reporting are:

Members of the BSE Supervisory Board

Name (executive positions)	Function	Representation	Independent	Female	Other under-represented social groups
Lajos Bartha (Executive Director of MNB)	Chairman	majority shareholder representative (MNB)	-	-	-
dr. Kolos Kardkovács (Member of the Monetary Council)	member	majority shareholder representative (MNB)	-	-	-
Orsolya Kása (Head of Department of the MNB)	member	majority shareholder representative (MNB)	-	✓	-
Károly Régegy (CEO and Chairman of the Board of Concorde)	member	minority shareholder representative (Concorde)	✓	-	-
dr. Zsolt Selmeczi-Kovács (CEO of GIRO, Chairman of the Board of KELER Zrt.)	member	majority shareholder representative (MNB)	-	-	-
		20% (minority shareholder representatives/all members)	20% (independent members/all members)	20% (female representative/all members)	0% (members of an under- represented social group/all members)

The mandate of the current members expires on 31 May 2023 or on the date of the 2023 electoral General Meeting, whichever is earlier. The rules applicable for their nomination and election are those described above for the Board of Directors.

CONFLICTS OF INTEREST

GRI 2-15

In the case of the stock exchange, the rules concerning conflicts of interest are multi-layered and of particular importance:

These are partly governed by the general rules of the Civil Code, which require that in their capacity as members of the Board of Directors, the members act in the best interests of the company and to the best of their knowledge, without taking into account any other mandate they may hold.

Senior officers may not acquire shares and may not be senior officers in companies which are engaged in an economic activity as a core activity that is identical to that of the BSE.

If they accept a new executive role, they must notify the company within fifteen days of accepting such mandate.

Senior officers or their relatives – with the exception of usual everyday transactions – may not conclude contracts in the scope of the core activity of the company in their own name or for their own benefit (Section 3:115(1) and (2) of the Civil Code).

The company's Articles of Association also stipulate that members of the Board of Directors and the chairman may not vote on matters concerning their person.

The BSE General Terms of Service ([BSE GTS](#)) devote a separate book (Book 7) to the rules concerning conflicts of interest, which we are not able to share in full here for lack of space but which are publicly available at the link provided.

The Terms of Service contain possible cases of conflict of interest and stipulates, among other things, that should a conflict of interest arise, the Board member concerned must declare it immediately and act to put an end to it.

Board members must declare any conflict of interest at the beginning of their term of office and, if their mandate exceeds 3 years, must submit a new declaration after 3 years.

If the election of a member of the Board of Directors is on the agenda of the General Meeting and the identity of the candidate is known, the candidate must make a declaration on conflict of interest before being elected.

Conflict of interest rules extend beyond senior officers to all employees, setting limits on their investment activities as well. Section 311 of the Capital Market Act also contains additional conflict of interest rules for employees (including the CEO):

No person employed by an exchange nor the close relatives of such a person who live under the same roof may hold an executive or administrative position with an owner of the exchange or an exchange dealer.

No person employed by an exchange nor the close relatives of such a person who live under the same roof may hold an executive or administrative position with an issuing house that are listed on that exchange, other than the securities or government securities issued by the stock exchange itself.

No person employed by an exchange nor the close relatives of such a person may have any direct holding in a commodity dealer.

No conflict of interest has been identified and disclosed by the BSE for members of the Board of Directors (or other employees).

THE ROLE OF THE BOARD OF DIRECTORS IN SUSTAINABILITY ISSUES

GRI 2-12-13, 16-18

Strategy formulation

- The highest governance body for developing, approving, and updating the organisation's purpose, value or mission statements, strategies, policies, and goals related to sustainable development is the Board of Directors.
- The Board is also responsible for overseeing the organization's due diligence and other processes to identify and manage the organisation's impacts on the economy, environment, and people.

Managing impacts

- The Board assigns the organisational tasks related to impact management to the relevant heads of department (directors) according to the nature of each task, and sets their annual objectives (KPIs) aligned to these tasks.
- The achievement of annual objectives is measured through monthly strategy and project meetings, six-monthly status reports and annual evaluations.

Implementation, approval

- The implementation of the sustainability strategy is the responsibility of the Deputy CEO.
- The Sustainability Report, including the selection of material topics, is approved by the company at the highest governance level (the Board of Directors).

Critical concerns

- Managers (directors) and employees are free to report to their line manager or their supervisor their observations and critical concerns about the company's impact on the economy, the environment or society.
- In all cases, the managers contacted must escalate any critical concerns to their supervisor and those must be discussed by the body responsible for preparing decisions and then by the Board of Directors. During the reporting period, no such reports were made or critical concerns raised.
- The company has identified as a development objective that it will draw up more detailed rules concerning these reporting procedures.

Due diligence of own operations

- In 2022, the BSE carried out the first ESG-focused due diligence of its own operations.
- The Board of Directors assessed the results and on that basis approved the BSE's sustainability objectives and strategy, the implementation of which the Board will monitor and evaluate annually.
- The Exchange carried out due diligence by identifying the stakeholders and understanding their views. The methodology and findings of the stakeholder survey are discussed in a separate chapter.

The Sustainability Report, including the selection of material topics, is approved by the company at the highest governance level (the Board of Directors).

Knowledge expansion

- The Board of Directors strives to continuously advance the knowledge of its members and BSE staff on sustainability, by providing training and organising sustainability-related events to help them acquire relevant knowledge not only for their own sake, but also for the sake of other capital market players.
- As the President of the Sustainability Section of the Hungarian Economic Association, Richárd Végh speaks and participates in panel discussions on the topic at several forums (see the chapter on [Industry associations, sustainability organisation memberships](#)).

Performance assessment

- Currently no specific policy exists for the assessment of the performance of the Board of Directors in relation to the company's impact on the economy, the environment and society, or its sustainable operation.
- The development of such policy has been identified as an element of the Sustainability Development Plan and is expected to be completed during 2023-2024, together with policies and commitments on responsible business conduct, as part of a comprehensive set of rules on sustainability.
- Obviously, if sustainability-related tasks are set as strategic or annual objectives, their implementation will be monitored and measured against other strategic and annual tasks, and their performance may affect the annual bonus for the person responsible for the task.



The Board of Directors strives to continuously advance the knowledge of its members and BSE staff on sustainability.

REMUNERATION

GRI 2-19-20

Members of the Board of Directors

- The members of the Board of Directors receive a monthly fixed remuneration determined by the General Meeting.
- Given that BSE Ltd. is a publicly owned company, the upper limit for remuneration is set out by legislation.
- Beyond their monthly honorarium, members of the Board of Directors do not receive other payments, nor do they receive any severance payment in the event of termination of their mandate.

Top management

- The CEO and their deputy are considered to be members of top management.
- They receive a monthly salary, reimbursement of verified expenses, use of a car, cafeteria allowance and an annual non-guaranteed bonus.
- Their severance pay (and retirement benefits) are in line with current Hungarian labour and social security legislation.
- Their remuneration is information of public interest, available on the BSE website.

REMUNERATION POLICY

Main principles and aspirations

- The company has adopted a remuneration policy.
- Based on this policy, remuneration must be determined taking into account the requirement of proportionality and, in particular, the person's responsibility, performance, achievements, experience and length of service with the company.
- Remuneration must also aim to be reasonable and reward actual performance, promote the achievement of economic objectives and encourage effective performance.
- Remuneration must be commensurate with the level of responsibility, should not impose an excessive financial burden on the company, should be proportionate to the performance of the officer, the company's financial results and the number of employees.
- Remuneration must be commensurate with the social prestige of the post and its position in the economic sphere.

Preparation, adoption, amendment

- The Remuneration Policy, including any amendments, are prepared by the company's business organisation, in particular the legal, compliance and HR functions.
- Once the draft is approved by the CEO, it is submitted to the Board of Directors, which, if it agrees, submits it to the General Meeting.
- The decision on the Remuneration Policy is taken by the General Meeting as the supreme body, where shareholders may make comments and requests regarding the policy.
- The company does not have a remuneration committee; the company engages external independent consultants on a case-by-case basis on remuneration issues, such as the development of an ESOP or an employee satisfaction survey.
- The most recent amendment to the Remuneration Policy was adopted at the General Meeting on 25 May 2016, with 99.99998% in favour, 0% against and 0.00002% abstaining.

REMEDY OF NEGATIVE IMPACTS, MECHANISM FOR RAISING SUSTAINABILITY CONCERNS

GRI 2-25-26

COMPLAINTS HANDLING POLICY

Key definitions

- The BSE has a public complaints handling policy, available on its website for all customers and stakeholders. [\(BSE Complaints Handling Policy\)](#).
- Under the policy, a complaint is defined as any individual request or notification submitted by the complainant in connection with the conclusion, performance or termination of a contract relating to the Exchange's fee-based listing or ancillary activities or services provided by the Exchange, or in connection with pre-contractual communication, in which the complainant complains about the process, conduct, activities or omissions of BSE.
- This may include complaints that have negative environmental, human rights or economic impacts arising from the operation of the exchange or the conduct of exchange staff. No such complaints, concerns or questions were raised against the BSE during the reporting period.

Further development

- As part of the Sustainability Development Plan, the BSE has scheduled an ESG-focused review of its complaints procedure and policy.
- This will include a review of the identification of complaints, the complaints procedure, the mechanisms serving remedy as well as the monitoring of the outcome of complaints.
- The ESG-focused review will also cover seeking advice on responsible business conduct and ensuring that critical concerns can be raised appropriately.

POLICIES AND COMMITMENTS ON RESPONSIBLE BUSINESS CONDUCT

GRI 2-23-24

As described above, the BSE regulates many aspects of responsible business conduct (conflict of interest, equal opportunities, remuneration, nomination procedure), and also covers ethical issues (e.g. acceptance of business gifts, equal treatment). At the same time, its development plan also aims to produce a comprehensive sustainability policy that reviews, expands and harmonises the current rules with good practice on responsible business conduct and the requirements of the GRI framework.

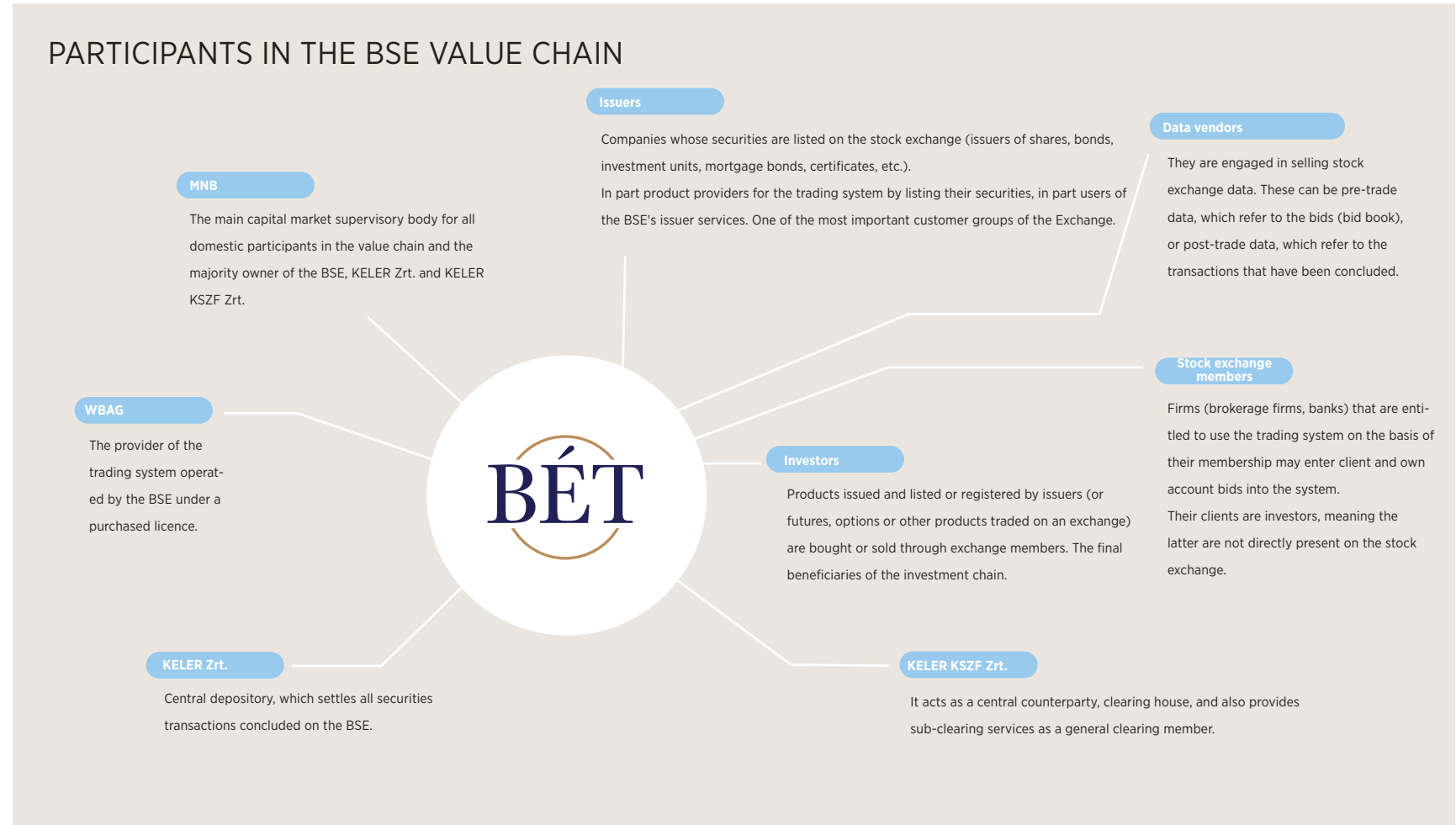


PRESENTATION OF THE VALUE CHAIN

GRI 2-6

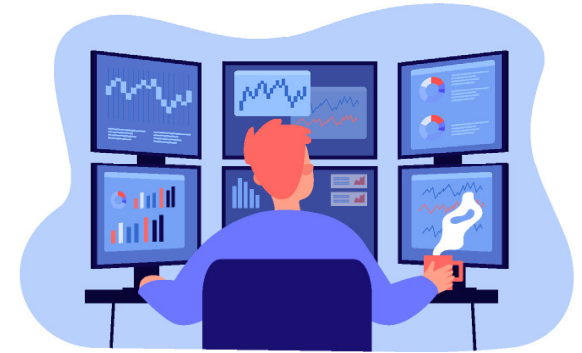
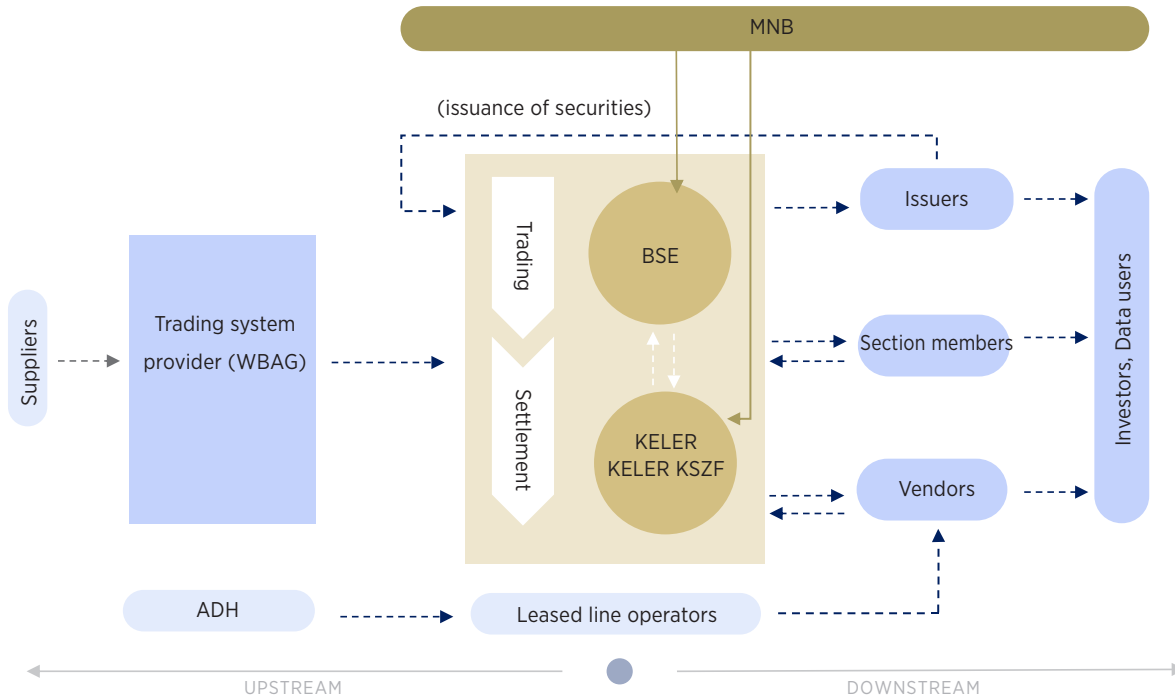
The core activity of the BSE is stock exchange activity, of which the trading system service is an essential component. Therefore, this function dominates its value chain, with three related business lines: trading, issuer and data sales services.

PARTICIPANTS IN THE BSE VALUE CHAIN



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The BSE value chain



The players and processes presented are the same for all markets and regulated market sections (Xtend, Xbond, BETa) operated by the BSE, but the scope of the beneficiaries may vary (for example, not all exchange members have access to all sections and markets). The BSE stakeholder consultation has covered the above.

The main entities not in the value chain with which the exchange maintains a business relationship:

- FESE (Federation of European Stock Exchanges) and regional stock exchanges
- ELITE (the education subsidiary of EURONEXT)
- All professional advocacy organisations and public administration bodies that have been presented in the [Industry associations, sustainability organisation memberships](#) chapter.

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3

IDENTIFICATION OF STAKEHOLDERS AND MATERIAL TOPICS

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STAKEHOLDER SURVEY

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MATERIALITY ASSESSMENT, MATERIAL TOPICS AND THE PROCESS OF THEIR DETERMINATION

28 OPERATIONAL CHARACTERISTICS OF THE BSE

29 ASSESSMENT OF ENVIRONMENTAL IMPACTS

30 SOCIAL, ECONOMIC IMPACTS

Identification of stakeholders and material topics

GRI 2-29

STAKEHOLDER SURVEY

Stakeholders were identified by means of an ESG working group set up by the BSE and covering multiple areas. This grouped stakeholders into three categories according to their relative position, the impact of the company on them and the intensity of stakeholder involvement required.

Primary group

MNB, KELER, KELER KSZF, issuers, stock exchange members, data vendors, employees – the description of the various entities is contained in the [Presentation of the value chain](#) chapter.

Secondary group

WBAG: The Austrian Stock Exchange, provider of the trading system.

BAMOSZ (fund managers): The Association of Hungarian Investment Fund and Asset Management Companies, responsible for the professional representation of the investor side.

BSZSZ: The National Association of Investment Service Providers, responsible for the representation of members of the stock exchange.

FESE: Federation of European Stock Exchanges.

SSE: Sustainable Stock Exchanges Initiative (explained in more detail in the chapter on [Industry associations, sustainability organisation memberships](#)).

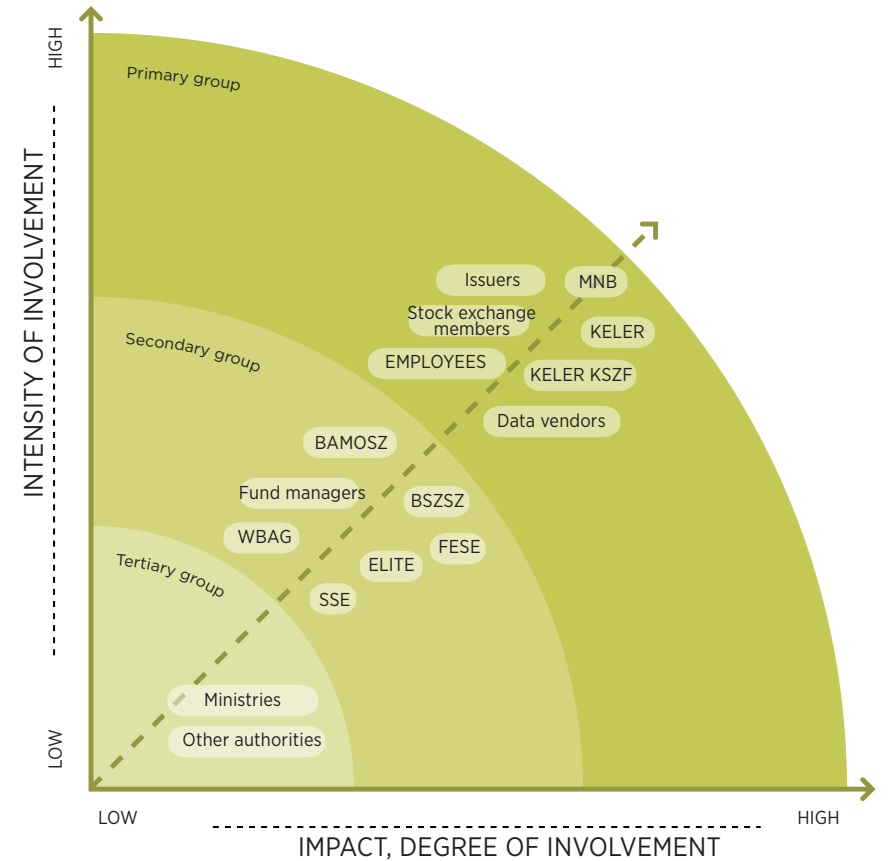
ELITE: EURONEXT's education subsidiary, with which the BSE organises joint educational programmes (open to existing and prospective issuers and their managers).

Tertiary group

Ministries: For example, Ministry for Economic Development, Ministry of Finance, Ministry of Justice, Ministry for Culture and Innovation. Contacts with the ministries are mainly related to discussions on draft legislation, proposals, government-supported enterprise development programmes, cooperation in the joint development of these drafts and programmes, and other professional matters.

Other authorities: Contact is mainly with the MNB as the supervisory authority, but other authorities may also be involved, depending on the subject (e.g. Hungarian National Authority for Data Protection and Freedom of Information, Disaster Management, etc.).

BSE stakeholders – Based on the 2022 stakeholder survey



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FIRST STAKEHOLDER CONSULTATION

For the BSE, the ESG Working Group decided to involve primary and secondary stakeholders in the first stakeholder consultation, concurrently using several methods: online questionnaires, online consultation forums and bilateral interviews.

The consultation focused on 3 fundamental topics:

- the level of ESG awareness of stakeholders,
- which issues in the area of sustainability are considered to be the most important for the functioning of the BSE (material topics),
- how good they think the cooperation and relationship with the BSE is.

CONSULTATION EXPERIENCES

In general, although the majority of respondents admitted to being familiar with ESG issues, the level of participant activity was moderate; much more intense in interviews and consultation forums, less so in online questionnaires.

- The Exchange has set a development goal for the coming years to increase stakeholder education and involvement.
- The vast majority of stakeholders surveyed were satisfied with the relationship with the Exchange and the role it is playing.
- Only a few comments were received, mainly on individual cases, which were considered separately by the BSE.
- Feedback on material topics is discussed in the section on material topics.



The vast majority of stakeholders involved are satisfied with the relationship with the Exchange.

MATERIALITY ASSESSMENT, MATERIAL TOPICS AND THE PROCESS OF THEIR DETERMINATION

GRI 3-1

For the BSE, the identification of material topics started with the creation of an ESG working group within the Exchange, which analysed the organisation's operation and its current and potential impacts on the environment, human rights and the economy. Since GRI sectoral standards are not available for stock exchanges, the BSE has taken into account the following inputs to identify material topics:

- Internal organisational understanding (in the framework of an ESG working group or through a stakeholder survey involving the whole workforce)
- Opinion of the external consultant
- Feedback from the stakeholder consultation
- Suggested topics and metrics for the SASB's 2018 standards for security and commodity exchanges
- Reporting practices of relevant competitors examined in the competitor analysis
- The 2021 report on the WFE (World Federation of Exchanges) sustainability survey

In its first report, BSE focused primarily on establishing the reporting practice under the new GRI system, on performing a due diligence of its own organisation and on interviewing key stakeholders. We did not carry out a full value chain due diligence, which we planned to do in the reporting development roadmap for the coming years. Thus, the review primarily assessed the impacts in the organisation's control, although at the level of principles, it did attempt to take into account the areas of impact where the Exchange typically reaches beyond its own organisational framework (for example, in its educational activities).

To identify the main effects and areas of impact, the BSE took the following aspects into account:

- Characteristics of industry and operation (potential environmental or social impacts due to the nature of the operation)
- Location, proximity to natural habitats, water stress, territorial attributes, other environmental factors
- Company size, employees, contracting partners, number of clients
- Physical and other risk factors, human rights aspects

The working group reviewed close to sixty ESG topics, considering their materiality from a sustainability point of view according to specific criteria. The BSE assessed its impacts in three areas: environmental, social (including human rights) and economic.

OPERATIONAL CHARACTERISTICS OF THE BSE

- The core activity of the BSE is stock exchange activity, primarily consisting of the operation of trading and related IT systems, data sales and issuer services, and other, typically office-based activities.
- BSE is not engaged in any productive activity, nor does it carry out significant physical trade in goods.
- Its company fleet consists of 2 company-owned passenger cars.
- It does not own property, its registered office is rented.
- Employee headcount is about 60 people.

SURVEY OF ENVIRONMENTAL IMPACTS

The BSE's own organisational activity is limited to one country (Hungary). Its registered office is not located near wildlife or endangered plant or animal species habitat, and is in an area of low risk in terms of water stress. There are no soil contamination or other physical environmental hazards in the vicinity. Its consumption of energy and water is not considered significant in terms of either its activity or its size.

TYPICAL

Direct impacts

Given the above, the Exchange's direct impact on the environment can be described as follows:

- Use of energy (electricity, natural gas) and other scarce natural resources (water, paper, etc.), operation of computers, other office equipment, servers
- Emissions from energy use (CO₂)
- Solid and liquid waste generation (municipal waste, digital waste, waste water discharge)

NOT TYPICAL

- Risk of soil and groundwater contamination: not typical
- Environmental noise and vibration: not typical
- Release and handling of toxic substances: not typical
- Impacts on biodiversity (impact on the ecosystem, protected species, sensitive habitats, ecological functions): not typical

These impacts, although not significant, are negative and current, and are constantly being raised in relation to the functioning of the stock exchange.

Indirect impacts

The BSE has added to its development roadmap a precise assessment of the indirect impacts it has on the environment (through services and business relationships), together with a more in-depth analysis of the value chain. These impacts are similar to those described above (negative and current impacts). Their magnitude is obviously much higher than the impacts related to own organisational operations, but due to the nature of the service, they do not represent a significant environmental burden (for the most part, they do not require mobility and transport). The BSE's activities primarily require the operation of infrastructures enabling high-speed and high-bandwidth data transmission, mainly office and IT functions that allow for the operation of connections to these infrastructures and the provision of services thereto, and require primarily Internet connectivity from customers (members, data vendors) and end users.



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SOCIAL, ECONOMIC IMPACTS

Due to the nature of the operation of the Exchange and its crucial economic function, any environmental disaster, act of terrorism, other hazard or disaster could have a potential negative impact that may directly threaten the security of trading on the Exchange, thereby the economy and the assets and human rights of a large number of individuals. Therefore, the protection against such systemic risks and ensuring business continuity is a priority for the Exchange in terms of managing impacts. These impacts can arise directly from the loss of function of stock exchange systems, and may also escalate through the associated infrastructures and have both direct and indirect effects. There is a higher probability of much lower impact attributable to minor disruptions and outages in the trading system.

The Exchange can have direct positive impact on its employees, which is important for its operation, by providing them with good working conditions, a diverse, non-discriminatory, safe and sustainable, inspiring working environment, training and career development opportunities. The same can also exercise a potentially negative effect if these expectations are not fulfilled by the operation of the organisation. These impacts and their management are detailed in the [Attracting, retaining and developing staff – Ensuring a diverse working environment](#) section.

The current positive impact of the Exchange on economic operators, especially on sustainability issues, can also be important, not only directly through its customer and partner relationships and value chain, but also indirectly through the following activities:

- Shaping sustainability-related regulation
- Channelling market needs, professional consultations, lobbying by market players
- Education, guidance for the market
- Design and development of market infrastructures, products
- Sustainability data reporting, improving ESG transparency

These impacts and the way they are managed are described in the [Direct and indirect impacts on capital market development and regulation](#) chapter.



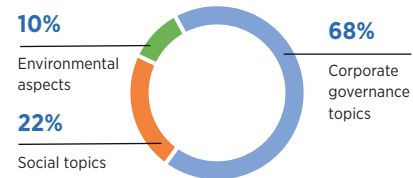
Along the above principles, the 60 or so topics determined in advance within the identified impact areas have all been screened according to whether the impact of the factor is current or potential, negative or positive, short or long-term, intentional or unintentional, reversible or not, and according to strength. The screening process resulted in a short list containing 16 topics, which formed the basis of the stakeholder consultation. During the consultation, the BSE asked stakeholders for their views on the importance of these topics, using a rating on a scale of 1 to 10 for the questions specified. As a result of the consultation, **corporate governance aspects were unanimously ranked the highest and the environmental impact the lowest in terms of the BSE's operation.** No significant difference was found when comparing the averages of the various respondent groups, with very little dispersion on a scale of 1 to 10.

The results of the stakeholder survey were also compared with industry practice. The WFE (World Federation of Exchanges) analyses the sustainability activities and reports of exchanges in its annual publication*. Its 2021 report examined, among other things, which topics were covered in the sustainability reports of the world's exchanges.

In addition to the above questions focusing on activities, exchanges were also asked how they prioritise ESG factors among themselves. 68% of respondents considered corporate governance topics to be the most important, 22% considered social topics to be the most important, and only the remaining 10% prioritised environmental topics in terms of exchange operation.

ESG priorities in terms of exchange operation

Percentage of respondents considering the given topic to be the most important in 2020

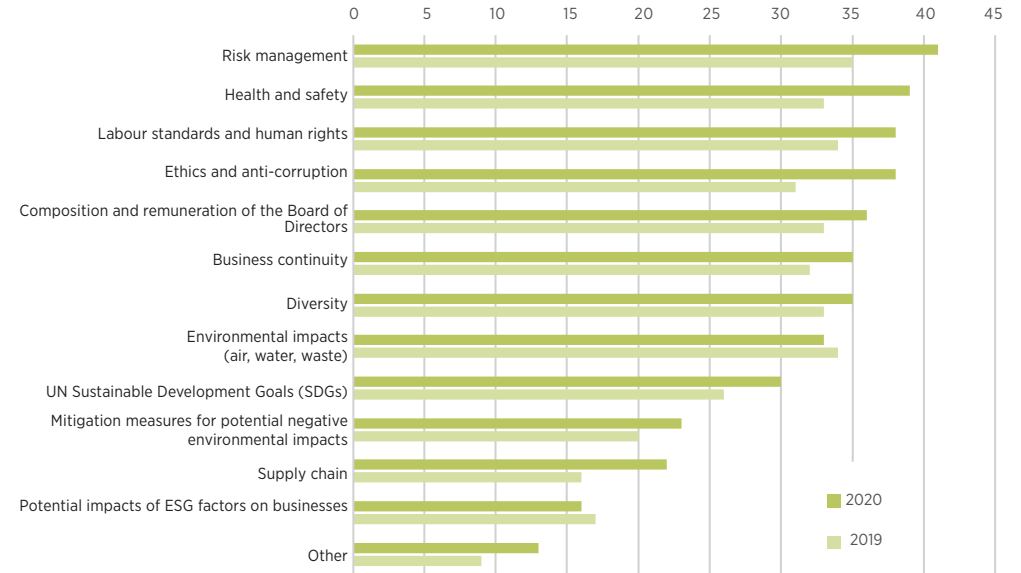


Comment: N=52

Source: WFE's 7th Sustainability Survey (2021)

Sustainability activity of exchanges

Inclusion of the various topics in sustainability reports of world exchanges, percentage



Comment: In 2020, N=43; in 2019, N=42

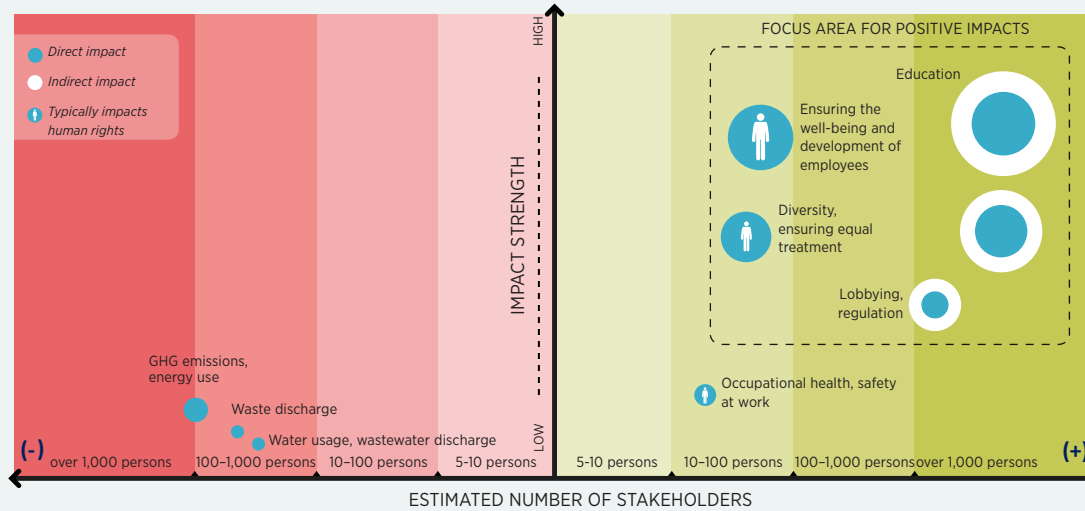
Source: WFE's 7th Sustainability Survey (2021)

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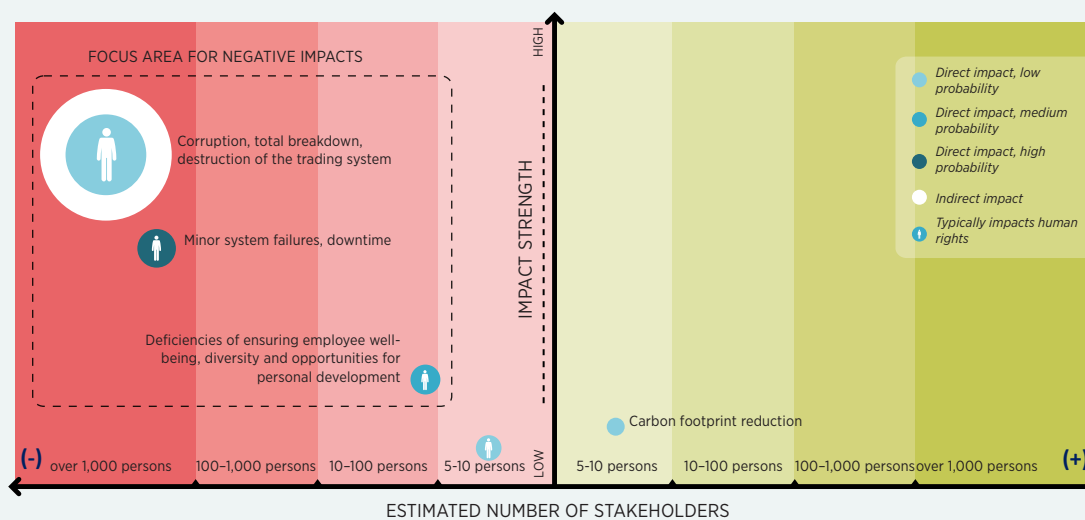
*The WFE's 7th Sustainability Survey 2021 | The World Federation of Exchanges (world-exchanges.org)

As a result of the advance impact assessment, stakeholder consultation and sector analysis, we have mapped the main current and potential impacts.

CURRENT IMPACTS



POTENTIAL IMPACTS



FRAMEWORKS AND ASSUMPTIONS

1. Indirect impacts were not taken into account for all factors. We primarily mapped the impacts of the Exchange's own organisational operation, as the full impact assessment within the value chain will be carried out as part of the development plan for the coming years. Therefore, indirect impacts were only interpreted in relation to BSE own operations, mainly in the context of the Exchange's capital market impact mechanism (which necessarily has an impact through multiple and intermediate contributors).
2. It was assumed that all positive impacts are intentional and all negative impacts are unintentional (no impacts contrary to this assumption were found in the analysis), so it was not considered important to disaggregate impacts by intention.
3. The analysis has mainly identified long-term impacts, so we have not disaggregated impacts over time either.
4. Potentially, any negative impact can result in a violation of human rights (e.g. GHG emissions violate the human right to a healthy environment). However, we have highlighted situations where human rights are typically associated with the consequences (right to life, physical integrity, threat to property, etc.).

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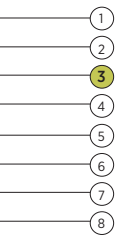
Managing impacts

- The BSE focus areas for managing impacts are the areas marked with dashed lines in the figures.
- The BSE strives to prevent or reduce potential negative impacts through preparation and prevention, by ensuring the necessary procedures, strict regulation, and the regular monitoring and testing of processes.
- It also strives to ensure and improve positive impacts, taking into account regular market and employee feedback and market practices.
- For a more detailed description of how impacts are managed, see under the various topics.

From these filtered and analysed impacts and logically connected themes, we have ultimately identified four complex material topics and four important topics that are not material from a reporting perspective, which have been approved by the BSE Board of Directors, as follows:



*For the topic, we also used the SASB 2018 standards for security and commodity exchanges



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SUSTAINABILITY STRATEGY

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UN SUSTAINABLE DEVELOPMENT GOALS

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OTHER OBJECTIVE FRAMEWORKS

- SUSTAINABLE STOCK EXCHANGES INITIATIVE

38

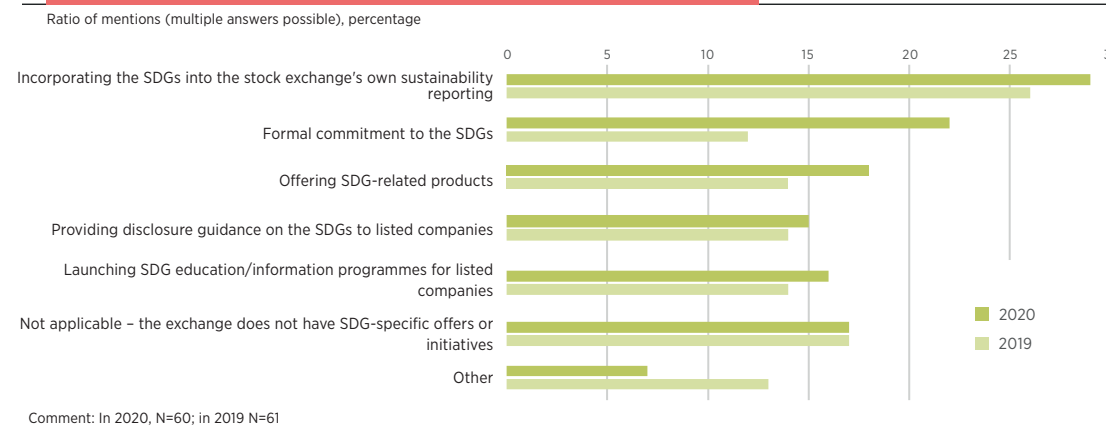
THE BSE'S SUSTAINABILITY STRATEGY 2023-2025

UN SUSTAINABLE DEVELOPMENT GOALS

At the United Nations (UN) General Assembly in September 2015, countries around the world adopted the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs). The Agenda, together with the Paris Agreement on climate change, sets out how we can work together to make the world a better place, and provides a global framework for international cooperation on sustainable development and its economic, social, environmental and governance dimensions. Governments, institutions and companies are constantly joining the global goals.



Stock exchanges' initiatives linked to the UN Global Goals



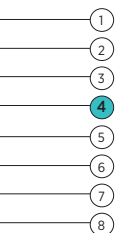
Source: WFE's 7th Sustainability Survey (2021)

The SDGs concern exchanges in a number of ways: on the one hand, they can commit to the most relevant goals in the context of their own operations and, on the other, they have an important role to play in developing initiatives for capital market participants that promote the global goals and facilitate their pursuit.

The 2021 annual report of the World Federation of Exchanges (WFE) also examined what SDG-related initiatives exchanges typically have. It found that the most common was the inclusion of and formal commitment to the global goals in the exchanges' sustainability reports. In addition, they are mainly involved in educational and awareness-raising activities in this field. Some exchanges are already offering products linked to global goals, usually green bonds and SDG-related indices.

The BSE, following the most common global goals cited by exchanges and the recommendations of the SSE, has set the following 5 UN global goals for its sustainability activities:

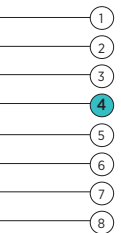
- Gender equality
- Decent work and economic growth
- Responsible consumption and production
- Climate action
- Partnership for the goals



OTHER OBJECTIVE FRAMEWORKS - THE SUSTAINABLE STOCK EXCHANGES INITIATIVE

The BSE's ESG strategy is primarily geared to the needs and demands of the domestic market, and the Exchange is constantly seeking to identify market gaps that represent the main obstacles to development. It also takes into account major international objective frameworks, such as the UN Sustainable Development Goals mentioned earlier, and measures itself against other stock exchanges. In this context, the Sustainable Stock Exchanges Initiative is an important tool that sets out a framework of criteria specifically for stock exchanges to set appropriate development goals and make measurable progress.

- This framework is based on the 5 sustainability principles announced by the World Federation of Exchanges (WFE) in 2018.
- The aim of the initiative is for the world's stock exchanges to develop internal operating processes, governance mechanisms and rules that support and make their sustainability efforts measurable and comparable.
- These principles are used and followed as benchmarks in the operations and sustainability strategies not only of WFE members, but also non-affiliated exchanges (as a result of the Sustainable Stock Exchanges Initiative, among others).

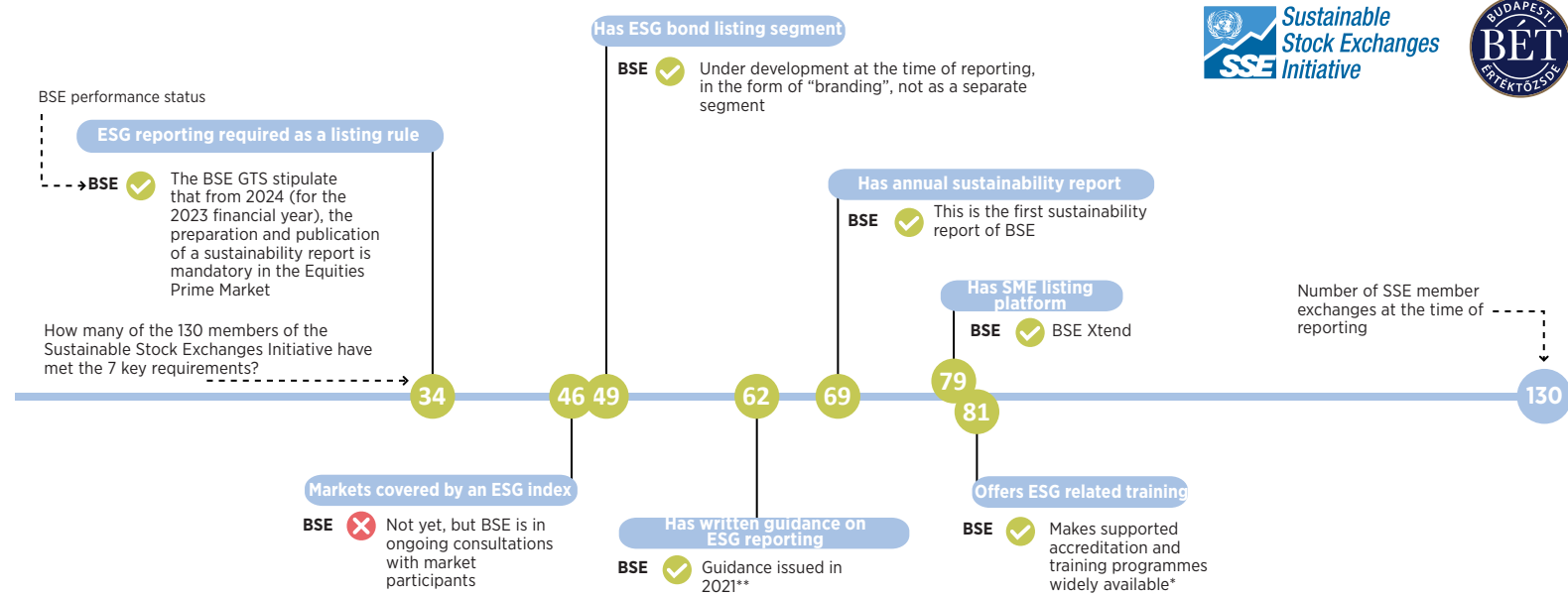


The 5 principles of sustainability

- | | |
|---|---|
| <p>1</p> <p>Stock exchanges work to educate participants in the stock exchange ecosystem about the importance of sustainability.</p> | <p>4</p> <p>Stock exchanges provide markets and products that support the expansion of sustainable financing and the redirection of financial flows.</p> |
| <p>2</p> <p>Stock exchanges promote better access to ESG information that is relevant to investors and useful for decision-making.</p> | <p>5</p> <p>Exchanges establish effective internal governance and operational processes and policies to support their sustainability efforts.</p> |
| <p>3</p> <p>Exchanges actively engage with stakeholders to promote a sustainable financial schedule.</p> | |

The BSE operates in line with all fundamental principles. The website of the Sustainable Stock Exchanges Initiative* continuously shows the progress member exchanges are making towards meeting sustainability goals (as reported by exchanges). Back-testing is based on 7 specific indicators, most of which have already been met by the BSE.

Exchanges on the way to meeting sustainability targets



* See: [Call to recipients and documents - EDIOP - BSE site](#)

** See: [ESG Guide - BSE site](#)

Source: sseinitiative.org, BSE

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* Sustainable Stock Exchanges (sseinitiative.org)

THE BSE'S SUSTAINABILITY STRATEGY 2023-2025

The detailed sustainability strategy of the BSE is available on www.bet.hu under the ESG tab. More information on this topic can be found in the present report's chapter on [Direct and indirect impacts on capital market development and regulation](#). The strategic objectives are summarised in the table below.

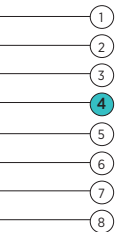
The BSE's strategic objectives, with related performance indicators and topics

KPI: Key Performance Indicator
SDGs: Sustainable Development Goals
WFE: World Federation of Exchanges

	A ADAPTATION	D DEDICATION	E EDUCATION	P PROACTIVITY	T TRANSPARENCY
BSE strategic objectives for 2023-25	Assessing and adapting to the impacts of climate change and societal challenges	Long-term commitment to achieve sustainability goals	Gradual preparation of market actors for the green transition and sustainable development	Creating market infrastructures and corporate toolkits to support transition and adaptation	Ensuring the transparent functioning of markets, supporting corporate ESG reporting
Related KPIs in the 2023-25 strategic period	<ul style="list-style-type: none"> Establishment of ESG Committee (2023) Reviewing and, if necessary, amending the BSE's rules for issuers (2023-24) Reviewing and, if necessary, amending the Responsible Corporate Governance Recommendations (2023-24) 	<ul style="list-style-type: none"> Implementation of the ESG report development roadmap adopted by the Board of Directors for the 2023-25 strategic period 	<ul style="list-style-type: none"> Cooperation with all stakeholders to continue ESG training programmes and awareness-raising (ongoing) Updating the ESG Reporting Guide (2023-24) 	<ul style="list-style-type: none"> Launching a "green branding" for green products available in the BSE product range (2023) 	<ul style="list-style-type: none"> Finalising a simplified ESG assessment methodology and establishing a pilot portal for ESG data collection (2023) Developing policies and an internal regulatory framework for responsible business conduct (2023-24)
Related material topics	<ul style="list-style-type: none"> Diversity, equal treatment, non-discrimination 	<ul style="list-style-type: none"> Responsible corporate governance, oversight of sustainability processes by management bodies Risk management, business continuity, protecting trading and related systems, ensuring safe and continuous operation, ensuring statutory compliance Employees' rights, well-being, sustainable working conditions and personal development Diversity, equal treatment, non-discrimination 	<ul style="list-style-type: none"> Employees' rights, well-being, sustainable working conditions and personal development 		<ul style="list-style-type: none"> Responsible corporate governance, oversight of sustainability processes by management bodies
Important related topics identified as non-material but relevant for this report*	<ul style="list-style-type: none"> Indirect impacts of the Exchange, regulatory, educational activities 		<ul style="list-style-type: none"> Indirect impacts of the Exchange, regulatory, educational activities 	<ul style="list-style-type: none"> Indirect impacts of the Exchange, regulatory, educational activities Energy use and CO₂ emissions, waste and water use 	<ul style="list-style-type: none"> Indirect impacts of the Exchange, regulatory, educational activities
SDGs supported					
WFE principles supported**	3	1, 3	1, 3	3, 4	1, 2, 3, 5

*As detailed in the BSE Sustainability Report for 2022

**WFE Sustainability Principles



5

SOCIAL IMPACTS

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ATTRACTING, RETAINING AND DEVELOPING STAFF - ENSURING A DIVERSE WORKING ENVIRONMENT

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PROTECTING STAFF HEALTH AND SAFETY

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DIRECT AND INDIRECT IMPACTS ON CAPITAL MARKET DEVELOPMENT AND REGULATION

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CORPORATE SOCIAL RESPONSIBILITY (CSR)

ATTRACTING, RETAINING AND DEVELOPING STAFF – ENSURING A DIVERSE WORKING ENVIRONMENT

GRI 2-7-8, 21, 30 GRI 401, 404, 405, 406

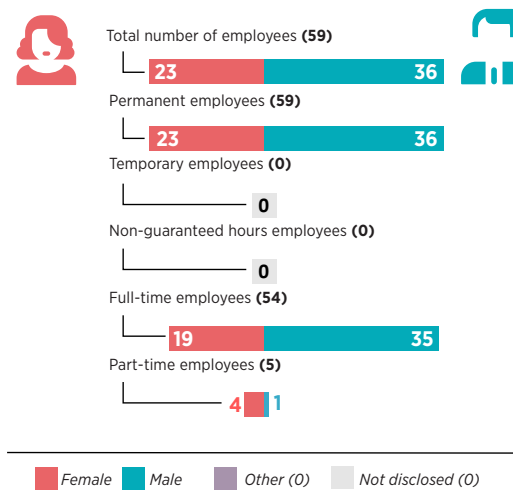
The financial sector, especially capital markets and the stock exchange, is a highly knowledge-intensive area with a long learning curve. Therefore, highly skilled, capable and loyal employees are fundamental for its operation. The relationship with employees is both a risk factor and an opportunity in the life of stock exchanges, as an internal impact. On the other hand, the operation of the BSE also has a direct, long-term impact on the lives of employees, which is generally positive (or negative in the case of problematic functioning).

The BSE takes a proactive approach to managing its relations with the employees: it seeks to provide an attractive working environment and opportunities for them,

where they feel valued and receive continuous feedback, contributing to their personal and professional development which the company also supports with opportunities for professional training.

At the end of 2022, the BSE had a total of 59 employees (plus 3 trainees and 1 employee on parental leave). The Exchange only operates in Budapest, Hungary, therefore no regional breakdown is provided. BSE doesn't have non-guaranteed hours employees or "workers who are not employees" (GRI 2-8).

Head count by gender, 31 December 2022 (persons)

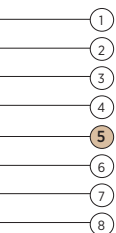


Compensation ratios

The ratio of the annual total compensation for the highest paid individual of the BSE to the median total annual compensation for all employees (excluding the highest-paid individual)* **5.8**

The ratio of the percentage increase in annual total compensation for the highest-paid individual of the BSE to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) **0** (0%/7.1%)

*Calculated according to the GRI formula. Annual compensation includes: gross salary, bonus (estimated on the basis of the previous year). For employees joining BSE mid-year, the figure has also been adjusted for the theoretical full-year compensation. For consistency, trainees were not included in these calculations, either.



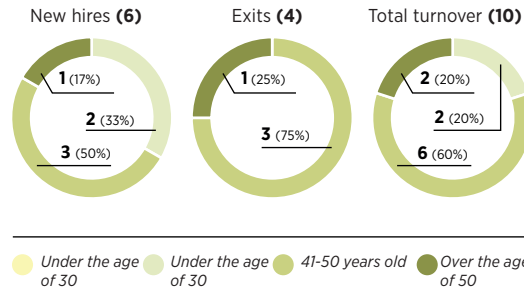
FLUCTUATIONS

GRI 401-1-3

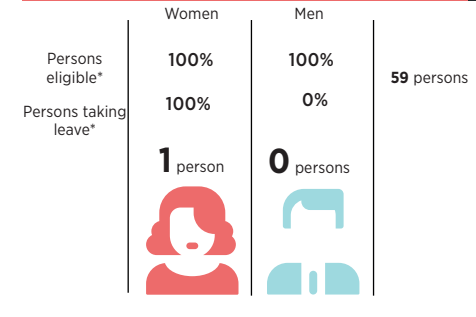
A total of 6 people joined the organisation in the reporting period (6 FTE), of which 3 women (50%) and 3 men (50%). The number of people leaving was 4 (4 FTE) – 2 women (50%) and 2 men (50%).

Total turnover (hires and departures combined) was 10 people (in FTE, 10 employees: 5 women – 50%, 5 men – 50%). The breakdown of new hires and total turnover by age group is shown in the table below. We are not including employees leaving during probationary period or trainees, who usually work part-time while studying at university.

Turnover data by age group, 2022 (persons)



Parental leave indicators by gender

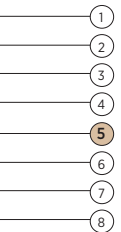


*In the reporting period

The company does not differentiate between full-time and part-time employees in respect of the benefits it provides to its employees. The Exchange has a remuneration policy, which is detailed in the chapter on [Organisational structure, corporate governance](#).

Members of staff are entitled to employment and social security benefits in accordance with the legislation in force.

During the reporting period, 1 person (female) returned from parental leave; number of individuals employed 12 months after returning to work: 1 out of 1. Members of staff returning from parental leave typically stay with the organisation for more than 12 months. The return and retention rate for those who took parental leave is 100% (all women; no male employee took parental leave).



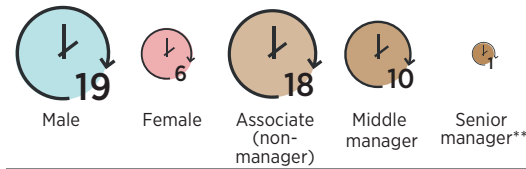
TRAININGS

GRI 404-1-3

The BSE develops and approves an annual training plan each year, which focuses on the topics and areas for improvement indicated by employees in their annual performance assessment. Professional training, language courses, possibly presentation or other competence enhancing training courses are the most common. The annual training plan is approved bearing in mind legal compliance, and ensuring that members of staff receive training on topics and competences necessary or relevant for their work, and that they have access to opportunities in a similar proportion within the training framework. The BSE does not provide training specifically aimed at helping with transition (retirement, job change, etc.).

Regular performance assessments are an important source of employee development and job satisfaction. With the exception of the CEO, the internal auditor and retired employees, all employees, that is 56 (94.92%), are subject to performance assessment twice a year, which comprises self-assessment, followed by a management assessment and an interview with the supervisor. Performance assessment also plays a role in (without being the sole basis for) the determination of annual bonus.

Training time per employee, 2022 (hours)



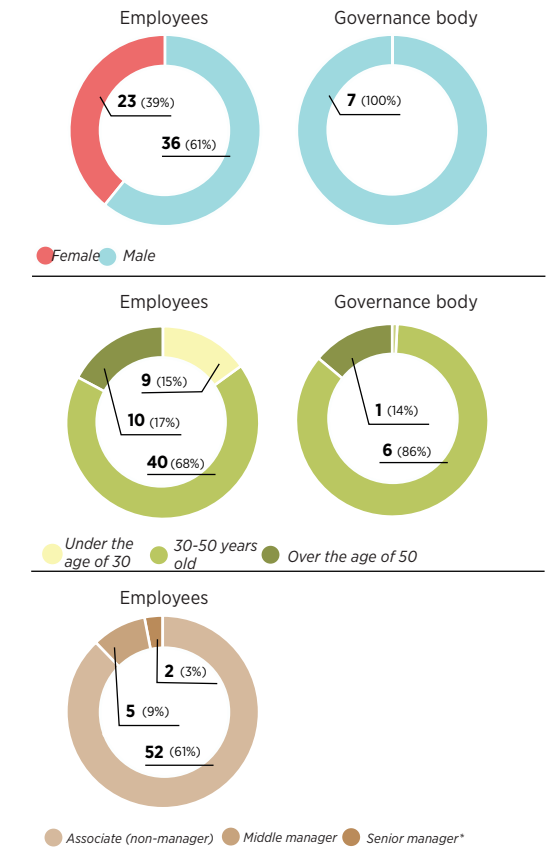
*CEO and Deputy CEO

DIVERSITY WITHIN THE ORGANISATION

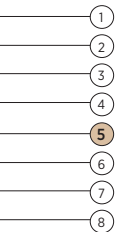
GRI 405-1

From the perspective of diversity, no other relevant (minority or vulnerable) groups were identified at the time of reporting.

Data on diversity of governance bodies and employees, 31 December 2022



*CEO and Deputy CEO



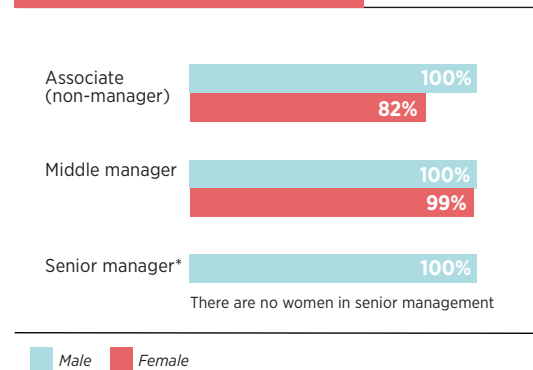
REMUNERATION

GRI 405-2

The remuneration ratios for women and men for the various employee categories are shown in the table below.

The BSE attaches great importance to diversity and equal opportunities, and its nomination rules and practices continue to prohibit discrimination on any grounds and to ensure that diversity criteria are applied to candidates of equal quality and who meet the same standards of competence. When reviewing its sustainability policy, the BSE examines how it can better enforce these considerations in the coming years.

The ratio of women's remuneration to men's, 2022



*CEO and Deputy CEO

EQUAL OPPORTUNITIES

GRI 405

As an employer, the core values of the Budapest Stock Exchange include the principle of equality between individuals, and in line with this, it formulated and implemented an equal opportunities plan in 2020. The plan set the following objectives to ensure equal opportunities:

- Ensuring equal treatment in the recruitment and employment of staff
- Human resource development, on-the-job training, retraining and learning support
- Assessment and improvement of working conditions
- Support for employees with disabilities or reduced capacity for work

In order to assess compliance with the equal opportunities plan, BSE carries out an employee survey every two years. The employee survey is carried out by the Officer, using data from the BSE's labour and personnel records and statistical analysis.

There were no incidents of discrimination (against employees, customers, partners or third parties) either during the reporting period or prior to it in connection with the BSE.

COLLECTIVE BARGAINING AGREEMENT

GRI 2-30

There is no collective bargaining agreement in force at the company.

PROTECTING STAFF HEALTH AND SAFETY

GRI 403 - treated as a non-material topic

With a view to the fact that employees at the stock exchange are not exposed to significant health risks or significant hazards, occupational health and safety is not included as a material topic. There were no workplace accidents or injuries at all last year, and only on the rare occasion in previous years. At the same time, the company attaches great importance to the physical and mental health and well-being of its employees and does its utmost in that respect, within and beyond the limits of applicable legislation.



The health and safety of staff is protected primarily by the following statutory occupational health and fire protection rules:

Occupational health and safety

- Act XCIII of 1993 on Occupational Safety
- Decree No. 5/1993 (XII. 26.) of the Minister of Labour on the implementation of certain provisions of Act XCIII of 1993 on Occupational Safety

Fire protection

- Act XXXI of 1996 on Fire Protection, Technical Rescue and the Fire Brigade
- Decree No. 54/2014 (XII.5) of the Minister of the Interior on the National Fire Protection Code
- Decree No. 9/2015 (III/25) of the Minister of the Interior on the professional qualification requirements and vocational training of those employed in professional disaster management bodies, municipal and facility fire departments, voluntary fire brigade associations, and related fields

The scope of the occupational health and safety management system extends to all employees. It primarily covers intellectual work carried out at the registered office of BSE.

In order to identify and assess workplace hazards and assess risks, BSE employs an occupational safety and fire protection specialist who carries out risk assessments and training for all employees and staff members every year. The quality and competence of the occupational safety and fire protection specialist is ensured by a mandatory professional examination.

The OHS advisor identifies any hazards in a risk assessment, provides training on how to avoid them, and orders appropriate occupational health assessments.

The health and safety management system is developed by a specialist subcontractor – an occupational safety and fire protection specialist –, and access to the information is provided via the intranet system.

Work-related hazards that pose a risk of occupational illness, accidents or serious injury (including death) or other hazards related to work are identified by a specialist in an occupational health and safety risk assessment. The BSE seeks to prevent the occurrence of such incidents by providing protective equipment (e.g. screen glasses, ergonomic equipment, masks, etc.) and health and safety training, where necessary, which are available to all employees and staff members.

Compliance with the rules is checked by occupational health and fire protection audits, which can result in fines for non-compliance.

Promoting physical and mental health

Beyond its statutory obligations, BSE makes available other benefits to its employees.

- They can join the MNB Sports Club, which works with several sports facilities and offers discounted sporting opportunities.
- Employees may also join the AYCM programme.

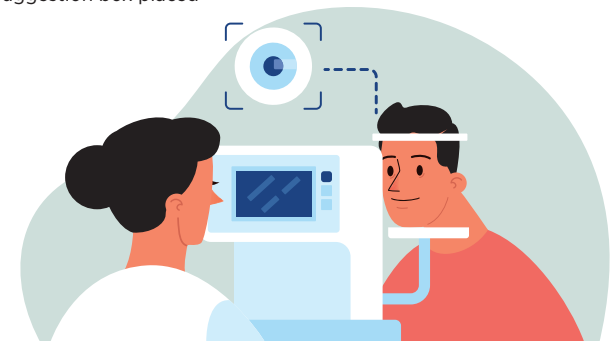


The global pandemic situation has directed even more attention than before to the importance of keeping employees physically healthy. In the context of the COVID-19 pandemic, the BSE started to monitor epidemiological measures and continues to do so, determining current work schedules by taking maximum account of staff health, as well as the requirements of business continuity.

- To this end, it provides staff with tools and flexible working arrangements, as well as every means of preventing viral infections (masks, disinfectants).
- Occupational health services are provided by a contracted occupational physician.
- The BSE put in place a safe and secure teleworking solution in accordance with the legislation and recommendations on supervision (Decree No. 41/2015 of the Minister of the Interior, and the MNB teleworking recommendation), which has been tested, audited and in continuous use, also performing well during the pandemic.
- Every two years, the BSE contributes up to HUF 50,000 towards the purchase of protective eyewear for employees who work in front of a screen.

The company seeks to improve the mood and well-being of employees by organising team-building and other joint activities.

- Group hikes, team-building exercises, a visit from Santa Claus for the kids are some of the activities organised by the BSE.
- Team cohesion is reinforced by events such as Employee of the Year elections (where staff members can be nominated by colleagues, and which is open to all but senior managers), rewarding members of staff celebrating anniversaries, and organising farewell parties for retiring colleagues.
- The BSE informs employees about company events, its financial situation and plans at quarterly employee meetings, thus strengthening their sense of security.
- Before these meetings, employees can also ask questions and make suggestions anonymously by means of a comments/suggestion box placed outside the meeting room.



DIRECT AND INDIRECT IMPACTS ON CAPITAL MARKET DEVELOPMENT AND REGULATION

As outlined in detail in the chapter on strategy, the aspirations of the BSE concerning ESG, and its impact on sustainable development are characterised by a special dual role. This means that, beyond its own scope of operation, the BSE exercises strong indirect impact on its environment as a key institution of the capital market, an infrastructure provider and an ecosystem builder: it steers, leads and educates the players in the markets it operates, and it has an impact on the Hungarian capital market, companies not listed on the exchange and, through them, on the economy, society and the environment. In some aspects, these indirect impacts may be even stronger than the direct impacts of its own operation.

1

Shaping sustainability-related regulation

The primary role of the BSE in this area is to assess the market drivers of ESG processes, the opinions of domestic market participants and the demands placed on companies, as well as to continuously monitor, interpret and communicate the sustainable financial regulatory framework to market participants. The Exchange is actively involved in lobbying and commenting on national and EU legislation affecting the capital markets, issuers and members of the BSE, with the aim of creating a regulatory framework that supports companies and gradually prepares them for sustainable operations that can deliver lasting results.

- It is involved in the legislative process through the industry and sustainability alliances described in the section on [Industry associations, sustainability organisation memberships](#), helping to process, interpret and develop the practice of applying the legal regulations issued.
- It brings stock exchange regulation closer to sustainable financial regulatory innovation and market expectations, without unnecessarily increasing the burden on issuers or creating redundant rules. In 2022, for example, an amendment to the rules of the [BSE GTS](#) on

marketing came into force, requiring Prime Market share issuers to prepare an ESG report from 2024 (for the 2023 financial year).

- The BSE first published its [Responsible Corporate Governance Recommendations](#) in 2004 and has since continuously maintained these through the Responsible Corporate Governance Committee. With these recommendations, the Exchange aims to promote the transparent and efficient operation of the market, support the enforcement of legislation, and harmonise the interests of issuers, investors and the company's environment. The Code seeks to establish forward-looking good practice among listed issuers, for example by supporting gender equality in the form of a specific recommendation since 2018.
- The Committee also monitors the annual corporate governance reports published by listed issuers, and its findings are summarised in the annual [Monitoring Report](#) with a view to shape the corporate governance best practices of listed issuers.

2 Channelling market needs, professional consultations, lobbying by market players

The Exchange considers one of its most important tasks to create platforms for advocacy and professional contacts for market participants, where it consults them regularly on issues of concern to them. Such platforms include the committees operated by the stock exchange (Committee of Issuers, Responsible Corporate Governance Committee, Trading Committee, Index Committee, etc.). On ESG issues, it mainly consults the Responsible Corporate Governance Committee, whose members include representatives of issuers, stock exchange members, investors, investment service providers and line ministries. While the Committee deals with a wide range of corporate governance issues, ESG-related technical issues have also been featuring more and more often on its agenda. To address these issues, a dedicated ESG Working Group has been set up. Its importance within the Committee's work has grown to such an extent that the BSE plans to transform the current Responsible Corporate Governance Committee into an ESG Committee in 2023, after the Committee's mandate expires.



3 Education, guidance for the market

The BSE has recognised that a lack of knowledge on the subject is a major obstacle to sustainable development in the domestic market, and has therefore identified education as one of its most important functions. Its main objective is to advance the general knowledge of sustainability among market actors as widely as possible.

Reporting Guidelines

- Following extensive market consultations, in 2021 the BSE published its first [ESG Reporting Guide](#), which is primarily intended for listed issuers, although it can be consulted and applied by any Hungarian company or consultant.
- The aim of the Guide is to provide basic knowledge on the concept of ESG, the steps of preparing sustainability reports, regulatory aspects, reporting standards, and the certification system.

Trainings

- The BSE has launched government-supported ESG training courses: in addition to two ongoing programmes*, the Exchange has been appointed as the executor of an EDIOP-funded training programme to support SMEs' greater contribution to sustainable development goals and their ESG maturity.
- Under the programme, launched in 2022, the Exchange has developed an accreditation process for training organisations ([call for accreditation](#)). Once their training programme is approved, they can provide 100% subsidised training to SMEs as non-reimbursable grants. Beneficiary SMEs can apply individually to the call ([call to recipients](#)).

Forums, conferences

- In order to promote the understanding, interpretation and application of ESG regulation in Hungary, the BSE organises professional forums, workshops and conferences on a continuous basis, either independently or in cooperation with other bodies.

*In the framework of the call for applications under project No. EDIOP-1.1.7-17 entitled "Increasing the efficiency of the SME sector, primarily through measures designed to facilitate public listing" and the complementary call for applications under the project "BSE Mentoring Programme in the Central Hungary Region".

4 Design and development of market infrastructures, products

As the central institution and infrastructure provider of the capital market, the BSE strives to be at the forefront of innovation in all areas, serving the needs and requirements of the market. The same holds true for the tasks related to sustainability.

In line with this guiding principle, the Exchange carries out various activities:

- BSE continually supports the launch of green products on domestic trading platforms. The BSE Xbond platform, launched in 2019, is a popular listing destination for green debt securities.
- Green mortgage bonds can be traded on the regulated market since 2021, and the first ESG ETFs were launched on the BETA market in 2020.
- BSE is currently working on “green branding” to ensure these products benefit from particular investor attention.

- BSE also provides government-supported green finance consultancy. Green finance advisers can apply for the accreditation process developed by the Exchange ([call for accreditation](#)); once accredited, they can provide support for SMEs with their green bond issue. The beneficiary SMEs can apply individually to the call ([call to recipients](#)) for non-reimbursable grants.
- BSE is in continuous discussions with market participants on the needs for new products and possible further development directions (such as opening up the Hungarian market to social products – such as social bonds – or the development of ESG-themed indices).

5 Sustainability data reporting, improving ESG transparency

The primary role of public markets is to ensure transparency for investors. This is a traditional stock exchange task, which the BSE ensures through its marketing rules, recommendations, monitoring of issuers and the application of sanctions in the event of breaches of disclosure rules.

The increasing demand for sustainability (non-financial) data and the tightening of applicable regulation is a new field not only for stock exchanges, but for all professionals. This creates great challenges due to the interdisciplinary nature and wide spectrum of the information concerned. It is also important to note that in Hungary the market for sustainable investment products is still developing, and the lack of reliable, comparable data from the corporate side is a major obstacle to this development. The Exchange, therefore, makes it a top priority to promote the supply of high-quality corporate data.

The BSE continually supports the launch of green products on domestic trading platforms.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The market status and role of the BSE demands that it also conduct activities that carry social importance, but which at the same time also fit into its strategy, through which it can lead by example for other players in the capital market.

Over the past years, in the framework of its corporate social responsibility action the BSE focused on financial education and on supporting children suffering from chronic diseases.

- The primary objective of the BSE e-Academies, free stock exchange courses for the general public, is to improve investor awareness.
- In the BSE Stock Derby stock market game, students can try their hand at trading on the real market with virtual money and real price information.
- The BSE founded the Kochmeister Award, which is awarded annually at the Hungarian Society of Investment Professionals (CFA) stock analysis competition.
- The Exchange is also a professional sponsor of academic competitions and contests such as the Central European Training Centre for Brokers (KEBA) Stock Exchange Game.
- It regularly invites secondary school and university students to its headquarters, to hear presentations delivered by experts on the functioning of the stock market and capital markets.
- For many years, the BSE has supported the Csodalámpa Alapítvány (Magic Lamp Foundation), which grants children with serious illnesses their wishes. In addition to financial support, our staff have been also regularly involved in making the wishes come true.

In solidarity with the refugees from Ukraine, the BSE donated 1.5 million forints to the Hungarian Charity Service of the Order of Malta. In addition to donations made by the Exchange, individual employees also donated over HUF 1 million through the following organisations:

- Hungarian Baptist Aid
- Caritas Hungary
- Hungarian Charity Service of the Order of Malta
- Hungarian Interchurch Aid
- Hungarian Red Cross
- Hungarian Reformed Church Aid



6

ENVIRONMENTAL IMPACTS

51	ENERGY, GREENHOUSE GAS EMISSIONS, WASTE AND WATER USE
55	INDUSTRY ASSOCIATIONS, SUSTAINABILITY ORGANISATION MEMBERSHIPS
56	OPERATIONAL RISK MANAGEMENT, BUSINESS CONTINUITY AND STATUTORY COMPLIANCE
63	CASES OF NON-COMPLIANCE IN THE REPORTING PERIOD
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ENERGY, GREENHOUSE GAS EMISSIONS, WASTE AND WATER USE

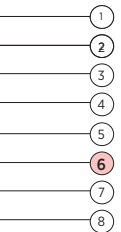
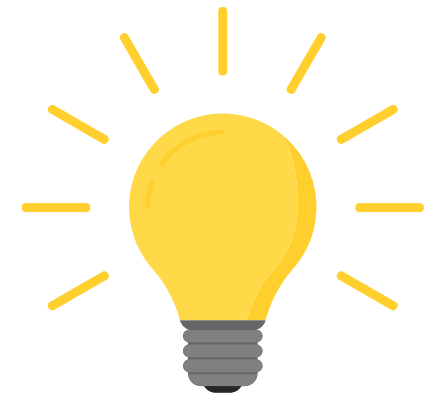
GRI 302, 305, 303, 306 - treated as a non-material topic

Characteristics of energy use and reduction efforts

As indicated in the chapter [Materiality assessment, material topics and the process of their determination](#), the BSE's environmental impacts cannot be considered significant for either its size or the nature of its activities. BSE operates 2 company-owned passenger cars in its company fleet. It does not own any property, and relocated to a rented property at Krisztina krt. 55 at the start of 2022. For water and sewerage, waste and district heating, the Exchange pays utility costs in proportion to office space (5.4%), while natural gas and electricity are billed on a metered basis. Overall, the environmental impacts of energy and water use are negligible, but that also means that the impact on reducing these is also limited. However, as an indirect environmental impact of the BSE, it is worth mentioning the efforts, which have been outlined elsewhere in this report, to educate market participants and help them move towards sustainable operations, thus contributing to almost all UN Sustainable Development Goals (SDGs), including the environmental goals.

Means of energy supply

- The energy supply of the MNB Buda Centre, which houses the BSE office, is essentially based on the operation of a small-scale gas-fired power plant.
- The motors generate electricity and heat using gas, ideally providing for the cooling and heating of the building, as well as a significant part of its electricity supply.
- The building is also partly supplied with district heating, but it is not economically viable to use it under the current price regulation.
- However, neither gas boilers nor district heating can service peak demand, so the use of gas engines is essential during these periods; the Maintenance unit ensures these are tuned for the most optimal use.
- Energy mix is generated by the use of electricity generated by any gas engines that may be running.
- During the summer, the cold thermal energy of the building is supplied by absorption chillers using warm thermal energy.
- The current energy mix does not yet include energy from renewable sources, but the electricity purchased is "green electricity" certified.
- The operator is exploring the possibility of phasing out gas consumption (installation of a solar park and a heat pump cooling and heating system).

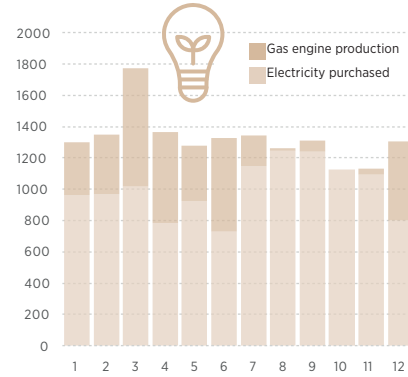


Economisation efforts

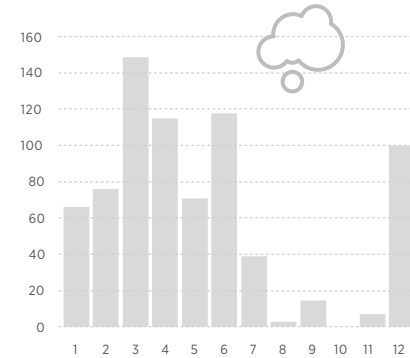
- As a tenant, the BSE is also trying to do its best to reduce its energy consumption and emissions, and is therefore trying to operate as efficiently and resource-saving as possible in respect of its own energy consumption at its new headquarters.
- The new office is fully equipped with LED lighting, complete with motion sensors.
- A new state-of-the-art air-conditioning system has been installed in the server room, which is optimised for external temperature and load, avoiding unnecessary energy consumption.
- At the end of 2022, in line with the applicable government decree, office temperatures were also regulated, with 18 degrees Celsius set on thermostats in offices, achieving significant reductions in energy use, its emissions impact and associated costs.
- This also encourages staff to be environmentally aware.

Electricity

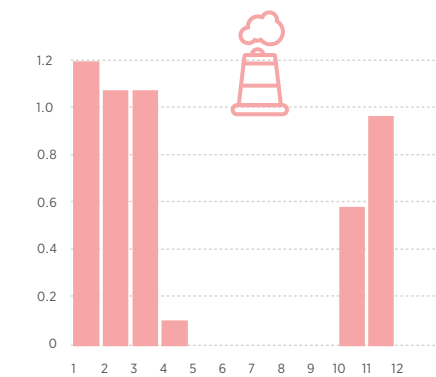
The BSE's monthly consumption, 2022 (kWh)



BSE monthly carbon dioxide emissions, 2022 (Kg CO₂e)

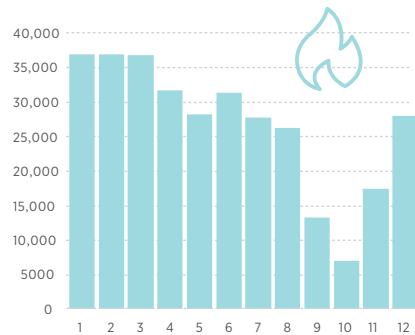


BSE monthly consumption, 2022 (GJ)

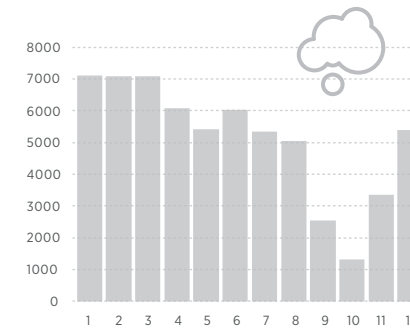


Natural gas

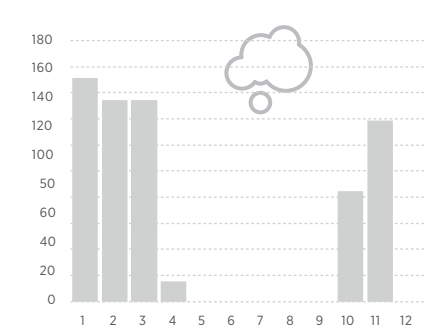
The BSE's monthly consumption, 2022 (kWh)



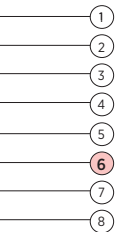
BSE monthly carbon dioxide emissions, 2022 (Kg CO₂e)



BSE monthly carbon dioxide emissions, 2022 (Kg CO₂e)



Consumption and emissions data are calculated on the basis of utility bills issued to the BSE. For the months of January-February, consumption was estimated taking into account consumption and seasonal characteristics (given the BSE's relocation in February).



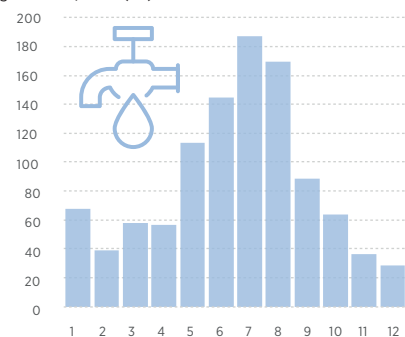
Water consumption, wastewater and waste discharge

Water consumption

- In terms of nature of use, water and wastewater consumption is used for social purposes and for general “office building” use.
- The seasonal characteristic of water consumption means that during the summer months, the cooling towers (and the operation of the sprinkler system) for cooling the building produce considerable higher-than-average monthly values.
- No specific regulatory action has been taken on the Exchange’s water use, but given the policy of 2+3 days of home office that has been introduced, the water consumption and waste water emissions of staff in the office are minimal, as is their impact on consumption.

Water, wastewater

The BSE’s monthly water consumption and wastewater generation, 2022 (m³)



Waste management

- The waste generated is removed from the office building in a number of ways.
- Municipal waste and selective waste are removed separately by FKF.
- Packaging waste (mixed paper and plastic) is collected and disposed of separately from selective waste.
- Waste disposal costs are divided among tenants on the basis of the rental areas.
- The exact amount of waste generated by the BSE is not available, but the Exchange is seeking to move towards environmentally-friendly operation in this area as well. For instance, it has been collecting office waste selectively since 2017 and supports PET-free water consumption by installing drinking water fountains and reducing the use of bottled water.








Correctness of environmental impact data and setting it as a baseline for the future

Data collected for 2022 contains several uncertainty factors:

- The BSE has not yet spent a full year at its current head office.
- Due to the increase in energy and gas prices, there have been significant changes in consumption patterns compared to previous years (in particular the aforementioned change regarding the use of gas engines).

Despite the above difficulties, the BSE considered it important to start and gradually develop the assessment of its environmental impacts and the collection of relevant data. In the 2023-2025 strategic period, it also plans to assess the environmental and social impacts within the value chain, which will provide considerably more information on the overall environmental impact of its activities.

BSE annual energy consumption and emissions data, 2022

	Electricity purchased 	Ratio of renewables 	Natural gas* 	District heating 	Drinking water** 
Quantity used	12,043 kWh	0	322,065 kWh	5.03 GJ	1,053 m ³
CO ₂ emissions - based on emissions data from utility bills	0	-	63.41 t CO ₂ e	719.29 kg CO ₂ e	N/A.

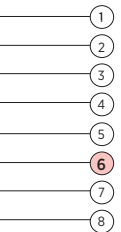
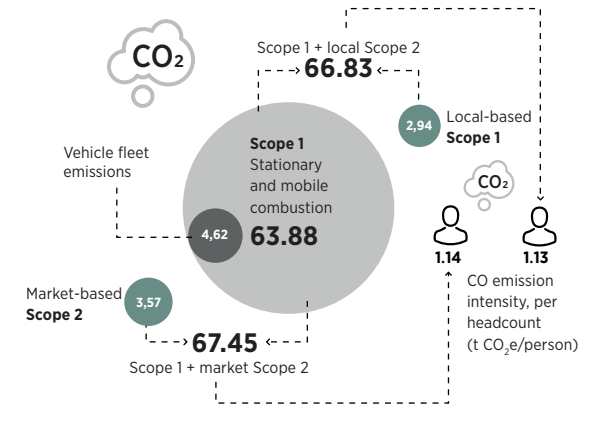
*Including consumption of gas engine generation; **Identical to wastewater quantity

INFORMATION FOR CALCULATIONS

- The CO₂ emissions of the purchased energy are calculated with a value of 0 in the utility bills (which is not the same as the calculation method used in the GHG protocol).
- Only CO₂ gases are included in the calculation, biogenic CO₂ emissions are not calculated.
- CREEM/DEFRA and AIB emission factors were used in the calculations.
- The entities included in the calculation and the consolidation approach are described in the chapter [The BSE ESG report](#).
- The calculation does not include the utility consumption generated in the former headquarters for the incomplete year, which would duplicate and distort the data.
- Data adjusted for the full year, with estimation for January-February (as described earlier in this chapter).
- The calculation does not include consumption data for the so-called second site.
- For the fleet emissions calculations, mileage data for the one-year period between two mandatory maintenance services were available and therefore may differ – although not significantly – from emissions data for the calendar year.

BSE annual CO₂ emissions (t CO₂e)

Based on calculations made on the basis of the GHG Protocol calculation table



ESG objectives cannot be achieved in isolation, therefore, the Exchange is seeking to expand its partnerships to help meet these targets.

INDUSTRY ASSOCIATIONS, SUSTAINABILITY ORGANISATION MEMBERSHIPS

GRI 2-28

INTERNATIONALLY

SSE

In 2019, the BSE joined the Sustainable Stock Exchanges (SSE) Initiative, which operates under the auspices of the United Nations and aims to help member exchanges work towards sustainability by developing best practices and recommendations.

FESE

The BSE is also a member of the Federation of European Stock Exchanges (FESE), which has set up separate Sustainability and Lobbying Working Groups to help exchanges think together, share information and lobby for EU regulation.

BCSDH

Following in the footsteps of the MNB, in 2020 the BSE joined the Business Council for Sustainable Development in Hungary (BCSDH). The primary objective was to communicate the Exchange's objectives to other BCSDH members and – in support of the BSE's work – to also disseminate the ESG approach among companies that are not quite ready for an IPO, to ensure that the ESG approach is also applied by companies other than those listed on the Exchange. The Hungarian subsidiaries of international members of the BCSDH show a good example to Hungarian medium-sized enterprises as well, which also yields useful information to the BSE.

HEA

Cooperation with the Sustainability Section of the Hungarian Economic Association (Magyar Közgazdasági Társaság, MKT), chaired by BSE CEO Richárd Végh. The Section wishes to promote and disseminate, in as wide a range as possible, the professional and regulatory initiatives and best practices relating to the frameworks and application of corporate governance through knowledge-sharing that takes into account aspects of legal-regulatory compliance, transparency, business ethics, corporate social responsibility, efficient operation control, and environmental sustainability, as well as by coordinating the related training and qualification programmes, and by cooperating with professional organisations and MKT partner departments. In 2022, MKT organised four sustainability-focused events (conferences, off-site meetings, panel discussions).

HVCA

The Exchange is an advisory member of the Hungarian Venture Capital and Private Equity Association (HVCA), the Hungarian private equity and venture capital advocacy body.

BEVA

The Exchange delegates one member to the Board of Directors of the Investor Protection Fund (Befektető-védelmi Alap, Beva), which aims to mitigate the damage that investors may suffer as a result of the inability of a member of Beva, with which they have deposited securities or funds, to release their legitimate claims.

MINISTRIES, MNB

In the field of ESG, the BSE is constantly cooperating with line ministries (Ministry for Economic Development, Ministry of Finance, Ministry of Justice, Ministry for Innovation and Technology) and the Magyar Nemzeti Bank.

BSZSZ, BAMOSZ

There is regular cooperation on ESG issues with the National Association of Investment Service Providers (Befektetési Szolgáltatók Országos Szövetsége, BSZSZ) and the Association of Hungarian Investment Fund and Asset Management Companies (Befektetési Alapkezelők és Vagyonkezelők Magyarországi Szövetsége, BAMOSZ), as well as with Hungarian consultancy firms.



DOMESTICALLY

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OPERATIONAL RISK MANAGEMENT, BUSINESS CONTINUITY AND STATUTORY COMPLIANCE

In the course of the materiality assessment, risk management, business continuity and legal compliance were identified as the top priorities, both in the internal ESG working group's consideration and in feedback from stakeholders. The GRI does not have sector-specific or other targeted standards on this topic (other than the GRI 2 disclosures on compliance), therefore, this chapter was drafted primarily in light of the requirements of the regulatory environment and relevant organisational functioning, and partly in light of the 2018 SASB standards for security and commodity exchanges.

Exchanges operate in a highly regulated framework. The most important rules for the establishment and operation of stock exchanges are set out in the MiFID/MiFIR (Markets in Financial Instruments Directive I and II, and the implementing regulations issued under the Regulation and secondary legislation), Act CXX of 2001 on the Capital Market (Capital Market Act) and Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing Their Activities (Investment Firms Act). This is complemented by a great number of EU and national legislation and recommendations, several of which are key in relation to the material topic.

Lines of defence

- Although not a credit institution or a financial undertaking, the Exchange is in many respects considered equivalent with financial institutions and, as an entity subject to the Capital Market Act, is supervised by the MNB. In its Recommendation No. 12/2022 (VIII.11.)*, the MNB sets out requirements for the institutions under its supervision, to ensure that the entities covered by the recommendation establish and operate internal lines of defence that facilitate
 - prudent, reliable and efficient operation, which complies with legal regulations and internal policies,
 - the protection of their assets, the economic interests of their owners and their clients in relation to the financial organisation, and the protection of their social objectives,
 - their smooth and efficient operation and maintaining confidence in financial institutions.
- The most important task of these lines of defence is to identify and deal with any problems or deficiencies that may arise during operation at the earliest possible stage, at the time of their occurrence or even before, if possible, thus ensuring a rapid and efficient solution.
- The organisation's internal lines of defence are responsible internal governance, and the internal control functions complementary to the controls built into the business processes (primary line of defence) and which belong to the second and third lines of defence. The second line of defence is compliance and risk management, and the third is internal audit.

The most important task of the lines of defence is to identify and deal with any problems that may arise during operation at the earliest possible stage.

* Recommendation No. 12/2022. (VIII.11.) of the Magyar Nemzeti Bank on the establishment and operation of internal lines of defence, and on the governance and control functions of financial organisations

General audits

- The MNB, as the supervisory authority, carries out a general audit every three years pursuant to the MNB Act. The last general audit took place in 2021.
- The BSE is also subject to the regulation on the IT protection of financial intermediary systems, and is therefore subject to the provisions of Government Decree No. 42/2015. (III. 12.) on the protection of the information systems of financial entities, insurers, reinsurers as well as investment firms and commodity dealers and Recommendation No. 8/2020 (VI. 22.) of the Magyar Nemzeti Bank on the protection of IT systems, which provides guidance on the security and protection issues to be addressed in IT design and organisation, security control systems and risk management, auditing and other operational matters.
- Compliance with the criteria set out in Section 12 of the Investment Firms Act and this Recommendation* are monitored by the MNB during its general audits, or more frequently if necessary. In case of non-compliance, the MNB can impose fines and, in serious cases, even withdraw the operating licence.

Integrity audit

- Section 12 of the Investment Firms Act stipulates an integrity audit of the BSE's IT systems, which may be carried out annually by an external company with a supervisory licence. The 2022 integrity audit was carried out by Hunguard Kft.
- Based on the “integrity indicator” measured since 2019, the BSE has achieved the “Satisfactory” level every year, and the system was given a “High” security rating in 2022.

Other audits

- Other audits, carried out to check legal or contractual compliance, are similar for other organisations and are not specific to operations.
- As an institution statutorily subject to auditing, the Exchange is also subject to an annual financial audit (IT and accounting), the findings of which are requested by the MNB.
- Compliance with the GDPR is monitored by the Hungarian National Authority for Data Protection and Freedom of Information (NAIH), which imposes fines where necessary.
- Licence audits are also carried out by licensors (for example, most recently by IBM).
- The Exchange may also be subject to occupational health and safety and fire protection audits and other audits required by law, as mentioned in other sections.

Within the framework described above, operational and IT risk management, business continuity and regulatory compliance for the BSE are ensured by the following processes and mechanisms.

RISK MANAGEMENT

Management of operational risks

The Exchange provides for the identification and management of operational risks in a separate chapter of the GTS (Book 8: Operational Risk Management Policy). Risk management is based on the risk self-assessment process set out in this policy. In the course of the process, organisational units identify the stock exchange processes they carry out (as defined in the Organisational and Operational Rules, OOR) and their risks, and assess them according to the methodology defined in the policy, and introduce risk mitigation measures where necessary. The residual risks are assumed by the company's management.

THE 4 MAIN RISK FACTORS IDENTIFIED IN THE CASE OF THE BSE

1

Environmental risks

- Regulatory environment
- Influence of external partners
- Physical environment

2

Human risks

- Ensuring working conditions
- Fluctuations
- Availability of resources
- Conformity
- Head count
- Competence
- Substitutability of competences

3

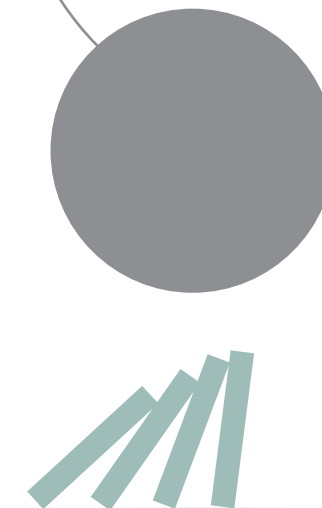
IT risks

- Extent of IT dependency
- Number and complexity of IT applications, their specificity and interchangeability
- Security level of IT support tools
- Compliance of authorisation scheme / data security

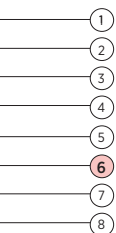
4

Complexity

- Number of activities within the process
- Number of related processes
- Number of logical switches and decisions
- Number of organisational units affected and involved



The full risk management process must be repeated as activities change, and at least every two years. The Board of Directors prepares an annual report on risk assessment (monitoring). Given that the GTS and the OOR are publicly available on the BSE website ([BSE Rules – BSE site](#)), the details of these rules are not covered in this report.



Management of IT risks

The security risk analysis of the BSE's IT systems is also based on a set methodology. This includes the important component of a regularly updated data asset inventory, which is formally reviewed by the organisation every two years. In addition to data, in the course of the survey financial values are also assigned to the products and assets of business processes by their owners. This is the threatened value, with associated risk scenarios and probabilities. Compensation values are then set for the risks based on the maturity levels of the ISO 27001 controls. The end result is a residual risk value, which the management assesses and decides on further risk mitigation steps to be taken – if the value of any identified risk is too high.

The methodology assesses threats according to three categories:

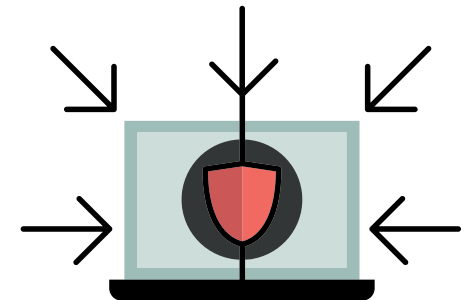
CONFIDENTIALITY – a threat to confidentiality is threatening with the leaking of protected data.

INTEGRITY – related risks are the risk of data being altered in ways that are contrary to business needs.

AVAILABILITY – in the context of considerations relating to this, it must be examined what happens if the data is not available in a commercially justified and necessary form at a given point in time.

Accordingly, a situation may occur where a particular threat does not pose a risk from the perspective of availability and confidentiality, for example, but does pose a risk from an integrity perspective, or any other combination of the above considerations, depending on the business process under review.

Integrity-related risks are the risk of data being altered in ways that are contrary to business needs.



BUSINESS CONTINUITY

Business continuity means that the critical processes of the organisation are running smoothly, without major delays, and that the necessary resources are available.

- Minor or major disruptions may occur in the operation of systems due to human error, hardware or software failures, which are the most common error factors.
- Natural disasters and situations of force majeure are much less common, but can typically lead to critical disruptions and even shutdowns.
- Failure to ensure business continuity can result in unplanned, uncoordinated and slow responses to arising problems, leading to unnecessarily high levels of business service disruption and damage.

It is of paramount importance for the BSE to assess these imminent threats and emergencies, identify critical processes and draw up business continuity plans (BCPs) and post-disaster plans, scenarios and crisis communication plans, which are regularly tested and updated.

In the event of a natural disaster, accident, fire, terrorist attack or any other event which makes it impossible to operate the IT and personnel infrastructure serving exchange trading, trading on the market concerned may be carried out on a back-up exchange trading system, which is physically separated from the regular trading system (second site) and has a back-up operational centre in case activity on the site becomes impossible or the site is destroyed.

Operation during the COVID-19 pandemic required yet another solution: the need to operate systems remotely. The Exchange ensured this by providing employees with appropriate equipment and access and by having specific rules for this type of operation, with a small number of on-site staff in critical areas (IT,

Issuers), which has allowed the BSE to operate smoothly during this type of emergency, while protecting the health of employees as much as possible.

The trading systems are designed to have a data loss rate of 0 minutes in case of failure, with a maximum of 120 minutes to restart the systems at the primary site in case of failure. In the event of a disaster, business-critical systems take 4 hours to restart. The functioning of systems and processes is checked by annual testing.

IT availability on the Exchange

99.75%

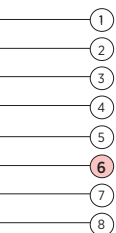
The expectation for trading systems.

99.2%

The expectation for the office and for the network.

100.0%

The actual availability for both in 2022.



THE INTERNAL AUDIT SYSTEM

Elements of the BSE system of internal audit

- Audit activities of managers
- Control built into workflows
- Compliance Officer
- External organisational unit for legal and regulatory tasks
- Internal auditor under the professional management and supervision of the BSE Supervisory Board

Audit powers

Management control covers the performance of regular tasks set out by the BSE Rules and the MTF Rules, as well as the performance of ad hoc tasks, assignments and reporting.

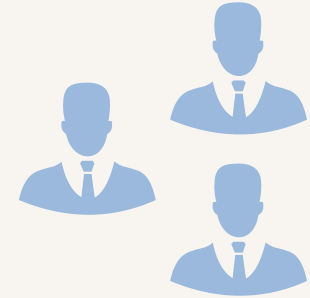
The audit powers of the Internal Auditor and the Compliance Officer cover all activities of the BSE (auditing the operation of the Exchange and the MTF).

Each manager has the right to initiate an Internal Auditor's audit for their own area.

The Internal Auditor and the Compliance Officer have unlimited access to BSE documents. BSE employees must provide the Internal Auditor and the Compliance Officer with all information and documents at their request.

Compliance Officer

In order to fully comply with the requirements of this highly complex legal environment, the BSE has created a compliance function, currently consisting of 3 people, to perform compliance tasks as an outsourced service. The compliance function has both regulatory and operational responsibilities, its function and rules of operation are set out in the Organisational and Operational Rules and are also provided for in a separate decision of the CEO. Its main tasks are the following:



Ensures that the BSE complies at all times with the legal provisions applicable to its activities and operations and that the rules and regulations of the Exchange are in line with the legal provisions.

Monitors and regularly checks the appropriate implementation of measures and procedures designed to uncover any deficiencies in the BSE's compliance with applicable legal regulations.

Prepares for the CEO the annual compliance report and the work plan for the following year.

Performs all the tasks required of the Compliance Officer as set out by the BSE's internal regulations, in particular the auditing and other tasks set out in the Conflict of Interest Policy.

Monitors and regularly reviews the BSE's measures to identify compliance deficiencies.

Advises and assists BSE members of staff to ensure that the Exchange fulfils its obligations under applicable legal regulations.

The compliance function works according to a compliance work plan approved by the CEO, based on priorities identified on the basis of the risk assessment.

Internal Auditor

In accordance with the provisions of the OOR, the internal auditor's tasks are as follows:



The Internal Auditor acts in accordance with the principles of the Internal Audit Charter developed by the BSE Supervisory Board, in line with the provisions of the Internal Audit Policy.

In 2022, the internal auditor's work plan covered six audits, focusing on the Trading, Business Development and Listing Division, the IT Development and Operations Division and the IT Security Department. During the audits, the internal auditor made a total of 34 recommendations for action – of low and medium severity – and found no major deficiencies.

CASES OF NON-COMPLIANCE IN THE REPORTING PERIOD

GRI 2-27

During the reporting period, on 4 April 2022 the MNB issued a decision concluding its regular general audit, and ordered the company to pay a supervisory fine of HUF 4 million. The problems identified related to the following areas:

- Deficiencies in sending outsourcing contracts to the MNB and obtaining employee declarations on conflicts of interest.
- Keeping the IT systems used by the company up-to-date, or reinforced with additional controls.
- Hardening the security settings of database management systems.
- Confidentiality and integrity of data transmission in relation to logging critical processes and communicating with database servers.

In the course of its general audit, the Supervisory Authority also made other findings related to outsourcing, data sales and data reporting, other legal compliance, IT and IT security, for better compliance with the MNB recommendations.

The results of the general audit in the area of IT and IT security showed a significant improvement compared to the results of previous similar audits: the audit made 14 findings with 2 proposals for resolutions, compared to 25 findings and 11 proposals for resolutions previously.

The results of Hunguard audits

A similar trend can be seen in the results of the annual integrity audit (which has been carried out by Hunguard Kft. on the basis of a legal mandate). Based on the “integrity indicator” measured since 2019, the BSE has achieved the “Satisfactory” level every year, and the system was given a “High” security rating in 2022.



Based on the “integrity indicator”, the BSE system was given a “High” security rating in 2022.

COMPLIANCE WITH SASB 2018 STANDARDS FOR SECURITY AND COMMODITY EXCHANGES FOR 2022

The SASB standard for security and commodity exchanges was published in 2018, as the first standard that seeks to provide useful information to decision-makers and stakeholders through a set of topics and metrics targeted at stock exchanges in global capital markets. Transparency helps preserve the integrity and reputation of the market, minimises harm to investor interests, and ensures the long-term sustainable growth of capital markets. This role is captured by the SASB targeted standard for security and commodity exchanges through the following indicators.

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TOPIC	Promoting transparent and efficient capital markets			
METRIC	Number and average duration of trading halts, number and average duration of pauses related to volatility	Percentage of trading generated from automated trading systems	Regulation on disclosure	Description of policy to encourage or require listed companies to publicly disclose governance, social, and/or environmental information
CATEGORY	<p>Trading halts (suspension of trading at issuer request, due to a corporate event)</p> <ul style="list-style-type: none"> Number: 1 Average duration: 360 minutes <p>Pauses related to volatility (for opening/closing auction and continuous trading sessions combined, including extended volatility phases)</p> <ul style="list-style-type: none"> Number: 2,148 Average duration: 4.23 minutes 	<p>HFT</p> <ul style="list-style-type: none"> No algorithmic trading <p>Spot market</p> <ul style="list-style-type: none"> Relative to total trading activity (bids submitted): 99.98% Relative to total turnover (trade value): 2.88% <p>Derivatives market</p> <ul style="list-style-type: none"> Relative to total trading activity (bids submitted): 68.45% Relative to total turnover (trade value): 0.17% <p>The BSE has not identified any above-average risks or opportunities associated with algorithmic trading.</p>	<ul style="list-style-type: none"> Issuer disclosures are expected to be in line with relevant EU regulation (Transparency Directive, MiFID, MAD/MAR). These are supplemented by the disclosure rules contained in the BSE GTS rules on marketing. The BSE does not stipulate any specific rules or recommendations on the content of disclosures, and expects issuers to make “prompt” disclosures in the case of extraordinary announcements and inside information. Detailed rules are available under the marketing rules of the BSE General Terms of Service (Book 2, Sections 18-21). 	<ul style="list-style-type: none"> Recommendations in the ESG Reporting Guide to encourage issuers to prepare sustainability reports (ESG Guide - Bet site) Responsible Corporate Governance Recommendations, mainly aimed at improving corporate governance practices, with non-binding recommendations (Responsible Corporate Governance Recommendations) From 2024, the preparation of a sustainability report is mandatory in the Equities Prime Market Making supported training and qualification programmes available <p>More details in the Education, guidance to the market section.</p>
CODE	FN-EX-410.a. 1	FN-EX-410.a. 2	FN-EX-410.a. 3	FN-EX-410.a. 4

COMPLIANCE WITH SASB 2018 STANDARDS FOR SECURITY AND COMMODITY EXCHANGES FOR 2022

TOPIC	Managing conflicts of interest		Managing business continuity & technology risks		
METRIC	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations	Description of process to identify and assess conflicts of interest	Number of significant market disruptions and duration of downtime	Number of data breaches, percentage involving personally identifiable information (PII), number of customers affected	Description of efforts to prevent technology errors, security breaches, and market disruptions
CATEGORY	<ul style="list-style-type: none"> There were no such cases for the BSE as an entity For listed issuers and members, these procedures fall within the scope of competence of the supervisory authority (MNB) 	<ul style="list-style-type: none"> More details under Conflicts of interest and in Book 7 of the BSE GTS (BSE General Terms of Service) on conflict of interest 	<ul style="list-style-type: none"> There were no significant market disruptions and downtime. 	<ul style="list-style-type: none"> There were no data breaches 	<ul style="list-style-type: none"> See the chapter on Operational risk management, business continuity and statutory compliance.
CODE	FN-EX-510.a. 1	FN-EX-510.a. 2	FN-EX-550a. 1	FN-EX-550a. 2	FN-EX-550a. 3

There were no significant market disruptions and downtime or data breaches on the Budapest Stock Exchange in 2022.

TURNOVER AND VOLUME DATA FOR THE SPOT AND DERIVATIVES MARKETS

Activity metrics

- Average daily number of transactions executed per product or asset class

Code: FN-EX-000. A

- Average daily volume traded, by product or asset class

Code: FN-EX-000. B

Spot market, 2022		
	Average daily turnover (HUF million)	Average daily number of trades (no.)
Equities	14,640.30	8,528.82
Foreign shares	16.53	58.12
Foreign ETFs	7.82	20.19
Investment units	5.30	7.47
Certificates	472.17	923.41
ETFs	4.17	6.90
Compensation notes	0.03	0.23
Mortgage bonds	0.61	0.03
Corporate bonds	6.42	0.09
Government bonds	-	-
Discount treasury bills	-	-

Derivatives market, 2022		
	Average daily turnover (HUF million)	Average daily number of contracts (pcs)
Index-based derivative products	620.33	1,353.30
Equity futures	636.64	312.98
Currency futures	14,485.86	34,836.53
Index options	-	-
Equity options	-	-
FX options	21.99	52.78
Grain futures	54.82	4.08
Grain options	0.02	0.04
Equity futures spread	-	-

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THE BSE ESG REPORT

68 | BASE INDICATORS

The BSE ESG report	GRI 2-1-5, 14
Name of the legal entity included in the report	Budapest Stock Exchange Ltd.
Nature of ownership, legal form of the organisation	Private Company Limited by Shares
Consolidation scope, entities included in the report	The BSE did not consolidate other entities during the reporting period, the report solely contains data relating to Budapest Stock Exchange Ltd.
Registered office of the organisation	H-1013 Budapest, Krisztina krt. 55
Countries of operation	Hungary
Audited statement	The company prepares audited statements every year, which are available on the Electronic Reporting Portal (gov.hu) or on the BSE website under the following section: BSE financial management data – BSE site
Reporting period	From 1 January 2022 to 31 December 2022 (corresponding to the financial year). Where it was not possible to collect data for the full year, the relevant period (or estimate) is indicated separately. Given that the Company has started collecting data for the first time for the year 2022 as a base year, data series for earlier years are not presented (they were not fully available or there was a material change in their scope, for example due to relocation, which would distort subsequent comparison).
(Planned) frequency of reporting	Annual
Restated information	None
External assurance, internal controls	The BSE did not seek external assurance for its first sustainability report. The report was reviewed by the management of the BSE and the internal auditor before issue.
Date of publication of the report	17 May 2023
Contact person	Dániel Körmöczi (email: kormoczi@bse.hu)
Use of reporting standards	GRI 2021 (in accordance), SASB 2018 for security and commodity exchanges
Report prepared by	Dr Rita Szalay, ESG Capital Solutions Kft.
Body approving ESG report	The sustainability report, including the selection of material topics, was approved by the Board of Directors

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GRI INDEX

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GENERAL DISCLOSURES

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MATERIAL TOPICS

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IMPORTANT TOPICS TREATED AS NON-MATERIAL AND COVERED BY THE REPORT

GRI INDEX

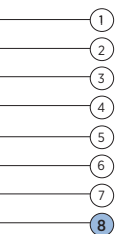
Declaration on use: The sustainability report of Budapest Stock Exchange Ltd. in accordance with GRI 2021 Standards for the period from 1 January to 31 December 2022

GRI 1 standard applied: GRI 1 – Foundation 2021
Relevant GRI sector standards: none

There were no omissions of mandatory GRI disclosures in this report, thus the relevant columns are not shown.

General disclosures			
GRI STANDARD/ OTHER SOURCES	INDEX	DISCLOSURE	PLACE (external link or chapter title and page number in the ESG report)*
GRI 2 – General disclosures 2021	2-1	Organisational details	The BSE ESG report > Page 68
	2-2	Entities included in the organisation’s sustainability reporting	
	2-3	Reporting period, frequency and contact point	
	2-4	Restatements of information	
	2-5	External assurance	The operation and financial management of the stock exchange > Page 7
	2-6	Activities, value chain and other business relationships	
			Presentation of the value chain > Page 23
	2-7	Employees	Attracting, retaining and developing staff – Ensuring a diverse working environment > Page 40
	2-8	Workers who are not employees	There are no workers who are not employees; see: Attracting, retaining and developing staff – Ensuring a diverse working environment > Page 40
	2-9	Governance structure and composition	Organisational structure, corporate governance > Page 15
	2-10	Nomination and selection of the highest governance body	
	2-11	Chair of the highest governance body	
	2-12	Role of the highest governance body in overseeing the management of impacts	The role of the Board of Directors in sustainability issues > Page 19
	2-13	Delegation of responsibility for managing impacts	The role of the Board of Directors in sustainability issues > Page 19
2-14	Role of the highest governance body in sustainability reporting		
		The BSE ESG report > Page 68	

*In cases where the links in the tables direct to multi-page descriptions, the page numbers point to the start page of the descriptions



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General disclosures			
GRI STANDARD/ OTHER SOURCES	INDEX	DISCLOSURE	PLACE (external link or chapter title and page number in the ESG report)*
GRI 2 – General disclosures 2021	2-15	Conflicts of interest	Conflict of interest > Page 18
	2-16	Communication of critical concerns	The role of the Board of Directors in sustainability issues > Page 19
	2-17	Collective knowledge of the highest governance body	
	2-18	Evaluation of the performance of the highest governance body	
	2-19	Remuneration policies	Remuneration > Page 21
	2-20	Process to determine remuneration	
	2-21	Annual total compensation ratio	Attracting, retaining and developing staff – Ensuring a diverse working environment > Page 40
	2-22	Statement on sustainable development strategy	Our aim is to ensure the sustainable functioning of capital markets > Page 3
			The BSE's strategy (to be adopted at the same time as the report and made available on the BSE website)
	2-23	Policy commitments	Policies and commitments on responsible business conduct > Page 22
	2-24	Embedding policy commitments	
	2-25	Processes to remediate negative impacts	Remedy of negative impacts, mechanism for raising sustainability concerns > Page 22
	2-26	Mechanisms for seeking advice and raising concerns	
	2-27	Compliance with laws and regulations	Cases of non-compliance in the reporting period > Page 63
2-28	Membership associations	Industry associations, sustainability organisation memberships > Page 55	
2-29	Approach to stakeholder engagement	Identification of stakeholders and material topics > Page 26	
2-30	Collective bargaining agreements	Collective bargaining agreement > Page 43	

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Material topics			
GRI STANDARD/ OTHER SOURCES	INDEX	DISCLOSURE	PLACE (external link or chapter title and page number in the ESG report)*
GRI 3: Material topics 2021	3-1	Process to determine material topics	Materiality assessment, material topics and the process of their determination > Page 28
	3-2	List of material topics	
EMPLOYEES			Material and important topics > Page 33
GRI 3: Material topics 2021	3-3	Management of material topics	Materiality assessment, material topics and the process of their determination > Page 28
GRI 401: Employees 2016	401-1	New employee hires and employee turnover	Attracting, retaining and developing staff – Ensuring a diverse working environment > Page 40
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	
	401-3	Parental leave	
Training and education			Materiality assessment, material topics and the process of their determination > Page 28
GRI 3: Material topics 2021	3-3	Management of material topics	
GRI 404: Training and education 2016	404-1	Average hours of training per year per employee	Trainings > Page 42
	404-2	Programmes for upgrading employee skills and transition assistance programmes	
	404-3	Percentage of employees receiving regular performance and career development reviews	
Diversity and equal opportunity			Materiality assessment, material topics and the process of their determination > Page 28
GRI 3: Material topics 2021	3-3	Management of material topics	
GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	Attracting, retaining and developing staff – Ensuring a diverse working environment > Page 40
	405-2	Ratio of basic salary and remuneration of women to men	
Risk management, business continuity, protecting trading and related systems, ensuring safe and continuous operation, ensuring statutory compliance			
GRI 3: Material topics 2021	3-3	Management of material topics	Materiality assessment, material topics and the process of their determination > Page 28
GRI: N/A	-	There is no relevant GRI topic standard beyond GRI 2, so the chapter has been compiled based on own consideration	Operational risk management, business continuity and statutory compliance > Page 56

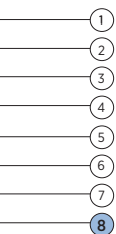
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Important topics treated as non-material and covered by the report			
GRI STANDARD/ OTHER SOURCES	INDEX	DISCLOSURE	PLACE (external link or chapter title and page number in the ESG report)*
Energy			
GRI 3: Material topics 2021	3-3	Management of material topics	Materiality assessment, material topics and the process of their determination > Page 28
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	Energy, greenhouse gas emissions, waste and water use > Page 51
	302-2	Energy consumption outside the organisation	
	302-3	Energy intensity	
	302-4	Reduction of energy consumption	
	302-5	Reductions in energy requirements of products and services	
	306-5	Waste directed to disposal	
Emissions			
Materiality assessment, material topics and the process of their determination > Page 28			
GRI 3: Material topics 2021	3-3	Management of material topics	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	Energy, greenhouse gas emissions, waste and water use > Page 51
	305-2	Energy indirect (Scope 2) GHG emissions	
	305-3	Other indirect (Scope 3) GHG emissions	
	305-4	GHG emissions intensity	
	305-5	Reduction of GHG emissions	
	305-6	Emissions of ozone-depleting substances (ODS)	
	305-7	Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	

The report treats the topics listed here as non-material topics and, therefore, does not answer all the questions within the topic standard, but has tried to take these as a guideline.

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Important topics treated as non-material and covered by the report

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GRI STANDARD/ OTHER SOURCES	INDEX	DISCLOSURE	PLACE (external link or chapter title and page number in the ESG report)*
Water and wastewater			
GRI 3: Material topics 2021	3-3	Management of material topics	Materiality assessment, material topics and the process of their determination > Page 28
GRI 303: Water and wastewater 2018	303-1	Interactions with water as a shared resource	Water consumption, wastewater and waste discharge > Page 53
	303-2	Management of water discharge-related impacts	
	303-3	Water withdrawal	
	303-4	Water discharge	
	303-5	Water consumption	
Waste			
GRI 3: Material topics 2021	3-3	Management of material topics	Materiality assessment, material topics and the process of their determination > Page 28
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	Water consumption, wastewater and waste discharge > Page 53
	306-2	Management of significant waste-related impacts	
	306-3	Waste generated	
	306-4	Waste diverted from disposal	
	306-5	Waste directed to disposal	
Occupational health and safety			
GRI 3: Material topics 2021	3-3	Management of material topics	Materiality assessment, material topics and the process of their determination > Page 28
GRI 403: Occupational health and safety 2018	403-1	Occupational health and safety management system	Protecting staff health and safety > Page 44
	403-2	Hazard identification, risk assessment, and incident investigation	
	403-3	Occupational health services	
	403-4	Worker participation, consultation, and communication on occupational health and safety	

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Important topics treated as non-material and covered by the report			
GRI STANDARD/ OTHER SOURCES	INDEX	DISCLOSURE	PLACE (external link or chapter title and page number in the ESG report)*
Occupational health and safety			
GRI 403: Occupational health and safety 2018	403-5	Worker training on occupational health and safety	Protecting staff health and safety > Page 44
	403-6	Promotion of worker health	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	
	403-8	Workers covered by an occupational health and safety management system	
	403-9	Work-related injuries	
	403-10	Work-related ill health	
Indirect impacts of the Exchange, regulatory, educational activities			
-	-	There is no GRI topic standard that is relevant to the topic (standards with similar titles focus on different topics than those relevant to the BSE)	Materiality assessment, material topics and the process of their determination > Page 28 Direct and indirect impacts on capital market development and regulation > Page 46

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