

Merzell Group ESG report

2023

Environmental,
Social and Governance



ESG

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Sustainability at Mercell

Introduction

The world is facing considerable challenges, including reaching net zero greenhouse emissions by 2050 and developing a global society in line with UN sustainability goals. Everyone has a role to play and must contribute by building on their relative strengths.

For Mercell Group this means underlining the role that our core business of providing EU compliant e-procurement software and services plays in contributing to sustainable growth ambitions, by enabling transparency, traceability, and fair competition. The importance of public procurement in driving sustainable development is highlighted in the EU green deal, its green public procurement guidelines and strategy for a circular economy. Mercell's systems and services enable procurement to play its important role.

Mercell at its core offers eProcurement services which have a positive impact to the environment, with a primary focus on process digitalization on the procurement cycle by reducing the consumption of material resources in the procurement process where everything is digital. The use of our digital platform allows the total dematerialization of the process, annulling the tenders imposition consumption of paper and limiting the costs of archiving. In addition, remote collaboration eliminates the need for physical travel, reducing pollution.

Contribution to Sustainable Development

Mercell's systems and services are designed to empower procurement processes to become catalysts for sustainable development. At the heart of our offerings lies eProcurement services, which not only streamline and digitise the procurement cycle but also significantly reduce the environmental footprint associated with traditional procurement practices.

With our new product strategy focused on developing a single platform for both buyers and suppliers, Mercell is ready to revolutionise the procurement landscape from a sustainability perspective. By harmonising and streamlining processes across markets, we not only enhance efficiency and reduce operational costs but also minimise resource consumption and waste generation.

Environmental Impact of changes in our product strategy

The transition to a unified platform not only simplifies and standardised procurement processes but also drives significant environmental benefits. By consolidating multiple products into a single platform, we reduce the need for redundant infrastructure and maintenance efforts, thereby decreasing energy consumption and electronic waste.

Moreover, the digitalization of procurement processes eliminates the reliance on paper-based documentation, leading to substantial reductions in paper usage and associated carbon emissions. Our digital platform enables the complete dematerialization of procurement workflows, eliminating the need for physical tender submissions and reducing the costs of archiving and storage.

Promoting Sustainable Practices

Furthermore, our unified platform promotes sustainable practices beyond the digital realm. By facilitating t and communication between buyers and suppliers, we minimise the need for physical travel, thereby reducing greenhouse gas emissions and air pollution. This shift towards remote interactions not only enhances operational efficiency but also aligns with global efforts to mitigate climate change and promote sustainable mobility solutions.

In essence, Mercell's commitment to sustainability is ingrained in every aspect of our business, from product development to operational practices. As we continue to innovate and evolve, we remain steadfast in our mission to empower organisations to achieve their sustainability goals while driving positive environmental and social impact at scale.



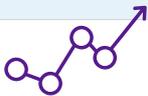
remote collaboration

Merzell at a glance

We are committed to conducting our business in a responsible and sustainable manner, adhering to all relevant laws and regulations. As part of this commitment, Merzell continuously updates its Code of Conduct to reflect evolving ethical standards and societal expectations. These updates ensure that all employees and stakeholders representing Merzell uphold the highest ethical and social responsibility standards aligned with our core values.

Furthermore, Merzell has recently initiated the implementation of comprehensive group governance principles, underscoring our dedication to fostering a transparent and accountable organisational culture. These principles aim to create an environment where employees are empowered with autonomy, embrace accountability and responsibility, and have the opportunity to influence decisions in alignment with our corporate values.

Merzell's core values



Growth

We focus on professional and personal growth to exceed current performance and customer success.



Curiosity

Curiosity is our power-skill, steps, challenge the ordinary and make courageous decisions and choices.



Courage

We dare to take visionary steps, challenge the ordinary and make courageous decisions and choices.



Trust

We always maintain high ethical standards through honesty, integrity and respect for all people.

Merzell highlights 2023

Software-as-a-Service licences account for 95 % of Merzell's revenue, with the remainder based on transactions or other non-recurring revenues. Approximately 42 % of the revenues stems from pre-award buyers, 48% from pre-award suppliers, and the remaining 10 % from post-award customers.

Pre-award Platform integration

Following a string of acquisitions over the past couple of years, Merzell currently operates and maintains a wide range of different platforms for both buyers and suppliers in the pre-award market. The Company is investing in product development to move towards a common platform for both the buyers and the suppliers in all markets. The new platform will further strengthen Merzell as a marketplace with solid network effects beneficial both for the buyers and suppliers, and It will ensure security and compliance for the whole process, with improved efficiency and usability. The suppliers will experience improved search and filtering solutions, analytical services, and other 'best-of-breed' advantages that will make it easier for suppliers to find relevant business opportunities. Over time the scope of the supply-side offering will expand from tender notifications to a range of workflow solutions, which strengthens the value proposition and introduces new upselling products. The new platform will be based on state of the art modern and scalable technology, including AI-functionality, resulting in highly improved time to market for new features and increased analytics possibilities by utilising combined buyer and seller data.

Post-award - The post-award e-procurement business was added through a string of acquisitions in 2020, extending the product offering to include solutions for eCommerce/ eCatalogues, invoicing, payment services and spend analysis. The company is also within this area investing in product development to move towards a common platform for all markets.

Leadership Accelerator Initiative - Rooted in our strategic goals for 2024, this initiative serves as an adaptive framework, aiming to align and strengthen our leadership capabilities in line with our core values to support growth. One cornerstone of the Leadership Accelerator Initiative aims at establishing our Leadership Commitments - the guiding ethos for leading ourselves and others.

Merzell Learning Lab - Boosting a culture of continuous learning and growth. Merzell has established a Learning initiative called Merzell Learning Lab. Our Learning Lab serves as the overarching framework for all learning initiatives, encompassing micro-learning in real life, modelling, coaching, and more.

Certification and Assurance Achievements - Mercell successfully attained ISO 27001 certification for information security management systems (ISMS), demonstrating its commitment to safeguarding sensitive data and ensuring data integrity. Additionally, Mercell obtained ISO 9001 certification for quality management systems (QMS), validating its dedication to delivering high-quality products and services that meet customer expectations.

Furthermore, Mercell underwent rigorous ISAE (International Standard on Assurance Engagements) third-party assurance assessments, providing clients and stakeholders with independent verification of the company's internal controls, data security practices, and compliance with regulatory requirements.

These certifications and assurance reports not only enhance Mercell's credibility and trustworthiness in the market but also signify its proactive approach to risk management, governance, and transparency, ultimately contributing to customer confidence and satisfaction.



ISO certification

Financial Key Figures

Revenue

Mercell reported revenues for the 17-month ended 31 December 2023 of Euro 115.1 million. SaaS licence revenue accounted for 95 per cent of total revenues. Mercell is the market leader in Denmark, Finland, the Netherlands, Norway and Sweden. The Nordics accounted for 84 percent of revenue for the 17-month period, with Sweden at 34 per cent, Norway at 19 per cent, Denmark at 18 per cent, and Finland at 13 per cent. The Netherlands accounted for 11 per cent, and other markets, primarily being the three Baltic countries and the UK, for 5 percent of revenue.

Mercell Holding ASA (now Mercell Holding AS) was acquired by Spring Group and its Norwegian subsidiary Spring Bidco (Norway) AS in July 2022. Spring Group is owned by "Discovery" PE funds managed by ThomaBravo. The Group Accounts for Spring Parent BV and its subsidiaries in Mercell Group cover the 17 months period from this acquisition on 11 July 2022 until 31 December 2023.

In 2023 Mercell Group's underlying financial performance was in line with the Board approved targets. The Mercell Group Accounts are heavily impacted by costs that are not recurring in nature.

The Mercell Group Accounts are charged with acquisition costs that decrease the Operating profit by Euro 1.7 million. In addition, the Mercell Group Accounts are charged with costs associated with cancelling its previous bond debt amounting to Euro 12.1 million.

Mercell Group is in a turnaround process with many improvement initiatives. Several of these initiatives do not fulfill the requirements for capitalization, are expensed and thereby temporarily negatively impact the earnings.

The recent acquisition of Mercell Group by PE funds managed by ThomaBravo, gives a balance sheet carrying real market-based values causing large non-cash amortizations of intangible assets. Amortization of purchase price allocation originated intangible assets account for Euro 52 million.

Combined, these adjustments impact the 2023 IFRS Group Accounts significantly. The financial statements of Mercell Group have been prepared under a going concern assumption, and the Group's liquidity position, solidity and ongoing cash flow from operations support the assessment that this assumption is realistic.

Consolidated Financial Statements
Merzell Group
Consolidated statement of comprehensive income

EUR thousand	11.07.2022 - 31.12.2023
Revenues	115 138
Other operating income	39
Total operating revenue	115 177
Sales expenses	4 787
Salary and personnel expenses	54 706
Other operating expenses	53 562
M&A costs	1 665
Total operating expenses before depreciation and amortisation	114 720
EBITDA	457
Depreciation and amortisation	55 617
Impairment losses	
Operating profit or loss	-55 161
Financial income	7 727
Financial expense	40 876
Net financial items	-33 149
Profit/loss before tax	-88 310
Tax income (expense)	7 894
Profit/ loss for the period	-80 416

Other comprehensive income

Items which may subsequently be reclassified to profit or loss:

Translation differences in subsidiaries	-8 909
Other comprehensive income or loss for the period	-8 909
Total comprehensive income or loss for the period	-89 325

Net loss for the year attributable to:

Equity holders of the parent company	-80 416
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Total comprehensive income attributable to:

Equity holders of the parent company	-89 325
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Consolidated Financial Statements
Merzell Group
Consolidated statement of comprehensive income

EUR thousand	31.12.2023
Deferred tax assets	461
Goodwill	262 996
Intangible assets	243 912
Right-of-use assets	5 084
Property, plant & equipment	698
Other non-current assets	3 770
Other non-current receivables	487
Total non-current assets	517 408
Trade and other receivables	27 960
Other current assets	4 454
Cash and cash equivalents	22 234
Total current assets	54 648
Total assets	572 057

EUR thousand	31.12.2023
Share capital	0
Share premium	353 488
Other equity	-89 325
Total equity	264 163
Non-current interest-bearing liabilities	175 320
Non-current lease liabilities	3 772
Deferred tax liabilities	51 020
Other non-current liabilities	6 176
Other non-current financial liabilities	0
Total non-current liabilities	236 288
Current interest-bearing liabilities	4 700
Current lease liabilities	1 708
Trade and other payables	3 757
Contract liabilities	42 195
Other current liabilities	17 524
Tax payable	1 722
Total current liabilities	71 606
Total liabilities	307 894
Total equity and liabilities	572 057

Environmental, Social, and Governance

This ESG report provides an overview of Mercell's material topics related to environment, people and economy, and how our governance processes are structured to handle impacts and risks. We have started the process of reporting according to internationally renowned ESG standards.

Mercell has since August 2022 been indirectly wholly owned by funds advised or managed by Thoma Bravo. Thoma Bravo is a leading software investment firm. With the assistance from Thoma Bravo, Mercell is undergoing a great transformation. Thoma Bravo has been instrumental in helping Mercell grow and expand its presence in the global market. With their expertise, Mercell is not only able to develop new services for our customers but also strengthen our relationships with current customers to ensure that they are receiving the best products and services available. Thoma Bravo has also provided us with the resources to expand our reach and create more opportunities to innovatively grow our services. Mercell participates in the global ESG community within Thoma Bravo. With the help of this partnership, Mercell is continuing to provide high-quality services and solutions that are revolutionising the industry.

Developments in regulations, as well as the ongoing development in the EU of a proposal for a Corporate Sustainability Reporting Directive (CSRD), are continuously monitored, and Mercell will continue to prepare throughout 2024. In this ESG report we have started to incorporate some expected requirements in these regulatory frameworks, such as assessment of double materiality and reporting of KPIs. This report also considers the fundamental human rights and decent working conditions, in accordance with the Norwegian Act on business transparency and work with basic human rights and decent working conditions ("åpenhetsloven"), which entered into force in 2022. As Mercell since 2022 no longer is a listed company with listed financial instruments, the Sustainable Finance Disclosure Regulation (SFDR) referred to in the previous ESG report is not any more applicable.

As Mercell is entitled to submit its annual accounts and annual reports in English, this report is prepared in an English language version only.

364

Number of employees (FTE)

38%

Share of women in Mercell

12

Countries where we have employees employed

0

Number of critical whistleblowing cases

UN Sustainable Development Goals

Mercell strives to achieve the following SDG targets through our environmental, social, and governance (ESG) initiatives.

Since 2020 Mercell has been a participant in United Nations (UN) Global Compact.



By such membership Mercell supports the principles of the United Nations Global Compact on human rights, labour, environment and anti-corruption and we are committed to pursuing sustainability goals that align with the UN Sustainable Development Goals (SDGs).

Our membership in the **UN Global Compact** is reflected in Mercell's Sustainability Principles, which are available on mercell.com. We expect everyone we do business with to adhere to their Ten Principles.

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights

Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.



SDG 3: Ensure healthy lives and promote well-being for all at all ages

Mercell is committed to ensuring health and promoting well-being for all employees at all ages. The company offers a variety of initiatives to ensure health and well-being in the workplace, as an example, in Sweden exercise initiatives are organised regularly. Mercell also encourages healthy eating and nutrition, with free healthy snacks provided in the office. Additionally, Mercell offers flexible working hours, allowing employees to better manage their work-life balance and reduce stress levels. Mercell also has a Code of Conduct, which encourages employees to treat each other with respect and create a positive work environment. This policy ensures that everyone feels valued and respected, and helps to create a healthier working environment for all. Finally, Mercell is committed to supporting its employees in the case of illness or injury, with a range of health services and benefits available. Through these initiatives, Mercell is dedicated to ensuring healthy lives and promoting well-being for all its employees at all ages.



SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning

Mercell is committed to providing and promoting lifelong learning opportunities for all employees. To ensure this, Mercell provides its employees with access to learning and development initiatives such as online courses, webinars, and seminars. In addition, Mercell encourages its employees to pursue professional qualifications, such as certificates or diplomas, to enhance their skills and competencies. Furthermore, Mercell promotes an open and collaborative working environment that encourages employees to share their knowledge, experiences, and ideas. This helps to create a culture of continuous learning and development that contributes towards the success of Mercell and its employees.



SDG 5: Achieve gender equality and empower all women and girls

Mercell is committed to achieving gender equality and empowering all female employees. We strive to create an inclusive workplace where our female employees feel supported and respected. We have established a number of initiatives and policies to ensure gender equality in the workplace, such as flexible working arrangements, equal pay, and access to training and development opportunities. In addition, we have a zero-tolerance policy for any form of discrimination or harassment. We also promote gender diversity in our recruitment and promotion processes to ensure that women have an equal opportunity to progress in their careers. We are constantly striving to create an environment where all employees can thrive, regardless of gender.



SDG 7: Renewable energy

For the headquarters, Merrell tracks, monitors and manages their energy consumption. This includes energy monitoring and analytics, data monitoring and waste management. Where possible, Merrell chooses renewable energy contracts at their office locations around the world.



SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all

Merrell is committed to promoting sustainable, inclusive and sustainable economic growth, full and productive employment, and decent work for all. Merrell does this by providing software solutions that help businesses to increase their efficiency, reduce costs and increase quality. By doing this, Merrell enables businesses to expand their operations, and better support their employees. Further Merrell's efforts to support this goal include initiatives to employee benefits, and secure and equal pay for work of equal value. We also strive to focus on improving diversity in the workplace, with initiatives such as encouraging gender balance, cultural background, and inclusive diversity. Merrell also strives to create a health and safety culture, and it provides functional training programs to ensure that its workforce is up-to-date with the latest industry standards.



SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation

Merrell provides a platform for governments and companies in the public sector and suppliers on the other side, to facilitate public procurement processes, and innovate in order to create a more sustainable world. Merrell's unique position as a market place between buyers and sellers results in increased competition that can have a very positive impact on innovation. As more companies strive to differentiate themselves through innovative products, processes, and services, they are often forced to outpace their competition and come up with new ideas or solutions. Increased competition can have a very positive effect on innovation and help drive businesses to create better and more efficient products, processes, and services. It can also help spur the development of new and improved products, processes, and services, while also making them more accessible to the general public.



SDG 10: Reduce inequality within and among countries

Mercell is committed to promote and protect the right of everybody to equal opportunity and treatment, regardless of gender, race, ethnicity, religion, age, disability, sexual orientation, or any other form of discrimination.

Mercell strives to create an inclusive work environment, free from discrimination and harassment, by ensuring that its policies, practices, and processes are in compliance with all applicable laws and regulations. It has implemented a range of initiatives to ensure equal opportunity to all employees, including training programs, flexible working arrangements, and recruiting practices that ensure diversity.

Mercell also works to eliminate inequalities of outcome by ensuring that its various programs are accessible to all employees, regardless of their background. It also provides protected leave for employees experiencing family or medical emergencies and offers a range of benefits for employees with disabilities.

In addition, Merzell actively promotes appropriate legislation, policies, and actions designed to reduce inequalities of outcome, such as equal pay and anti-discrimination laws.



SDG 11: Make cities and human settlements inclusive, safe, resilient and sustainable

By streamlining the public procurement process, Merzell helps to ensure that public projects are efficiently funded and completed on time and within budget. This helps to create safe and secure environments for people to live and work. Additionally, Merzell's solutions also help to make cities more resilient and sustainable by reducing the amount of resources needed to fund public projects and promoting economic growth. By providing an efficient and cost-effective way to manage public procurement, Merzell helps to make cities safe, resilient and sustainable.



SDG 12: Ensure sustainable consumption and production patterns

Mercell is a company that provides solutions for public procurement, helping businesses and governments to buy goods and services in a smarter and more efficient way. Through their services, Merzell promotes sustainable consumption and production patterns by making purchases more affordable and efficient. They do this by digitalizing the procurement process, making it simpler and faster, and helping businesses and governments save money by reducing waste and increasing efficiency in the procurement process. In addition, Merzell's platform provides transparency into the buying and selling process, making it easier for businesses and governments to identify and select goods and services that meet their sustainability requirements. As a result, Merzell's solutions make it easier for companies and governments to make sustainable purchases, helping to drive a shift towards a more sustainable, circular economy.



SDG 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable, and inclusive institutions at all levels

Mercell is committed to promoting peaceful and inclusive societies for sustainable development, providing access to justice for all and building effective, accountable, and inclusive institutions at all levels. Mercell's solutions empower public institutions and private companies to efficiently manage public procurement processes and ensure that resources are allocated in a transparent and fair manner. This is done by streamlining procurement processes and providing data-driven insights that facilitate decision-making and monitoring. Mercell's solutions also ensure that public procurement processes are conducted in a transparent and accountable manner, which allows governments to be held accountable and minimises the potential for corruption. Mercell's solutions also help to improve access to justice for those involved in public procurement, allowing for swift and fair dispute resolutions. Ultimately, Mercell's solutions play an important role in promoting peaceful and inclusive societies for sustainable development, providing access to justice for all and building effective, accountable, and inclusive institutions at all levels.



Material Sustainability topics

After conducting a comprehensive reassessment of our materiality analysis as outlined in the 2022 ESG report, Mercell has determined that no significant changes are warranted for the year 2023. Our reassessment, which adhered to the GRI Material Topics 2021 standard and aligned with the SASB material topic framework for software and IT services within the technology and communication sector, reaffirms the continued relevance of our previously identified material topics.

Our focus remains on accurately representing Mercell's actual and potential impacts—both positive and negative—on people, society, the environment, and the economy. We continue to identify sustainability topics that present material risks and opportunities inherent to our business model and financial trajectory.

This reassessment process involved gathering insights from various stakeholders, including interviews with Mercell employees, examination of sector developments, and benchmarking against best practices from industry peers. Based on these inputs and analyses, we affirm the ongoing relevance and applicability of our materiality analysis for the year 2023.”

Material topic	Material impacts, risk and opportunities
Governance	
Work against corruption	Potential of negatively impacting the economy related to risk of corruption and bribery incidents in our business transactions. Risk of sanctions and loss of reputation related to perceived or actual incidents of bribery and conflict of interest.
Competitive behavior	Risk of behavior that distort competition. Risk of sanctions and loss of reputation related to perceived or actual incidents of exercise of influence to distort competition.
Responsible supply chain	Suppliers or sub-suppliers could engage in practices that violate human rights or cause damage to the environment. Opportunity to influence suppliers to adopt responsible practice. Reputation risk of being associated with non-responsible suppliers and risk of sanctions related to insufficient due diligence practices.
People and society	
Data security and privacy as a human right	Loss or misuse of personal information related in our systems could have a negative impact on human rights to privacy. Risk of disqualifications, fines and loss of trust in case of privacy non-compliance.
Diversity and equal opportunities	Discrimination at work could have negative impact on people's sense of belonging, dignity and opportunities. Opportunity to attract and retain high-quality talent by fostering an inclusive work environment. Reputation risk related to lack of diversity in management positions.
Employee well-being and work environment	Our respect of workers right and quality of work environment impact employee health, quality of life and sense of engagement. Opportunity to attract and retain high-quality talent by having a strong people-focus.
Climate and environment	
Green energy operations	Greenhouse gas emissions from energy use, travel and cloud storage, and waste from operations negatively impact the environment and should be reduced.

Responsible business conduct and group policy commitments

All Mercell's activities are mandated to comply with legal requirements and pertinent international conventions governing responsible business conduct. Our steadfast commitment to responsible business practices and ethical conduct is enshrined in the Group Code of Conduct, which applies universally to all employees and business associates within our organisation.

To ensure alignment with evolving standards and expectations, we have recently updated sections of the Code of Conduct pertaining to zero-tolerance policies, human rights, and ESG considerations. These updates reinforce our dedication to upholding the highest standards of ethical behaviour and sustainability across all facets of our operations.

Our Code of Conduct delineates clear objectives to mitigate environmental impacts, foster a safe and inclusive work environment grounded in diversity and equal opportunity, uphold the fundamental human right to data privacy, combat all forms of corruption and bribery, and adhere to pertinent laws, including competition regulations.

In addition, we have enhanced communication channels to facilitate compliance with our Code of Conduct, including streamlined access to our whistleblowing portal. These channels serve as vital conduits for reporting any breaches of ethical standards or concerns regarding non-compliance, ensuring transparency and accountability throughout our organisation. Newly hired employees are provided with comprehensive guidance on our ethical guidelines, and the Code of Conduct is readily accessible online for all stakeholders.

Risk management and role of the board

The board is responsible for monitoring group exposure to all risks, including sustainability related risks, and ensuring that internal control systems are proportionate to, and reflect the nature of risks. A Group Code of Conduct has been adopted. All executives, managers and leaders are responsible for managing sustainability related risks within their domain. The code of conduct and Mercell's general approach to risk management specifies that ethical considerations and risk of non-compliance should be included in all business assessments before entering into any new market, product or business relationship. Leaders are responsible for implementing appropriate policies, procedures and systems to ensure that such requirements are met. The CFO coordinates and reports on the assessment of overall risk exposure, through the compliance function. The most important risks, including sustainability related risks, are assessed and reported to the board of directors. Mercell is growing with the acquisition of new companies, representing different approaches to sustainability and different maturity levels. To ensure that sustainability is understood and respected in a similar fashion across all entities and functions, Mercell is constantly working to build a unified approach to sustainability and compliance. The company strives to be open about its successes, as well as challenges on this journey

Responsible supply chain

Mercell is committed to reducing its negative impact on the environment, people and society throughout its value chain. During 2021 the company adopted a Code of Conduct, rooted in UN global compact's ten principles for sustainable development. This requires all suppliers and its sub-suppliers to adhere to applicable laws and standards and our minimum standard of conduct, including respect of labour rights and work environment, not engaging in corruption, fraud or prohibited business conduct, and working to minimise the negative impact on the environment. All suppliers are expected to take a systematic approach to responsible business conduct and ensure that requirements are integrated into its operations. Compliance with the requirements shall be part of supplier assessments performed before entering into any contract and the ethical code is communicated to all suppliers and is part of the contractual obligation.

Dialogue with suppliers about challenges faced when meeting the requirements is encouraged, to enable corrective action and improvement. Mercell respects the human rights of anyone associated with our operations, as embedded in the Group Code of Conduct and our commitment to the UN Global Compact. An important way to respect human rights is to secure decent working conditions in the company, and with suppliers. Suppliers are required to apply a systematic approach to ensure compliance with applicable labour rights and standards. As a professional software provider, the risks of modern slavery and human trafficking in Mercell's value chain are considered low. In line with the upcoming Norwegian Transparency Act the company will regularly assess, and report risks related to human rights and decent work conditions in its value chain and continue to address these in a systematic manner.

Anti-corruption and competition law

The Group Code of Conduct states our zero tolerance for corruption, including bribery, facilitation payments and trading in influence. All leaders, employees, suppliers and business associates are expected to adhere to these principles. As a dominant firm, Mercell has a special responsibility not to distort competition and shall play its part in combating illegal practices, such as price-fixing, market sharing, output limitation or bid rigging, abuse of market power and any anti-competitive or monopoly practices, as stated in our ethical codes. The current risk of corruption is considered to be relatively low, and no incidents or concerns related to corruption were reported in 2023. Risk of corruption could increase with the expansion into geographical areas and acquisition of companies with different perceptions and cultures regarding appropriate business conduct. Compliance with laws and regulation is assessed as part of due diligence and all new entities are made familiar with the Group policy on corruption.

Sustainability considerations in board composition and executive remuneration

Our Corporate Governance Code stipulates that the board shall comprise sufficient diversity and competence to meet Mercell strategy and create long term value. This implies sufficient understanding and knowledge of ESG impacts and risks. ESG results are not a distinct part of the remuneration structure for executive management but are implied in the principle that performance-related remuneration should be linked to strategy and long-term value creation. For more information about our processes and structures related to board and executive remuneration we refer to the section on corporate governance.

Whistleblowing

Mercell aspires to foster a culture where people feel confident about speaking up. Any employee in need of advice on any matter relating to our Code of Conduct, or wishing to report a concern, is encouraged to speak to their line manager, the Group Legal & Compliance Director or any member of the Mercell Group Management team. There is an anonymous whistle blowing portal in place, mercell.integrityline.com, which can be accessed through the website. No reports of critical concern were registered in 2023.

Information about the integrity line is regularly communicated to make sure that all employees and other stakeholders are aware of the right and obligation to report concerns.

Stakeholder dialogue

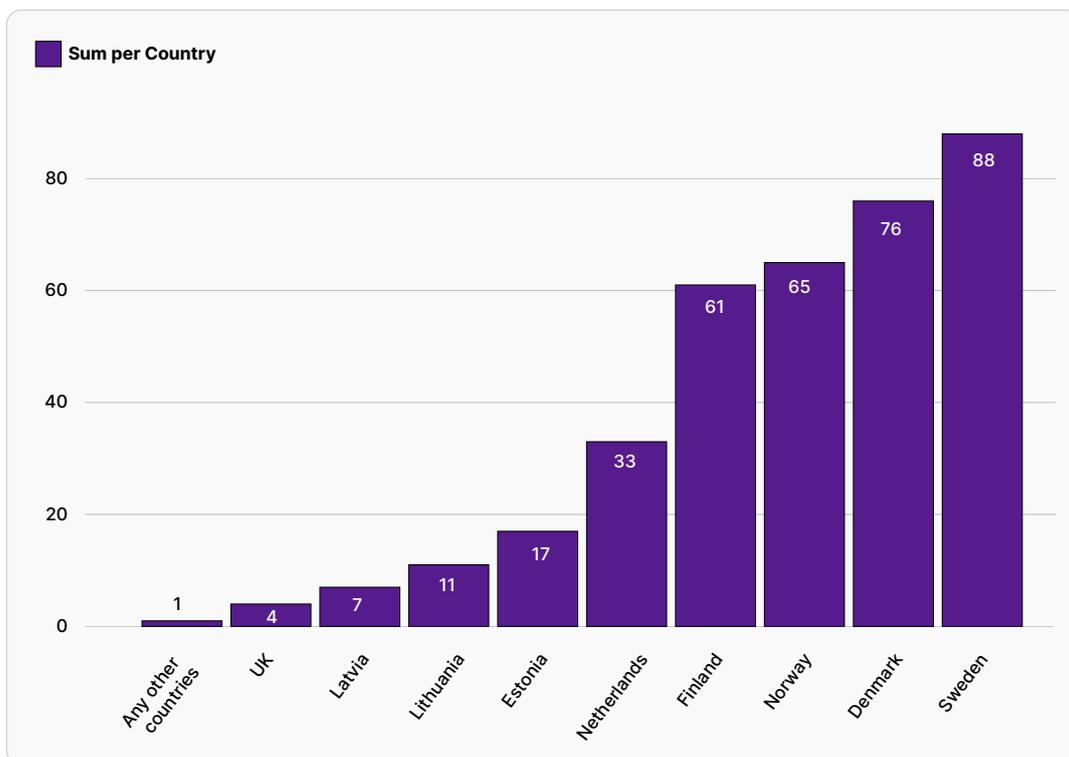
Mercell's ability to create sustainable long-term value depends on its ability to listen to and respect the views of stakeholders over time. Dialogue with stakeholders is a part of ongoing business operations, and the company is striving to become more open and utilise various platforms to interact and respond to the opinions and perspectives of our clients, shareholder representatives, employees, business partners, authorities and society in general. Stakeholder perspectives have been included in the assessment of material sustainability topics.



People and Society

Employee wellbeing and work environment

Mercell should be an attractive place to work, and the company is committed to creating and maintaining a good and inclusive working environment that respects labour rights and personal wellbeing. As per year end 2023 364 employees and 20 consultants in total 384 persons work at Merzell, in 10 different countries. 12 employees work part time by their own choice. All employees shall treat each other with respect and understanding and deliver feedback and challenge in an appropriate and respectful manner. The company does not accept any form of harassment or discrimination, and all entities and suppliers are required to have a systematic approach to the management of Health, Safety, Security and Environment (HSSE), in line with our code of conduct.



The 2023 annual employee engagement survey at Merzell was carried out in June 2023. A total of 73% of employees participated in the survey. Results revealed strong positive team dynamics and a notable alignment with company values, particularly highlighting effective team cooperation (4.32) and a shared sense of purpose towards common goals (4.10). Positive feedback was also received regarding the approachability of managers (4.19), which reflects a supportive leadership environment.

The survey pinpointed specific areas for development, particularly within training and development and leadership practices. Notably, the three lowest-scoring areas related to Development and Promotion averaged at 3.20, underscoring a clear need for enhancement in these domains. This feedback is crucial as it directly impacts employee growth and satisfaction.

Identified Focus Areas and Ongoing Actions

In light of the survey results, Mercell is taking concrete steps to move our leadership journey forward and to focus on enhancing our learning environment. We are reinforcing the commitment to support everyone's path to growth recognizing the vital role that continuous learning has in reaching both personal and organisational objectives.

Leadership Accelerator Initiative

In response to feedback on leadership practices, Mercell has embarked on a Leadership Accelerator Initiative. Rooted in our strategic goals for 2024, this initiative serves as an adaptive framework, aiming to align and strengthen our leadership capabilities in line with our core values to support growth. One cornerstone of the Leadership Accelerator Initiative aims at establishing our Leadership Commitments - the guiding ethos for leading ourselves and others. For Q1, this effort has involved collaborative input from ELT, People Leaders and Mercellians across the organisation. Later on we expect the leadership development journey to involve self-assessment and personalised development plans, aligned with our Leadership Commitments. We will focus on individual development, powered by our Learning Lab, to build on our strengths and enhance engagement across the organisation.

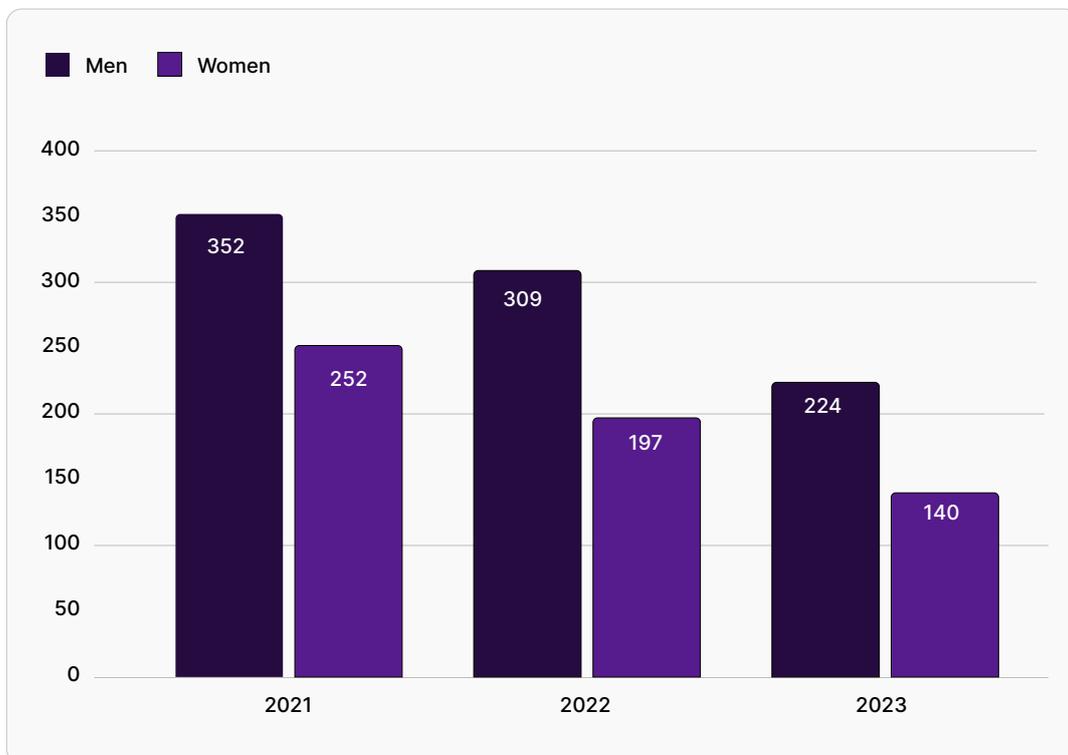
Mercell Learning Lab - Boosting a culture of continuous learning and growth

In parallel Mercell has established a Learning initiative called Mercell Learning Lab. Our Learning Lab serves as the overarching framework for all learning initiatives, encompassing micro-learning in real life, modelling, coaching, and more. Within this framework, Mercell has invested in a LMS called 360, that acts as a vital cornerstone and catalyst for engaging learning experiences, both to support Customer and Employee learning. This effort marks the start of Mercell's journey to embed continuous learning into our culture, aiming to align individual growth with our broader organisational ambitions.

Diversity and equal opportunities

Being open and inclusive is key to attracting and retaining the best people across different perspectives, backgrounds, genders and nationalities. The company's commitment to an inclusive work culture, based on diversity, equal employment opportunity and fair treatment of all employees is underlined in the Group Code of Conduct. The company does not accept any form of harassment or discrimination based on race, colour, religion, gender, sexual orientation, national origin, age, or disability in our own operations or with our suppliers. Guidelines emphasise the importance of cultural sensitivity, and the importance of considering that what is acceptable in one culture may not be in another.

Number of employees and share of women 2021-2023



25 % Women in management positions 1 out of 6 women in Executive Management

Mercell works to reflect diversity in society and among its customers, and maintain a balance in age, gender and cultural background among its employees. The technology industry is known to have a male overrepresentation and Merzell is satisfied to have a relatively good gender balance, with a stable share of 38 % women in the workforce. 25 % of managers are women. Only 1 out of 5 executive leaders are women. Merzell will continue to foster an environment and development trajectory where women are included at all levels of management. There were no official cases of discrimination reported in 2023. Activities to assess the risk of discrimination in our company have been started and a plan to strengthen equality and inclusivity is under development.

This work includes analysis of pay conditions by reference to gender, which has been conducted in several of our teams. The results of our overall annual assessment of discrimination and data on equality of pay will be reported regularly, in line with legal requirements. Merzell strives to have diversity in the workforce also when it comes to age and nationalities and to foster a culture of diversity, inclusion and learning. The company's workforce is spread across the age spectrum, with most of the staff (66 %) between the ages of 27 and 45. International operations and growth into new geographical areas gives Merzell the benefit of an increasingly diverse workforce. The employees spanned 30 different nationalities in 2023 (compared to 36 in 2022).

Equal pay and Gender Disparity

Mercell is committed to establishing equitable salaries aligned with our foundational principles. We firmly believe that factors such as gender, ethnicity, religion, or sexual orientation should not influence salary decisions. Instead, our focus is on clearly defined pay factors that determine individual compensation. These criteria, transparently shared both within and outside our organisation, guide our salary structure and ensure fairness in compensation.

Our pay evaluation criterias

- achievement of goals
- performance in current roles
- taking on new tasks
- demonstrating key values like Growth, Curiosity, Courage, and Trust.

To uphold this commitment, Merzell employs Sysarb's methodologies for systematic compensation analysis, ensuring "Equal Pay for Equal Work." This involved grouping employees in similar positions within each country and assessing them based on a structured set of criteria:

- the degree of difficulty in their work
- responsibility for work and projects
- operational responsibilities
- working conditions

each with varying weights from 50% to 10% respectively.

The evaluation framework is detailed, starting with the degree of difficulty, which considers educational and experience requirements, the complexity of tasks, and the level of autonomy. It spans from basic tasks requiring limited experience to highly complex roles demanding in-depth knowledge and experience.

Responsibility for work and projects is assessed based on the level of leadership and management required, ranging from basic administrative coordination to high-level business leadership with significant decision-making authority.

Operational responsibility criteria focus on the planning, development, and implementation capabilities necessary for the role, escalating from basic operational tasks to strategic planning and business development responsibilities.

Finally, **working conditions** are evaluated based on physical and mental demands, considering the extent of effort, stress, and environmental conditions employees face, from minimal physical and mental demands to high-stress and physically demanding environments.

Findings on Pay Equity and Gender Disparity

Legacy Pay Gaps from Acquisitions:

- Historical acquisitions have led to some persistent pay disparities within the organisation due to incomplete alignment of compensation structures.

Gender Disparity in Leadership Roles:

- A significant male dominance in leadership positions, contributing to the gender pay gap.

Distribution of Roles by Gender:

- A higher prevalence of females in lower-level, lower-paying positions.
- Limited female presence in technical and senior managerial roles, which are typically higher paid.

Impact of Role Distribution on Pay Equity:

- The skewed distribution of genders across different job levels directly influences the overall pay equity within the company, with females disproportionately in lower-paid roles.

Comparison with Industry Standards:

- Similar patterns of gender disparity in role distribution and pay gaps are observed across the industry.
- The organisation's gender and pay dynamics reflect broader industry trends, despite increasing awareness and efforts to address these issues within the sector.

These findings underscore the need for targeted strategies to address the gender disparities in role distribution and pay equity, especially considering the legacy challenges from past acquisitions and the parallels with broader industry patterns.

Planned Actions for 2024:

Addressing Gender Pay Gap and Role Distribution Dedicated Funding for Pay Gap Correction:

Dedicated Funding for Pay Gap Correction:

- Allocation of a specific budget aimed at rectifying the gender pay gap, ensuring equitable compensation across all levels.
- The funding will be utilised to make stepwise salary adjustments identified through our pay equity analyses.

Leadership Engagement in Pay Equity:

- Carried out Salary Review training with all people managers to emphasise the importance of addressing gender pay disparities during the Annual Salary Review process.
- Direct dialogue with selected leaders to explore background for identified gaps and plan for corrective action

Recruitment Practice Improvement

- A thorough review and revision of current recruitment practices to eliminate biases that contribute to gender imbalances in leadership and high-paying roles is ongoing
- Implementation of targeted recruitment strategies to increase female representation in roles traditionally dominated by males.
- These planned actions for 2024 reflect our commitment to moving in the right direction regarding gender pay equity and the balanced representation of females in all job roles, particularly leadership and higher-paid positions.

Data Security and Privacy as a Human Right

Mercell recognizes the fundamental right to data privacy for all individuals and is committed to managing personal data about its staff, customers, suppliers and business partners in a professional, lawful and ethical way. Mercell may only process personal data when having a legal basis for doing so and with legitimate purposes. The personal data processing shall comply with all the legal principles embedded in the relevant regulation, thus the data must be accurate and relevant for the purpose for which it was collected, as well as properly protected from inappropriate access or misuse, and deleted once its purpose has been fulfilled. When it is to be transferred to third parties, it must be appropriately safeguarded. Non-compliance may cause harm to individuals, fines or litigation, and put Mercell's reputation at risk.

Mercell conducted a GDPR transformation program with help from independent experts to ensure the highest level of data privacy in its operations across all entities. In this work, Mercell has mapped all activities which include processing of personal data and looked at which internal systems that handle personal data in accordance with article 30 in GDPR. In 2022-2023, we have worked with strengthening our capabilities within the privacy area and continue to implement the privacy tools, templates and processes.

The Group CEO is responsible for the group information security and privacy policies, and the Group CTO is responsible for implementation and overseeing adherence. Mercell supplier code of conduct requires its suppliers to demonstrate a high level of information security. Mercell's main businesses and platforms are certified under the International Standard for Information Security (ISO 27001) and for several of our products we have either ISAE3000 or ISAE3402 Third Party Assurance reports. We are now working towards a group wide certification strategy which will harmonise our certifications and assurance requirements.

In 2023, Mercell did not register any critical privacy breaches which resulted in GDPR fines. Any incoming privacy incidents will be assessed and handled continuously throughout 2024 in accordance with our procedures.

Climate and Environment

Enhancing Sustainable Travel Across Our Entities

In our commitment to sustainability and efficient management practices, we are in the process of implementing a unified travel management tool across all our group entities. This initiative aims to replace the current decentralised and varied travel booking processes – with some entities relying on local travel agencies and others booking travel independently – by adopting a comprehensive travel agency tool designed for large organisations.

This new travel tool offers an array of features aimed at promoting sustainable travel. It allows us to integrate restrictions into our travel policies effectively, such as limiting air travel to specific destinations in favour of more sustainable options. Through its innovative booking path, the tool enables users to view the carbon footprint of their travel choices and prioritise options based on the lowest carbon emissions, thereby facilitating the most environmentally friendly decisions.

Additionally, the platform enhances our ability to choose sustainable travel alternatives easily. For example, it provides an air-rail comparison tool, presenting alternative rail options alongside air travel for routes in countries including Norway, Spain, Sweden, Belgium, France, the UK, and the US. This feature not only supports our efforts to reduce carbon emissions but also aligns with our goals to offer more eco-conscious travel options, such as public transport and eco-friendly car rentals like hybrid or electric vehicles.

A pivotal aspect of the new travel tool's offerings is its robust capability to manage and track emissions. The tool generates up-to-date data on carbon emissions from air travel, rail, and hotel accommodations, allowing us to create customised reports to monitor and strategize over our carbon footprint effectively. Furthermore, its real-time carbon offset calculator and partnerships with platforms that support verified sustainability projects globally provide avenues for compensating our travel-related emissions.

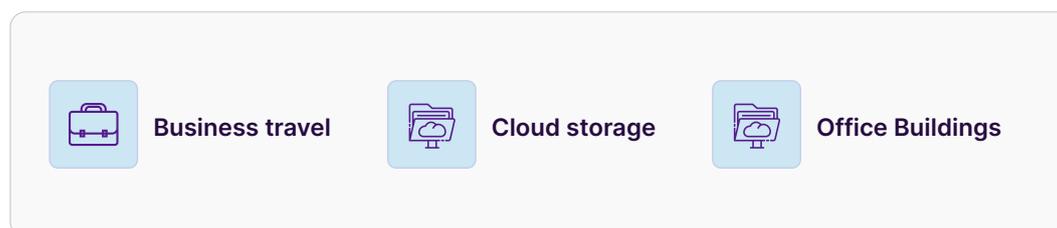
Our journey towards sustainable travel is also supported by the tool's consulting services, which help us identify gaps in our travel program and policies, measure our environmental impact, evaluate supplier partnerships, and enhance traveller awareness regarding sustainability.

By centralising our travel management with this new tool, we not only streamline our administrative processes but also reinforce our commitment to environmental stewardship, aligning our operational strategies with our core values of sustainability and responsibility.

Green energy operations

Mercell supports the transition to a low-carbon and resource efficient economy to combat climate change and ensure long-term competitiveness. The company has started the process of measuring the carbon footprint of its operations but is still at an early stage. According to the GHG protocol, Mercell mainly has indirect emissions from electricity consumption in office buildings and district heating and cooling (scope 2) as well as indirect emissions from business travels, data storage and cloud services (scope 3).

Mercell main impacted areas

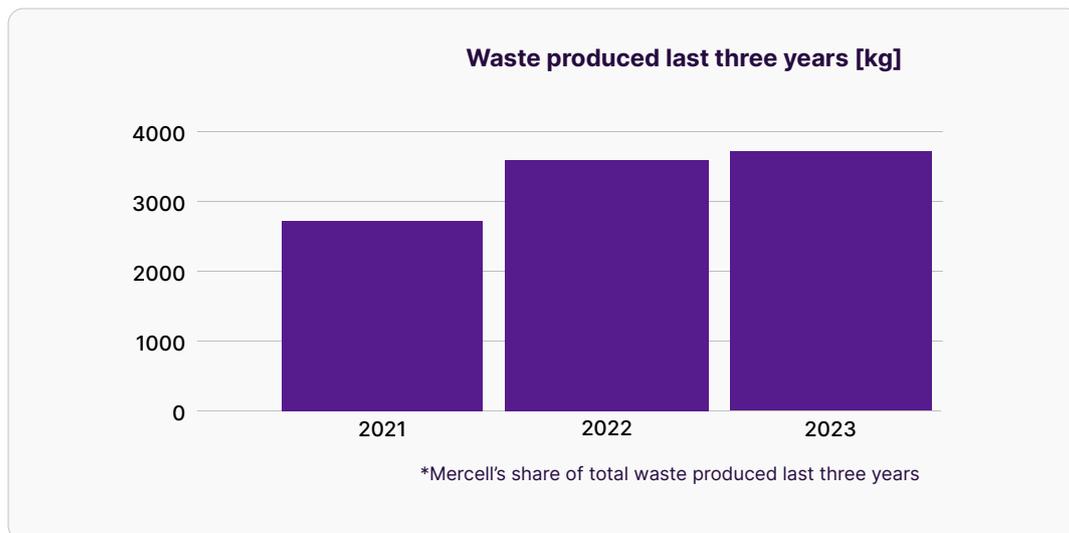
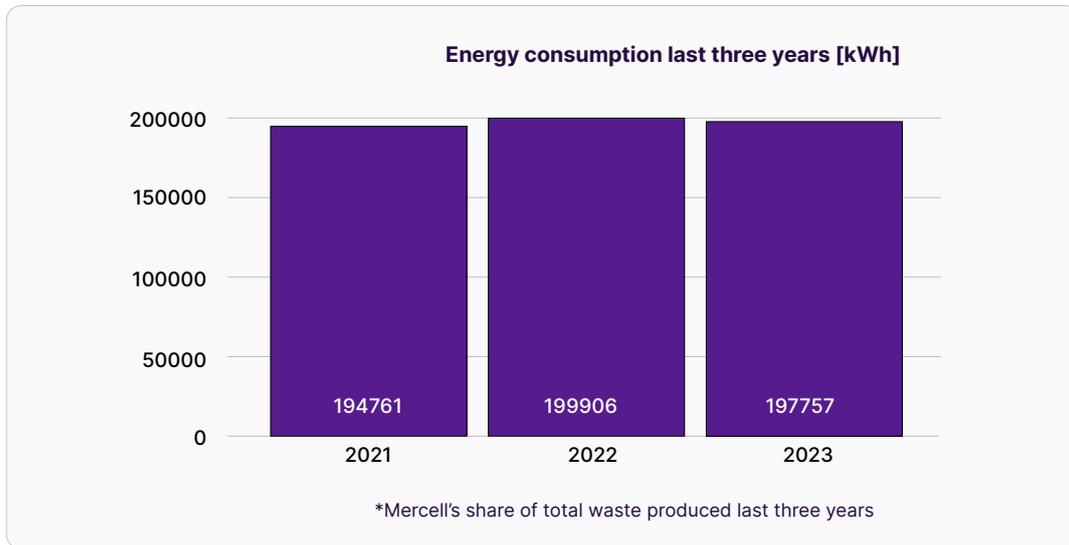


The next step for Mercell is to develop structures for collecting data on energy consumption and business travels across all entities. The table below shows the KPIs we are working on and include numbers on emissions and waste from our headquarters in Norway.

Mercell has already taken steps to increase its energy efficiency. In 2020 Mercell moved headquarters in Norway to premises with BREEAM certificate class Excellent. This building also has energy classification A, which ensures low energy consumption. ESG emission criteria were also taken into consideration when choosing new offices in Denmark. For collaborating across entities Mercell primarily uses electronic meetings. Some entities, such as Sweden, have developed travel policies where environmental impact is taken into consideration. Furthermore, we merged our 2 Stockholm office locations which will have a positive impact on our carbon footprint. For this brand new office in Stockholm we will have a BREEAM In-Use certification rating of "Very Good".

As a technology company offering software-as-a-service, Mercell has an environmental impact related to cloud computing and data storage, as data centres require much energy. Based on best practices for green technology, Mercell will start to incorporate environmental concerns into its cloud strategy.

Data Oslo HQ



Request for further information

Enhancing Sustainable Travel Across Our Entities

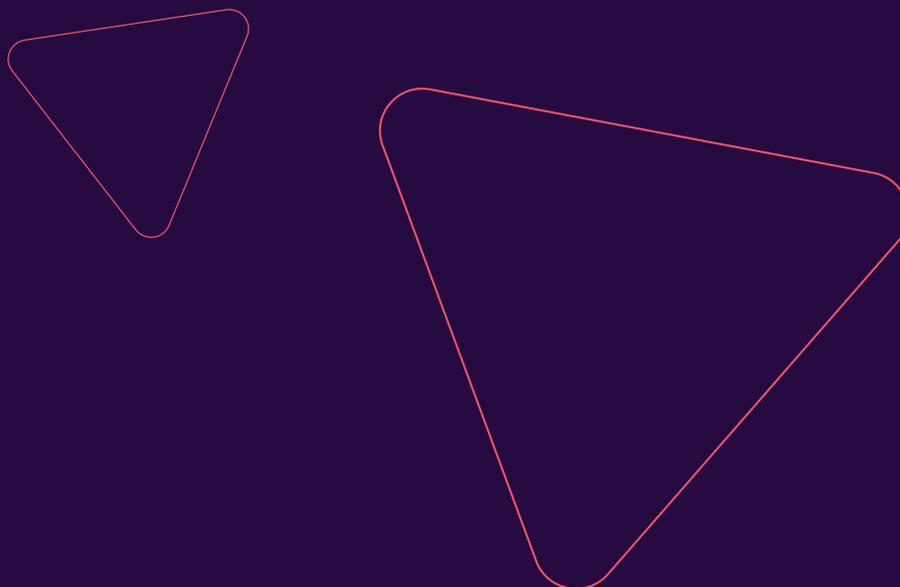
Mercell will always strive to be open on our integrity due diligence processes. This includes both general information and information relating to a particular product or service that we offer.

Therefore, Mercell is committed to providing transparency in accordance with the i.a. EU regulation and the Norwegian Transparency Act, and we strive to ensure that all stakeholders have access to the information they need to make informed decisions. To facilitate this, we offer a variety of ways to contact us and request more information.

We have a dedicated team who are available to answer any questions or provide additional information. You can reach us through our website, via email, or by calling our customer service. We will treat all inquiries with the utmost respect and consideration and make sure to provide the information requested in a timely manner.

Moreover, we have an open-door policy when it comes to ESG reporting. We offer regular updates for stakeholders to review, as well as insights for those who reach out for more information. We are committed to being accountable and transparent in all of our ESG reporting efforts and welcome any feedback or questions.

For further information please contact



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