Supervisory Board meeting

# ESG Strategy

December 22nd, 2022

# Mplus has committed to achieve ambitious ESG goals

**WE SUPPORT**
UN GLOBAL COMPACT

Mplus became a member of the UN Global Compact Initiative in December 2022

13 CLIMATE ACTION

5 GENDER EQUALITY

10 REDUCED INEQUALITIES

## ESG strategic goals

- **SPT #1:** Reduction of GHG emissions by **25.2%** in 2027
- **SPT #2**: Achieving **51%** representation of women in management teams by the end of 2030

### Environmental

- **GHG emission reduction**
- Energy efficiency measures
- E - Waste management implementation

### Social

- Attract, engage, retain talents
- Enhance career development
- Promote gender equality
- Work environment

### Governance

- Sustainability governance framework
- Responsible supply chain measures
- ESG reporting and regulatory compliance

## ESG building blocks

- Formalize ESG governance
- Embed ESG as integral part of business operations
- Regulatory compliance
- Policy framework
- Data collection
- Stakeholder engagement plan

# Business strategy and ESG

Creating an **ESG framework** can provide a **competitive advantage** as ESG performance improvements directly **influence operational/commercial/reputational/etc. risks and opportunities**

**Mplus's strategic framework**

- Grow with existing clients and win new – increase profitability by scaling operations
- Nearshore high margin western projects
- Continue geographic expansion into DACH, Nordics, and Benelux
- Commercialize technology offering to external parties
- Continued synergistic M&A to add end-market verticals, new services & capabilities, and geographies: Group's business strategy is based on organic growth with strategic acquisitions in order to gain scale, diversify delivery, increase capabilities and expand into BPO, digital services and other business streams that could fit into the long-term value creation
- Develop new business streams
- Going forward, the Group is committed to implementing sustainability aspects into its overall business strategy


- ✓ ESG maturity
- ✓ Sustainable value creation
- ✓ Corporate reputation
- ✓ Risk reduction
- ✓ Opportunity management
- ✓ Culture and intrinsic value

# Regulatory and market trends

### EU regulatory framework developments

The EU’s Sustainable Financial Disclosure Regulation (SFDR) was passed in early 2022, which followed the Non-Financial Reporting Directive (NFRD). The EU appears poised to double down on the strategy of mandated corporate sustainability reporting with the Corporate Sustainability Reporting Directive (CSRD), which extends both the scope and rigor of the NFRD and could be adopted by the end of 2022.

### Stakeholder pressure

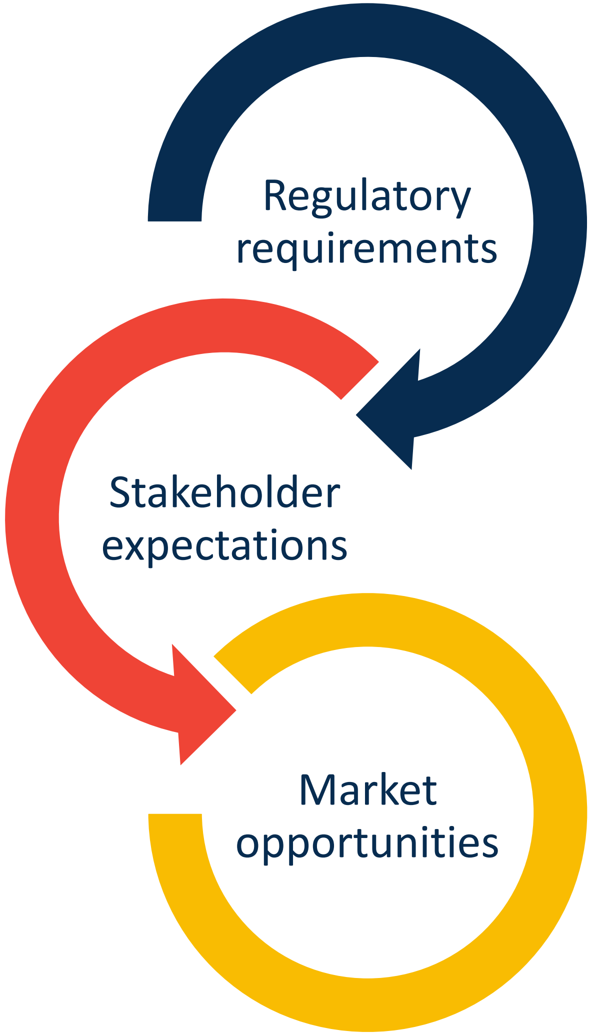
This is the second year that Mplus  has been investing efforts into tackling ESG topics and, depending on the topic, it has matched or exceeded its peers' goals and targets. Therefore, currently the prime concern is delivering on the commitments made to stakeholders.

### Investors call for TCFD-aligned reporting

TCFD recommendations are voluntary reporting guidelines helping companies integrate climate-related risks & opportunities into business and investment decisions and were also used as basis for new EU sustainability reporting standards. Major investors call for TCFD-aligned reporting (Climate Action 100+, BlackRock, Allianz Global Investors, etc.).

### US regulatory framework developments

In 2022, The SEC Chair announced the release of its long-awaited proposals for climate disclosures for U.S. public companies which would for the first time require U.S. companies to provide information on climate risks facing their businesses, and plans to address those risks, along with metrics detailing the companies’ climate footprint including Scope 1, 2 and in some cases Scope 3 greenhouse gas (GHG) emissions.




### Commercial benefit and brand enhancement

According to BCG “Total Societal Impact: A New Lens for Strategy” top ESG performers are more profitable (12.4 p.p. higher margins) and higher valued (3–9% higher multiples) than median performers

### Investors putting sustainability at top of agenda

Investors expect more disclosures on corporate ESG performance and expect ESG to be embedded in corporate strategy. Climate Action 100+ requires from companies to curb emissions, enhance governance and improve climate-related disclosures

### Global regulatory framework developments

The newly formed International Sustainability Standards Board (ISSB) published exposure drafts of its first two proposed standards on March 31, 2022, marking an early step in creating uniform global ESG standards and could simplify disclosure for investors and corporates amid the proliferation of different sustainability reporting frameworks. Companies would have to provide information on sustainability-related risks to investors, lenders and other creditors to help them assess a company’s total value.

### Millennials and Gen-Z want sustainability

Millennials and Gen-Z consider company’s social and environmental commitments when deciding where to work. Also, businesses’ impact on the environment influences their buying decisions.

# ESG materiality assessment

## Materiality assessment

Material topics are those with a positive/negative impact on business operations and vice versa (double materiality) and must be determined for the purpose of setting future ESG targets and activities, as well as for sustainability reporting purposes.
Internal and external stakeholders assessed Mplus Group's economic, governance, environmental and social impacts on sustainability topics through an online survey where they identified material topics which should be adopted at Group and/or company level. The results were then compared to market and regulatory benchmark to identify the most relevant topics which should be in Mplus Group's focus, as seen below.

### Sustainability Performance Target (SPT) KPIs:

- GHGe decrease 15,8% till 2024 and 25% till 2027
- Improve gender equality by increasing share of women at management positions by 4pp to 47% till 2024 and 51% till 2030


**Environment**

- Greenhouse gas emission reduction (Scope 1, Scope 2, Scope 3)
- Energy efficiency measures
- Waste management

**Social**

- Promote gender equality and consolidate DEI
- Enhance career development
- Work environment
- Align employee rights across the Group

**Governance**

- Develop a sustainability governance framework
- Implement responsible supply chain measures
- Integrate ESG reporting

# ESG operational and financial aspects

Apart from the fact it is the right thing to do, there are multiple reasons why ESG should be an integral part of M Plus business strategy

**SLB KPIs bear financial and reputational costs**

- GHGe decrease 15,8% till 2024 and 25% till 2027
- Improve gender equality by increasing share of women at management positions by 4pp till 2024
- EBRD covenants and requirements as part of their investment in SLB

**Sustainability - linked Bond KPIs**

**Revenue and profitability increase**

- Top line reputational benefits; Increased brand awareness
- **USP – outsource your GHGe**
- Operational Eco-efficiency on EBITDA
- Attract millennials
- Engaged employees
- Access to capital

**Stakeholders' expectations**

**Investors hold companies accountable for:**

- Progress on ESG issues
- Enhanced disclosure and reporting
- ESG integration of risks and opportunities management
- Peer analysis – competition pressure

**Regulatory trends**

- EU Taxonomy
- Corporate Sustainability Reporting Directive (CSDR)
- High regulatory demands for disclosure

# Sustainability-linked bond Framework and KPIs

Sustainable development and structured financing, both combined in ESG/SLB (Sustainability-Linked Bonds) will accelerate the M Plus path toward achieving its sustainability ambitions.

M Plus issued a SLB bond in July/2022
- 40.000.000 EUR
- 5y bullet repayment
- 4,25% interest rate
- Investors: institutional investors, banks, funds and EBRD

Increase of interest rate 0.75% if one or both KPIs are not achieved on the observation date 12/31/2024
- Huge financial cost
- Reputation and PR negative effects

The framework document is aligned with ICMA's Principles for Bonds Related to Sustainable Business Operations

**KPI power level:**
KPI#1: Strong
KPI#2: Strong

**Ambitiousness of SPTs:**
SPT #1: Highly ambitious
SPT #2: Ambitious

## Sustainability Performance Targets (SPTs)

13 CLIMATE ACTION

- **SPT #1:** Reduction of absolute Scope 1 and Scope 2 greenhouse gas emissions by **25.2% to 2,148 $tCO_2e$** emissions in 2027 compared to the 2021 baseline
- On 31 December 2024 the Group must achieve a reduction of absolute Scope 1 and Scope 2 greenhouse gas emissions by at least 15%, i.e., to at least 2,441.03 $tCO_2e$ emissions in 2024 compared to the 2021 baseline.

5 GENDER EQUALITY

10 REDUCED INEQUALITIES

- **SPT #2**: Achieving 51% representation of women in management teams (including the Management Board and Supervisory Board) by the end of 2030
- On 31 December 2024 the Group must achieve a representation of women in the Group's management teams of at least 47% in the Group's management teams, i.e., an increase of at least 4 percentage points compared to the 2022 base year.

SUSTAINALYTICS SECOND-PARTY OPINION

The Sustainability-Linked Bond Principles

# Mplus ESG building blocks

### Formalize ESG governance

Establish ESG structure; define clear connections with other corporate functions; Chief Sustainability officer; Sustainability committee

### Embed ESG as integral part of business operations

Connect sustainability as integral part of overall strategy; align implementation plan across all entities and embed into incentive mechanism
Integrate ESG factors into enterprise risk management (ERM) framework to identify, assess and prioritize risks, and implement effective risk responses.

### Regulatory compliance

Monitor and prepare for upcoming regulatory obligations especially regarding, EU taxonomy, CSRD (Corporate Sustainability Reporting Directive) and ESRS (European

### Policy framework

Develop Group-wide ESG policy frameworks and continuously monitor their implementation and evaluate the impact on M Plus operations

### Data collection

**Implement thorough and systematic data collection and monitoring systems (and/or tools(s)) aligned with current and upcoming regulatory obligations**

### Stakeholder engagement plan

**Design a stakeholder plan, establish regular communication and monitor Group-wide performance in stakeholder engagement, while sharing relevant ESG information and achievements**

ESG PRIORITIES OVERVIEW

## 1 Environment

Environmental criteria addresses a company's operations, environmental impact and environmental stewardship

## 2 Social

## 3 Governance

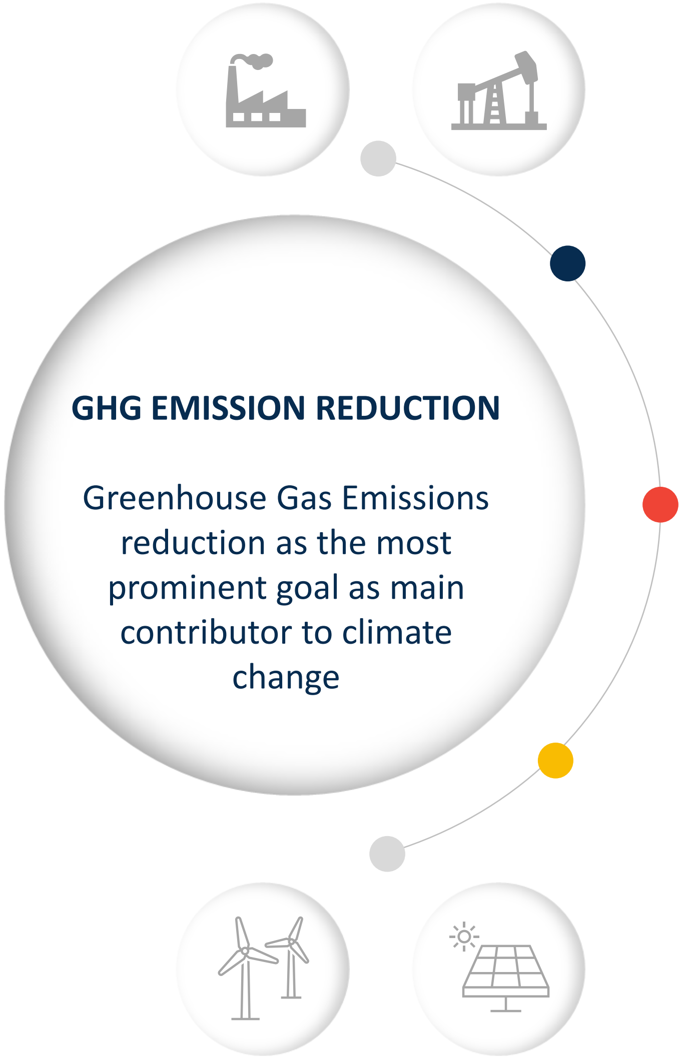
# Environment

## Environmental issues

- Climate Change
- Natural Resources Scarcity
- Pollution & Waste
- Deforestation
- Biodiversity

## M Plus Strategy target areas:

- **GHG emission reduction (Scope 1, Scope 2, Scope 3)**
- Energy efficiency measures
- E - Waste management implementation




**Scope 1 – direct impact**

- Company facilities
- Company vehicles
- Fugitive emissions
- Process/production emissions

**Scope 2 – indirect impact**

- Purchased electricity
- Purchased heating
- Purchased cooling

**Scope 3 – indirect impact Value chain emissions**

All emissions from sources not directly owned or controlled

- Purchased goods and services
- Business travel
- Employee commuting
- Transportation and distribution
- Waste
- Investments

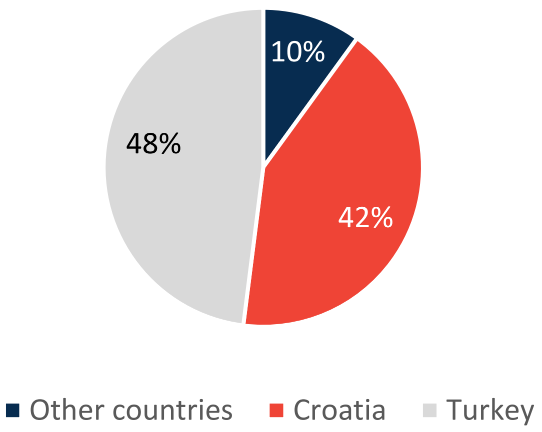
# SCOPE 1 action plan

**Electrify car fleet**

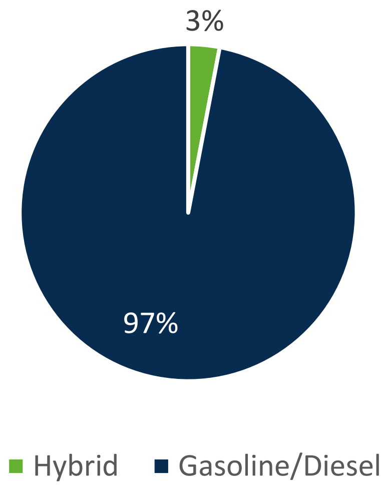
KPIs
- Level of GHGe from vehicles
- % of hybrid cars

- Define group car policy
- Track list of all cars, mileage and fuel consumption
- Substitute old cars with hybrid at the end of the lease
- Substitute at least 10% of the Group's gasoline and diesel vehicles (from the current 3%) for hybrids during 2023 and 2024. and 20% of hybrid vehicles in the Group's car fleet by the end of 2026.

Car fleet




Types of vehicles



# Scope 2 action plan

Gradually implement solutions that will both save energy and have positive impact on energy efficiency, employee engagement and EU taxonomy requirements

## Reduce location driven energy consumption

KPIs
- % of WFH
- m2 / revenue

Office space decrease
- Incentivize WFH model
- Future growth needs to be compensated by WFH
- Invitel – close all sites according to plan, downsize office space where applicable

## Procure renewable energy with Guarantees of Origin

KPIs
- % of RE tariff models in major consumer countries
- % annual increase in RE energy sources

- Inquires to all energy providers for GO options – compare costs and decide on % of GO to be obtained
- Depending on the cost, gradually increase share of RE with guarantees of origin
- Turkey, Serbia and Croatia are countries whose subsidiaries are the biggest energy consumers
- Annually as of 2023, derive at least [15]% of energy from renewable sources. By the end of 2022, inquire energy providers from Turkey, Serbia and Croatia on available tariff models for electricity from renewable energy (e.g. HEP ZelEn in Croatia).

# Scope 2 action plan

Gradually implement solutions that will both save energy and have positive impact on energy efficiency, employee engagement and EU taxonomy requirements

## Smart solutions for energy saving

- % of locations with full LED lighting
- % of procured EE with high energy efficiency rating
- % annual reduction of paper usage
- % of rented spaces in energy efficient buildings


- Smart LED lighting; sensor lighting
- Smart HAVC regulation – programmable
- Procure **E**nergy **E**fficient Electronic Equipment that has an energy performance certificate with rating B (efficient) and/or rating A (very efficient).
- Digital signing –**E**nergy **E**fficiency and waste reduction
- New space energy efficiency requirements
- Ensure unique global governance for proper handling of E-waste as part of environmental policy by mid-2023.
- Starting with 2023, review the condition of all electronic equipment in all operating companies annually.
- From energy providers, for 100% of properties you own, request Energy performance certificates by the end of 2022.

## Investments in renewable energy

- % of energy from own RE farm
- ROI

Investments in RE

- Explore possibilities to invest in RE in Turkey and Croatia

# Scope 3 action plan

## Business travel

KPIs
- Reduction of business travel

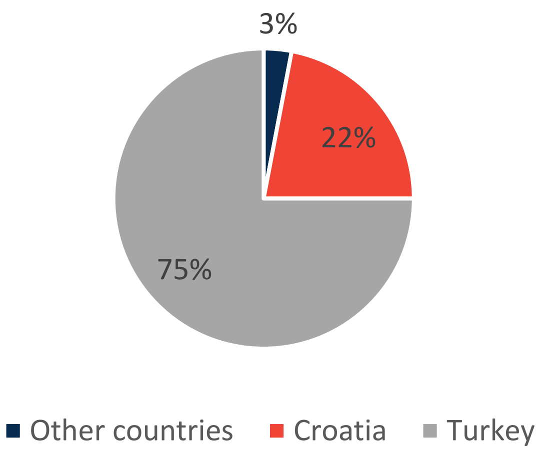
- Optimize business travel
- Monitor data regularly
- Budget responsibly
- Group policy on business travels, approval levels

## Waste management

KPIs
- Reduction of business travel
- % of recycled waste
- Data digitally signed

- Office waste, E-waste, Food waste – define appropriate policies
- 100% of EE that does not fulfil operating standards needs to be repaired. If the repair is not possible, 100% of EE needs to be disposed of to third parties with adequate end of life solutions (third parties that return usable resources to the electronic industry manufacturing stream).
- Recycling activities – implement recycling bins; promote recycling efforts
- Introducing paperless office and Digital signing
- Procurement of recycled paper only

Scope 3 emission by country




Note: Due to limited data, Scope 3 is not included in the SPT KPI. Generally, Scope 3 emissions include 15 upstream and downstream categories.
Within these 15, Mplus will focus on gradual collection of data and from the following:
- Purchased goods and services
- Waste
- Business travel
- Employee commuting
- Transportation and distribution
- Investments

ESG PRIORITIES OVERVIEW

1 Environment

## 2 Social

Social criteria refers to how a company manages relationships with and creates value for stakeholders

3 Governance

# Social

Common issues:

- Diversity, Equality, Inclusion
- Human rights
- Gender equality
- Employee engagement
- Customer satisfaction/retention

**M Plus target areas:**

- Attract, engage, retain talents
- Enhance career development
- Promote gender equality
- Consolidate DEI policy
- Work environment


**Employees**

- Recruitment
- Engagement - Engaged employees result in 21% higher productivity
- Retention

**Clients**

- Convenience
- Price
- Environmental sustainability
- Social impact
- Customer service

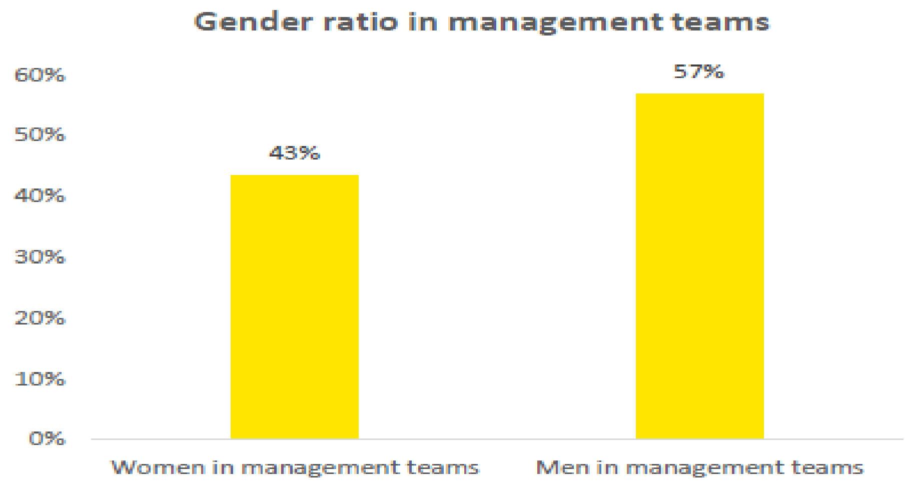
**Communities**

- Improved relationship with local communities enhances material conditions to operate

**Shareholders and other investors**

- Investors valuation of ESG – risk analysis, reputation, how you run the company – important element for asset allocation
- Banks – risk assessment, EBC requirement
- Financial costs optimization – opportunity or disadvantage
- ESG investments attract broader spectrum of investors

# Diversity, Equality, Inclusion (DEI) strategy




Group DEI policy has been set as a high priority and is expected to be defined in Q1

- DEI is a focus topic in terms of social sustainability aspect, with gender equality and diversity being at the core for Mplus Group – as seen from the SLB's SPT 2 of reaching 51% representation of women in management teams and the Diversity and Inclusion policy.

- Put mechanisms in place to ensure equal remuneration for men and women at Group level thus removing pay inequalities (gender pay gap).
- Define vulnerable employee groups at Group level and within subsidiaries (for example older people, disabled, refugees, single parents…), Group's position towards their inclusion, and include these into Diversity policy.
- Focus on maximizing the diversity potential - diversify the structure of the governance board and overall employees.
- Introduce mandatory DEI training, including anti-discrimination, for employees and management.
- Introduce upward feedback from employees on DEI experiences and needs.
- Engage employees in DEI activities through interactive approach (e.g. targeted development/training programs, initiatives, competitions, etc.)
- Consider initiating an overarching women empowerment program to promote full participation of women in the Group and in the larger community.
- Consider community-impactful activities including less privileged groups, e.g. volunteering.
- Explore support options for parenting employees and consider obtaining MAMFORCE APPROVED certificate.

ESG PRIORITIES OVERVIEW

1 Environment

2 Social

## 3 Governance

Governance criteria refers to a company's leadership & management philosophy, practices, policies, internal controls and shareholder rights

# Governance

The **quality of governance** is determining factor in treating changing market and nonmarket context as both **risks and opportunities**

Common issues:

- Board composition and executive compensation
- Internal controls and risk management
- Supply chain
- Reporting and disclosure
- Materiality assessment
- Cyber security

**M Plus target areas:**

- Develop a sustainability governance framework
- Implement responsible supply chain measures
- Integrate ESG reporting
- Opportunity management – **be ready before competitors**

# Regulatory framework

## Regulatory compliance

Monitor and prepare for upcoming regulatory obligations especially regarding, EU taxonomy, CSRD (Corporate Sustainability Reporting Directive) and ESRS (European Sustainability Reporting Standard)

| | | | |
|---|---|---|---|
| EU strategic framework on health and safety at work 2021-2027 | Reduction of emissions –55% cars and 50% by vans by 2030, and 100%from new cars by 2035 | EU Gender Equality Strategy 2020-2025 | **EU Taxonomy (environmental and social)** |
| EU Gender Equality Strategy 2020-2025 | EU Gender Equality Strategy 2020-2025 | ZSE's Corporate Governance Code | Proposal for Women on Boards Directive |
| ILO Fundamental Labor Conventions and OECD guidelines for MNEs | European Accessibility Act | EU environnent programme until 2030 | **Proposal for Corporate Sustainability Reporting Directive (CSRD)** |
| Directive on transparent and predictable working conditions in the EU -2022 | Directive on transparency and equal pay - 2024 | Work-Life Balance Directive - 2022 | Action Plan to implement the European Pillar of Social Rights Plan |

# Policy framework

## Policy framework

Develop Group-wide ESG policy frameworks and continuously monitor their implementation and evaluate the impact on M Plus operations


**Environmental policy** — Q1 2023 — Priority

- Framework for all relevant environmental issues – roles & responsibilities, recognized environmental impacts, data collection, energy efficient measures, GHG emissions reduction targets and waste related KPIs

**Procurement policy** — Q1 2023 — Priority

- Managing supply chain impacts, supplier screening and due dil. Green procurement etc.

**Grievance mechanism** — Q3 2023

- The mechanism should allow for the tracking of grievances, and include a timely and transparent feedback process.

**Group HR policy** — Q4 2023

- Embed all sustainability topics, performance management, health and safety, employee rights, education and training

**Diversity, Equality , Inclusion policy** — Q1 2023 — Priority

- Gender equality, work-life balance, vulnerable groups

**Anti corruption policy** — Done 12/22

- Anti bribery risk assessment, education, anti corruption due diligence etc.

# Data collection

## Data collection

**Implement thorough and systematic data collection and monitoring systems (and/or tools(s)) aligned with current and upcoming regulatory obligations**

**Scope 1** — **Q1 2023**

- record and maintain data on fuel consumption and mileage for all vehicles
- obtain concise information about oil and gas ratio in the heating plant mix for heating plant used by M Plus Serbia.

**Scope 2** — **Q1 2023**

- Introduce energy consumption monitoring on a monthly basis and ensure that Group companies keep records with electricity and heating invoices.

**Scope 3** — **Q4 2023**

- Business travel data
- Waste management data – recycle waste; disposal of electronic equipment
- Paperless office
- Procurement data – energy efficiency calculator
- Supply chain management data – supplier due diligence

**Social** — **Q1 2024**

- Recruiting data;
- Training & education
- Career development
- Diversity, equality, Inclusion related data

**Regulatory required data collection – EU taxonomy** — **Q1 2023**

- Introduce all other regulatory driven data collection

# Corporate governance enhancements

**Governance enhancements**

InteEstablish regular ESG training programs for ESG functions and other governance bodies, and


**ESG risk assessment procedures** — Q1 2023

- Implement the ESG risk assessment procedure and perform a risk & opportunities analysis (integrate ESG factors into enterprise risk management (ERM))

**Enhance client and data security** — Q1 2023

- Launch GDPR and Data Security modules that will be part of the mandatory annual learning plan

**Training and education** — Q3 2023

- Establish regular ESG training programs for ESG functions and other governance bodies, and employees

**Ethics training** — Q4 2023

- Make Code of Conduct a mandatory course for 100% of new joiners and for regular staff it should be part of their mandatory annual learning plan

**Anti corruption training** — Q1 2023

- Anti bribery risk assessment, education, anti corruption due diligence etc.

**Best practice sharing** — Done 12/22

- Use  best practices across Group, share experience and knowledge within team,

# ESG - integral part of business operations

## Embed ESG as an integral part of business operations

**Connect sustainability as integral part of overall strategy, align implementation plan across all entities and embed into incentive mechanism**

### ESG strategy

- Align overall strategy with all internal stakeholders
- Define metrics, embrace transparency and benchmark continuously
- Define ESG KPIs for every group entity and continuously develop Group-wide policies that would help achieve them

### Incentive and bonus scheme alignment

- ESG KPIs should be integral part of bonus scheme from Group Board and all management level – from 2023 onwards
- Incentive management

### Strategy execution

- Organize Group-wide ESG governance structure
- Embed sustainability into daily decision-making
- Monitor performance and improve results
- Measure impacts and introduce initiatives
- Report on progress

# Timeline and next steps

## What we did so far?

**2021 June**

- **2020 Sustainability report**

Materiality assessment – impact analysis

**2022 May**

- **2021 Sustainability report**

Materiality assessment – impact analysis

- **Sustainability Bond Framework**

SLB KPIs

**2022 July**

**SL Bond issuance**

**2022 December**

- **Chief Sustainability Officer appointment**
- **UN Global Compact – 12/2022 membership**
- **ESG Strategy**

## NEXT STEPS

**2023**

- Data collection
- Setting environmental and gender equality objectives and implementation plan
- ESG education and training

- Environmental policy
- DEI Policy
- Supply chain policy

**Q1**

- Sustainability report 2022

**Q2**

- Independent third-party report on KPI progress

**Q3**

- EU taxonomy reporting Q4 ongoing

- SLB KPI observation date – 31/12/2024

**2024**


Mplus

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