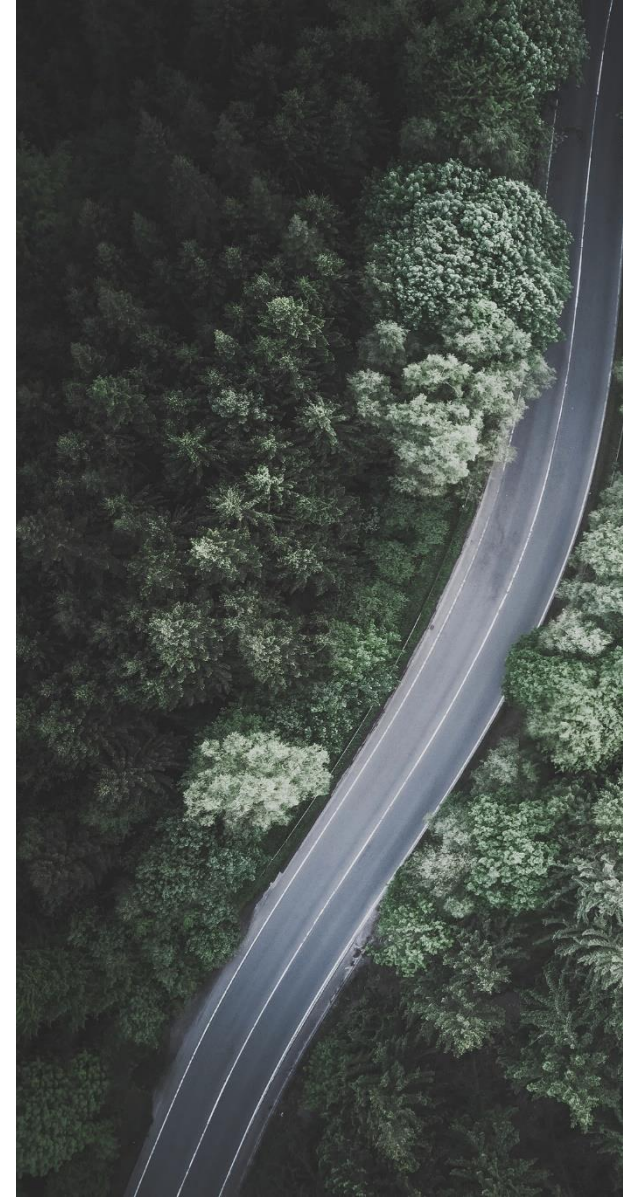# NetNordic Sustainability Report

2023

About this report

Sustainability is one of the most important and pressing themes of our age. Environmental, Social and Governance (ESG) are the three central factors in measuring the sustainability and ethical impact of a company. ESG factors, though non-financial, have a material impact on the long-term risk and financial performance of a company. Principally, companies that use ESG standards are more conscientious, less risky and are more likely to succeed in the long run.

This report describes the relevance of ESG in the industry that NetNordic is operating in. It highlights the key material ESG themes, assesses performance on those themes and provides an action plan identifying value creation opportunities. The report is updated annually to monitor progress and keep the company focused on achieving the goals of becoming a more sustainable and future-proof company over time.

The report is the result of an independent review by the ESG & Sustainability consulting firm MJ Hudson, commissioned and approved by the board and management of NetNordic.

Note: All judgements are, where possible, based on or backed by analyses conducted by MJ Hudson. In cases involving across-category comparisons or result classification, judgements are not always based on objective analyses or data. These judgements are intersubjective in the sense that they are agreed between MJ Hudson and management, and in line with the thinking of industry experts and leading NGOs.

Contents

Company at a glance

› NetNordic is a Nordic provider of end-to-end solutions for secure collaboration, secure infrastructure and secure networks. The company helps customers with their digital journey through the design, delivery and management of IT-services and solutions.

› The company's focus is on creating and delivering smart intelligent integrations, specialising in solutions and services for mission-critical infrastructure within the area of cyber security, secure data centres, secure networks and secure integrated communication.

› Clients include medium and large-sized companies within the private and public sectors. NetNordic is building and managing IT solutions for the future, focusing on key customer verticals and a strong local regional presence.

› NetNordic's goal is to be the most trusted partner within leading end-to-end digital enablement and multi-cloud & application in the Nordic region.

› The company was founded in 2001 and has grown both organically and through acquisitions.

› NetNordic almost has 500 employees, represented in subsidiaries in Norway, Sweden, Denmark and Finland. In total, the company has 13 offices across the Nordic region.
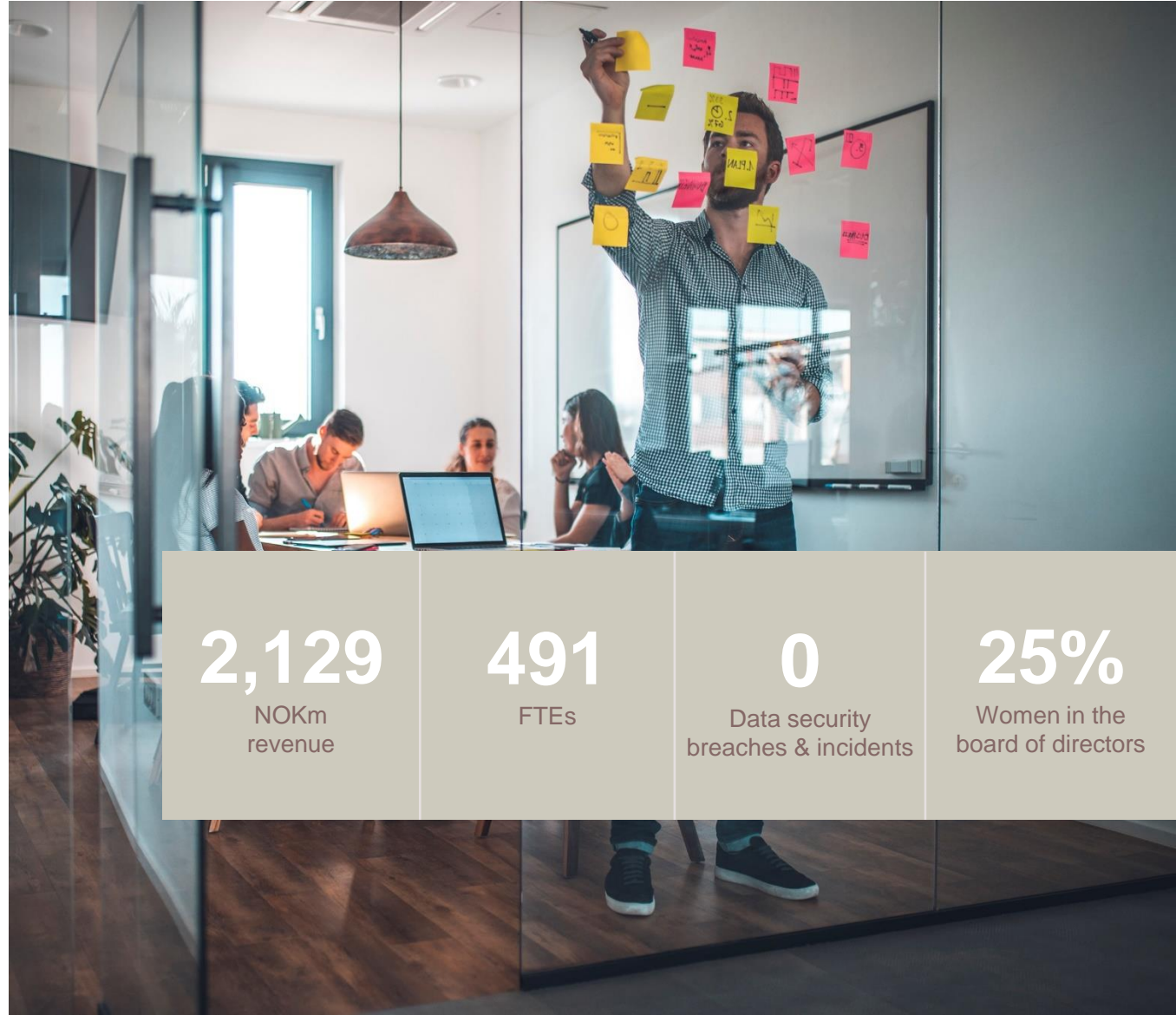
2,129	491	0	25%
NOKm revenue	FTEs	Data security breaches & incidents	Women in the board of directors

How we look at sustainability

Investigate the industry exposure

First, the relevance of ESG is assessed for the industry that the company operates in, and a long-term vision for a sustainable industry is defined.

Determine key impact areas

Key material themes are highlighted, taking a perspective on the full value chain. They are reviewed on an annual basis.

Assessing performance

The company's performance on the identified key material themes is assessed, reflecting on relevant initiatives and performance metrics.

Position for the future

Finally, opportunities are identified where ESG and value creation coincide, formulated in actionable priority projects to drive progress.

Sustainability in the industry
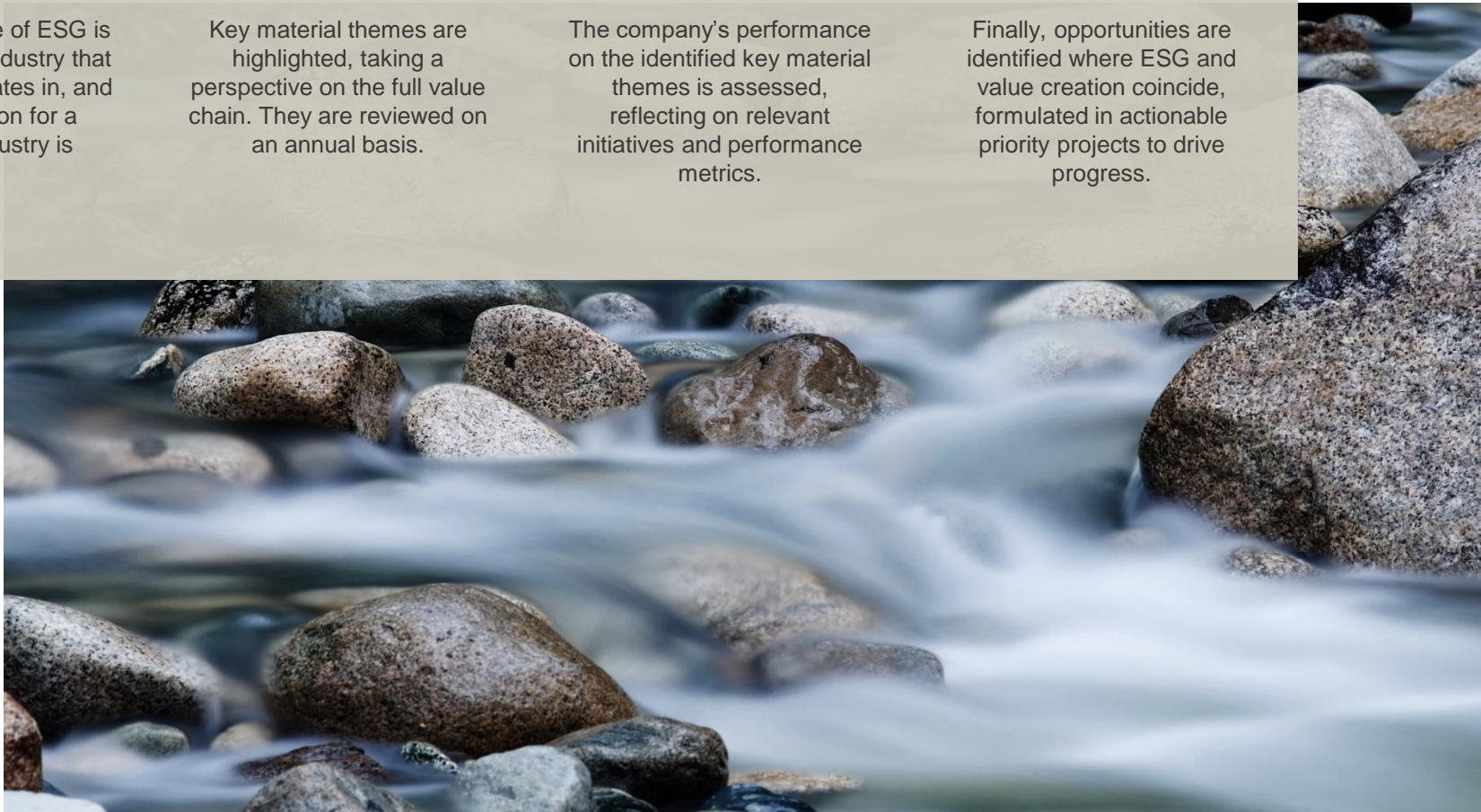
Today's industry

› **Market demand** - Companies are exploring ways to automate day-to-day operations to increase efficiency. IT service providers serve this demand and, through efficiency improvements, simultaneously drive the sustainability performance of their clients, e.g., by reducing waste, unifying communication, and reducing travel requirements. Consequently, products and services in the IT domain have become key when incorporating sustainability practices in today's businesses.

› **Regulations & certifications** - As a result of data breaches, there is growing public and governmental scrutiny regarding data privacy and security. Governmental bodies have enforced stricter regulations, such as the EU's GDPR, where non-compliance can result in financial consequences and reputational damage. Data protection certifications, such as ISO 27001, can help ensure the confidentiality, availability, and integrity of the information within a company. In terms of reporting requirements, the EU's Corporate Sustainability Reporting Directive will be enacted in 2025, requiring large companies[1] to provide non-financial reporting disclosures. In addition, the Norwegian Supply Chain Transparency Act – i.e., into force July 1, 2022 – will mandate companies that fall into the scope[2] to carry out due diligence on human rights and decent working conditions in a company's entire supply chain.

› **Industry initiatives** – There is an increasing focus and shift towards sustainability and ESG in the IT industry, with a focus on setting targets and reducing emissions (e.g., Science-based Targets initiative), improving diversity and inclusion (e.g., SHE index), and embedding data security and privacy into operations (e.g., ISO 9001 or 27001). Young talent is increasingly looking to create a positive impact in their work, instead of higher compensation, driving companies to improve in these areas to uphold market competitiveness.

Long-term vision for a sustainable industry

› The industry has the potential to reach a future-proof state with unchallenged conditions for growth. Many end-clients view the implementation of smart solutions, e.g., artificial intelligence and the Internet of Things, as a requirement for digital transformation and consider IT system integrators to play a crucial role in realizing this transition. Yet, companies should ensure good governance, compliance with (emerging) regulations, and increased transparency in ESG reporting. To align with a low-carbon future, IT companies need to invest in and shift toward renewable data centres.

› There is an increasing market demand for products/services that positively contribute to environmental and social issues (e.g., addressing the digital gap and increasing IT education). Furthermore, regulation is requiring companies to quantify this positive impact. Companies are using these impactful technologies to elevate their own ESG profiles, providing growth opportunities for IT companies.

› Companies in the industry will need to have best-in-class measures to always ensure data security and quality. Data protection continuity, governance, and risk mechanisms are crucial for GDPR compliance and can be managed through Plan Do Check and Action (PDCA) cycles and follow-up measures. Partnerships with hardware providers will need to be established to address the ESG performance of the systems. To combat the industry's longstanding issues with diversity, tech companies should provide equal opportunities and eliminate institutional biases.

Key impact areas across the value chain

Highlighting ESG themes relevant to NetNordic and the industry across its value chain using SASB's materiality map

	SUPPLIERS	OPERATIONS	CUSTOMERS
ENVIRONMENTAL			
Climate & energy	Energy & Carbon	Energy & Carbon	Impact of Products & Services
Material circularity			
Biodiversity & ecosystems impact			
SOCIAL			
Employee well-being		Talent Management & Retention	
Customer impact			Impact of Products & Services
Corporate citizenship			Impact of Products & Services
GOVERNANCE			
Corporate governance		Data Security & Privacy	Data Security & Privacy
Supply chain management			
Business resilience & ESG		Sustainability Principles	

Energy & Carbon

Emissions result from cloud computing and business travel. Insufficient management can expose firms to reputational / litigation risks, given the pressure to align with climate agreements.

Talent Management & Retention

The challenge to recruit and retain a diverse pool of talent can restrain growth. Onboarding, personal development, and inclusive work environments are key to managing and retaining talent.

Impact of Products & Services

Relates to the ambition to have a positive impact on society by actively working towards existing societal challenges. This impact is measured with set targets, with the impact publicly marketed

Data Security & Privacy

Managing data security and privacy avoids lower revenues due to lost consumer confidence and churn, preventing financial impacts stemming from legal exposures (e.g., GDPR).

Sustainability Principles

Relates to a company's ability to implement and integrate sustainability strategy throughout the organisation, bringing about several benefits, e.g., revenue growth, new market opportunities etc.

Managing the key material themes

Energy & Carbon

› NetNordic aims to minimise its environmental impact and has set initiatives to do so, including the evaluation of an electric vehicle fleet when current lease contracts expire. At present, there are a few electric vehicles in NetNordic's fleet whilst other cars follow strict emission standards to avoid unnecessary pollution.

› An environmental management system is in place and follows NetNordic's environmental policy stating to minimise climate impact and encourage environmental consciousness within the organisation, working to set a net-zero target.

› Relevant environmental management schemes are abided by, including the Eco-lighthouse certification (Norway), ISO 14001 (Sweden; pending Norway), and ISAE (Denmark).

› Employees are encouraged to use public transportation for business travel. Video conferencing is promoted for internal and customer meetings to reduce business travel.

Talent Management & Retention

› Managing, developing, and retaining talent is high on the agenda of NetNordic. In 2022, 0.5% of the total payroll was budgeted to train employees for their respective roles and help them develop according to their needs.

› Training for technical staff and consultants is based on partnership programmes with external professionals focused on existing and emerging technology areas. A leadership program was started and will continue in 2023.

› Employee satisfaction is closely monitored through a survey to track engagement and well-being. In 2022, the satisfaction score was 80 out of 100, increasing slightly from 2021. Appropriate follow-up is taken if required.

› NetNordic is focused on a gender diverse workforce and aims to promote equal pay. In 2022, the ratio of basic salary and remuneration of women to men was 85% - down 4.5% from 2021. There is a general effort to recruit talent from diverse backgrounds; candidates are chosen if they have the right qualifications.

Impact of Products & Services

› With its products and services, NetNordic strives towards a positive impact on society. Since the company operates in various verticals, including energy, health, finance and media, the impact of products and services is case-specific.

› With its healthcare services and solutions, NetNordic enables patients to stay home longer and improves resource efficiency for healthcare providers.

› The solutions for energy power systems enable swift detection and servicing of system failures.

› The communication services, in particular the video conferencing solutions, offer an attractive alternative to physical meetings, reducing business travel and thus the carbon footprint for clients.

› NetNordic's networking services ensure that everyone can connect to the resources they need in order to secure their business-critical data without compromising business momentum.

› With its Security Operations Center (SOC), NetNordic protects customers' critical infrastructure and mission critical services from cyber threats

Data Security & Privacy

› Data security and privacy are an integral part of NetNordic and form the cornerstone of the company's products and services. To date, no major data security breaches or hacking incidents have occurred.

› Established policies and procedures aligned with GDPR requirements guide data management. NetNordic's Security Operations Center is ISO 27001 (information security management) certified, at group level.

› A Data Protection Officer has been appointed with the responsibility of monitoring internal compliance and informing on data protection obligations.

› During onboarding, customers are established in a secure technical environment (dedicated customer zone) isolated from other customers and internal technical environments. Only relevant personnel can access customer data, and there is no opportunity to access wrong customer data by mistake.

Sustainability Principles

› Key ESG-related governance policies are established within NetNordic, including a Code of Conduct, diversity policy, ESG policy, whistleblowing policy, and anti-trust policy.

› Main actions to improve ESG performance over the past years include communicating the environmental policy across the supply chain and focusing on how NetNordic's services and solutions help customers in their sustainability work.

› Management perceives ESG as an important topic and periodically discusses it as an agenda item at board meetings.

› Dedicated staff are in place, including the CEO, Business Development director, and Managing directors, and are appointed responsible for ESG.

› NetNordic leverages its position as a system integrator to select partners that have obtained a sustainability certification (e.g. Eco-lighthouse or ISO 14001). The company aims to influence those that do not have a certification in place to explore ESG-related memberships.

Progress on 2022 projects

	Energy & carbon	**Impact of products & services**	**Talent management & retention**
Project	**Carbon impact**	**Product impact**	**Recruitment**

Multi-year project

Description

Energy & carbon — Carbon impact

› As an IT solutions provider, the next step to reduce the impact is to set a baseline for upstream measurement of Scope III emissions. A separate project will focus on downstream/product impact.

› NetNordic is working to establish this Scope III baseline with a supplier to obtain energy and carbon data, aiming to expand this across other suppliers.

Impact of products & services — Product impact

› Through establishing a methodology and engaging with customers, NetNordic can strengthen the sustainability narrative around the positive impact of its IT solutions.

› Initiate a pilot to test impact methodology, assessing project and aggregating data for external publication.

› Refine and roll-out impact measurement.

Talent management & retention — Recruitment

› By launching and engaging in diversity initiatives as well as improving talent management and recruitment policies & processes, NetNordic can work towards becoming a more diverse company.

› Host sessions for employees regarding diversity, provide networking opportunities and recruitment events as well as pilot traineeships.

Ambition

› NetNordic has the ambition to reduce the energy & carbon impact across the value chain.

› NetNordic has the ambition to showcase the positive impact of its IT solutions.

› NetNordic aims to improve talent management & retention in line with its ambition to be a diverse workforce.

Progress

Scope 3 assessment performed by a third-party specialist early 2023 to establish a baseline on the carbon impact.

Possible areas of positive contribution (e.g., improving quality of life for elderly through welfare technology) identified.

Prioritising hiring of qualified candidates from diverse backgrounds. Offering various training programs on diversity internally.
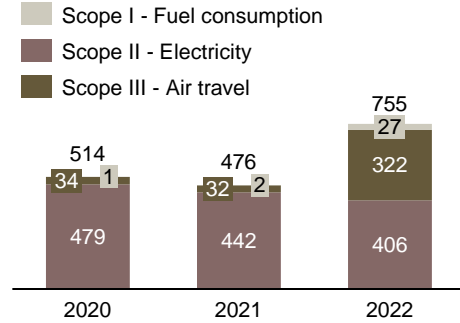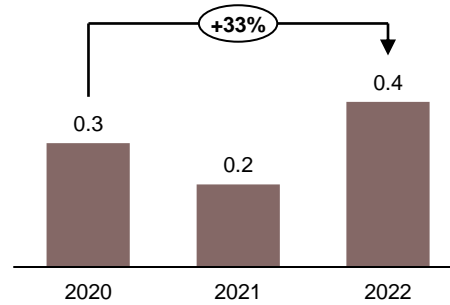
Annex

Energy & carbon

CARBON FOOTPRINT[1]

tCO_2e

- ▢ Scope I - Fuel consumption
- ▢ Scope II - Electricity
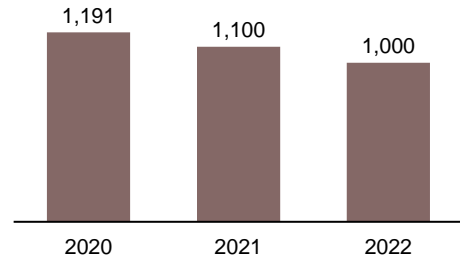- ▢ Scope III - Air travel

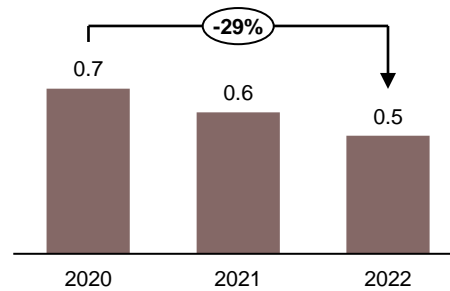## CARBON INTENSITY

tCO_2e / NOKm revenue

ENERGY CONSUMPTION
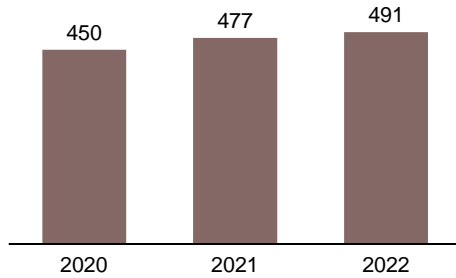
MWh

ENERGY INTENSITY

MWh / NOKm revenue

› Scope I emissions are based on fuel consumption within NetNordic, where emissions originate from an estimation of 80,000 kilometres driven by diesel-based vehicles and 80,000 from petrol-based vehicles.

› Scope II emissions are based on electricity consumption of operations as well as 40,000 kilometres driven by electric vehicles. From 2020 to 2022, 0% of the electricity procured was of renewable origin.

› Scope III emissions include air travel, which increased by around 90% from 2021 to 2022 due to the lifting of travel restrictions post-COVID-19. NetNordic aims to continually promote videoconferencing to limit business air travel.

[1]As defined by The Greenhouse Gas Protocol; The carbon footprint includes the GHG emissions CO2, and is expressed in equivalent tonnes of carbon dioxide (tCO2e).
Source: Company data, Greenhouse Gas Protocol, MJ Hudson analysis
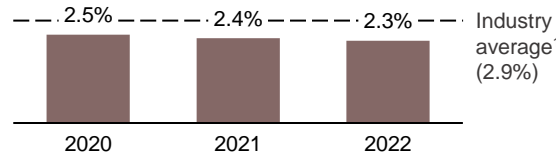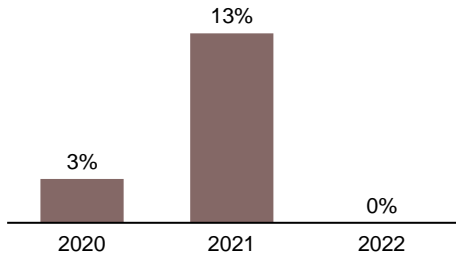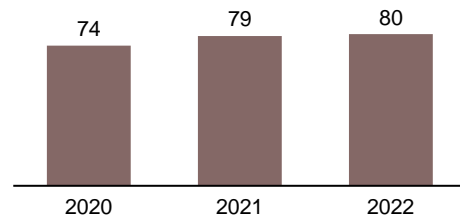
Talent management & retention

EMPLOYEES
FTE

450	477	491
2020	2021	2022

ABSENTEEISM RATE
%

2.5% — — — 2.4% — — — 2.3% — —   Industry average[1] (2.9%)

2020	2021	2022

EMPLOYEE TURNOVER
%

3%	13%	0%
2020	2021	2022

EMPLOYEE SATISFACTION
Score out of 100 points

74	79	80
2020	2021	2022

› NetNordic acknowledges that talent is its most important asset, being the foundation of the company. Employees are supported at every stage of their career, including training programs for technical staff/consultants based on partner programs.

› Risk inventory and evaluation assessments are performed periodically, and appropriate follow-up action is taken if required.

› Employee satisfaction is monitored periodically. Based on feedback from the employee satisfaction survey, NetNordic's focus has been on improving communication and processes within the organisation.

› From 2021 to 2022, the absenteeism rate decreased by 3% and stands ~20% below the industry average. NetNordic reviews working conditions annually and creates action plans accordingly. During 2023, NetNordic plans have a joint focus on communication and processes/systems based on feedback from the annual engagement survey.

Data security & privacy

DATA SECURITY BREACHES
\#

| 0	0	0
2020	2021	2022

DATA HACKING INCIDENTS
\#

0	0	0
2020	2021	2022

› Data security is an integral part of NetNordic and forms the foundation of the service and solution offerings. An information security policy is in place to ensure data protection.

› A Data Protection Officer has been appointed with the responsibility of monitoring internal compliance and informing on data protection obligations.

› NetNordic complies with GDPR requirements. Over the past years, zero GDPR-related complaints have been received.

Overview of climate-related risks & opportunities

Climate-related physical risks facing NetNordic & its suppliers

● Operations
● Suppliers

Low risk — High risk
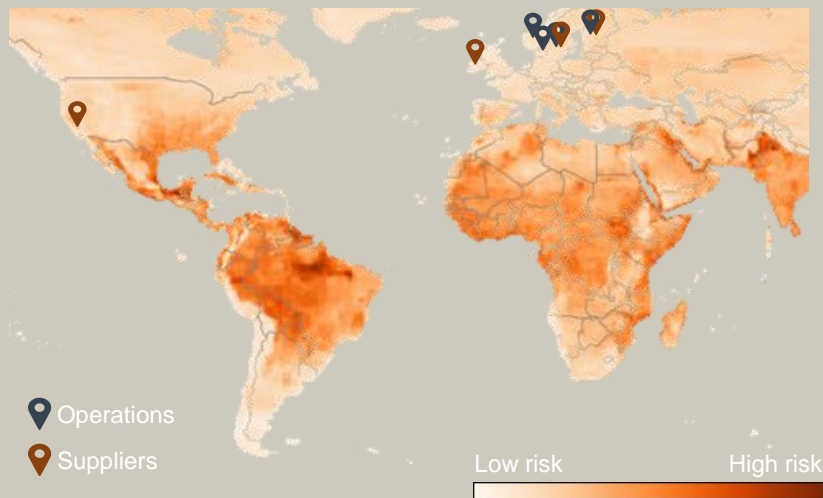
NetNordic's operations are located in Northern Europe. The most material physical risks are rising air temperatures, changing rainfall and windspeed patterns as well as an increased frequency of cyclones along the Norwegian coast. Overall, NetNordic is exposed to lower short and long-term physical risks as operations are located in northern regions, reducing heat impacts. Pertinent physical risks for suppliers include increased temperatures, heat stress (US), changes in wind and rainfall patterns as well as greater cyclone risk (Ireland).

Overview of climate-related transition risks & opportunities

NetNordic's most material transition risks are technology and policy / legal, with a likely strengthening of EU climate regulation and greater demand of low-carbon products / services. Notable opportunities lie in investing in lower emissions technologies and solutions now to ensure market competitiveness.

Climate-related metric	Scenario	Short- & medium-term impact	Long-term impact
Physical risk score[1,2]	< 2 ºC	0.7	0.8
	2 ºC -3 ºC	0.7	1.0
	> 3 ºC	0.7	1.4
Transition risk score[2,3]	1.5 ºC	4.3	5.9
	2 ºC	3.8	4.4
	3.5 ºC	2.8	4.3
Opportunity score[2,3]	1.5 ºC	4.7	5.4
	2 ºC	4.5	4.9
	3.5 ºC	6.3	6.4

Climate-related risks & opportunities in the value-chain

Suppliers and customers are exposed to physical (e.g., heat stress) and transition risks (e.g., stringent EU climate policy). Pertinent opportunities lie in improving resource efficiency & investing in low-emission technologies.

Type	Upstream 2025	Upstream 2050	Downstream 2025	Downstream 2050
Physical risks	Low (0.7)	Low (1.2)	Low (0.6)	Low (1.1)
Transition risks	Medium (3.9)	Medium (4.6)	Medium (3.6)	Medium (4.4)
Opportunities	Medium (5.2)	Medium (5.8)	Medium (5.2)	Medium (5.6)

[1]Based on the three RCP scenarios: RCP 2.6 (very strong mitigation, <2 ºC), RCP 4.5 (strong mitigation, 2-3 ºC), and RCP 8.5 (business as usual, >3 ºC); [2]Out-of-10 risk scores, with a score of 10 denoting the highest long-term global risk or opportunity; [3]Based on three NGFS scenarios – Net Zero 2050 (1.5ºC), Below 2ºC (2ºC) and Current Policies (3.5ºC).
Source: MJ Hudson analysis

Company activity	SDG	SDG target	SDG indicator	Company KPIs
Integrate information technology infrastructure solutions	**9** INDUSTRY, INNOVATION AND INFRASTRUCTURE	**9.1:** Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.	*Not applicable*	**Client individuals, #** IRIS+ PI9327 — *Goal is to set baseline in 2023* — 2020 2021 2022
Proactively minimising carbon emissions of operations	**13** CLIMATE ACTION	**13.2:** Integrate climate change measures into (national) policies, strategies, and planning.	**13.2.1:** Countries that have communicated an integrated plan for adaptability and resilience to climate change; **- For companies:** GHG contribution to national emissions.	**Carbon footprint, tCO$_2$-eq** IRIS+ OI1479 — 514 (2020) 476 (2021) 756 (2022)

NetNordic activities are mapped to the SDGs and relevant targets. Each activity identified contributes to an IRIS+ KPI. Potential for national contribution is assessed using the SDG Report 2021, highlighting countries in the value chain that can benefit from company activities.

Sustainability principles

Sustainability policies, certificates and targets

› NetNordic has established key ESG-related governance policies, including an ESG policy, Code of Conduct, anti-corruption, and whistleblowing.

› ESG-related memberships are explored, including ISO 14001 (Sweden certified; preparing certification for Norway), Eco-Lighthouse certification (Norway certified), and ISAE certification (Denmark certified).

Engagement & responsibility of the Board of Directors

› NetNordic's board consists of four members, three of whom are independent, and one woman.

› Management perceives ESG as an important topic and periodically discusses it as an agenda item at board meetings.

› Dedicated staff is in place, including the CEO, Business Development director, and managing directors, appointed responsible for ESG.

Risk inventory and evaluation

› A risk assessment and evaluation is performed periodically at all locations; follow-up action is taken accordingly.

› NetNordic has a risk matrix with concrete actions delegated to different stakeholders which is reviewed each quarter.

Quality of monitoring systems

› Quality procedures and controls are in place. The Head of Quality is responsible for adherence to ISO standards. The Security Operations Center is ISO 27001 certified on group-level.

› The CFO is responsible for policies and compliance matters.

Ensuring supplier compliance to Sustainability standards

› A Supplier Code of Conduct is in place. All suppliers are required to sign Partnership Agreements which include a reference to ESG-related topics (e.g., ILO standards and the Principles of the UN Global Compact).

› To date, no ESG-related incidents with suppliers have occurred.

Transparency and reporting

› This sustainability report addresses NetNordic's performance on key material themes and is issued on an annual basis.

› NetNordic is working to be compliant with the Norwegian Transparency Act, where surveys are being conducted for suppliers to improve transparency and ensure compliance.

Governance

Policy		Comment
ESG policy	⊘	› All employees must familiarise themselves with policy
Code of Conduct / employee handbook	⊘	› Provided to all employees
Board instruction	⊘	
Crisis management procedures	⊘	
Supplier Code of Conduct	⊘	› Must be signed by all suppliers
Sales representative agreement	⊘	
Health & safety policy	⊘	
Diversity / anti-discrimination policy	⊘	› Part of the Code of Conduct
Anti-corruption and anti-bribery policy	⊘	
Whistleblowing policy	⊘	› Longstanding
Executive compensation policy	⊘	
Data / privacy / IT security policy	⊘	› In line with GDPR requirements
Anti-trust policy	⊘	
Third-party risk management procedure	⊘	
Sanctions procedure	⊘	› According to respective legislation and CoC
Contract policy	⊘	
Social media guidelines	⊗	› Not yet in place; goal is to implement in 2023
Dawn raid procedures	⊗	› Not yet in place; goal is to implement in 2023

› Key ESG-related policies have been established by NetNordic and are embedded into its operations. Policies are reviewed periodically.

› A compliance management system is in place that reviews operations to ensure that responsibilities are carried out and requirements/regulations are met. NetNordic is compliant with all relevant local environmental and social laws and regulations.

› During 2022, NetNordic reviewed seven agents on compliance and transparency. Following the Norwegian Transparency Act, NetNordic is conducting periodic surveys with suppliers. Annual supplier reviews, additionally, evaluate compliance towards the Supplier Code of Conduct.