Double materiality assessment

Report financial year 2024

Contents

Introduction to the double materiality assessment

Eficode has conducted a double materiality assessment according to the European Sustainability Reporting Standards (ESRS). This double materiality assessment has been performed in accordance with the European Financial Reporting Advisory Group (EFRAG) Implementation Guidance EFRAG IG 1 - Materiality Assessment (May 2024). A double materiality assessment is the process a company undertakes for prioritizing sustainability topics. Material topics are those topics that have been assessed by the company as significant or having substantial influence on the decisions and assessments of stakeholders due to either their impact on the company's value creation (financial materiality) and/or the impact the company has on people and/or the environment (impact materiality).

In this report we describe how Eficode has identified actual and potential, negative and positive impacts on Environmental, Social, Governance (ESG) topics concerning the environment and people including impacts on human rights, as well as financial risks and opportunities arising from sustainability matters across our operations and business relationships. We describe how we have prioritized the sustainability topics for reporting based on their materiality and how we have involved stakeholders in the process.

This assessment is not limited to Eficode's own operations, but includes the upstream and downstream value chain, and considers how Eficode can affect and be affected by sustainability matters in the short (financial year), medium (from the end of the short-term reporting period up to five years) and long term (more than five years). The output of the assessment is a list of topics that are important for both Eficode and our stakeholders, and they will be the focus of our sustainability reporting going forward. By adopting this approach, we aim to provide stakeholders with a clear and balanced perspective on our sustainability journey, ensuring that we contribute meaningfully to both economic growth and the well-being of our planet and society.

Process and method

Our sustainability context

Eficode creates value for its customers by leading them through the digital transformation of their global businesses into modern, software-driven organizations by using our expertise and passion to make software development efficient, predictable and profitable. Our sustainability context derives from our strategic building blocks, our core values and our responsible focus areas.

Strategic building blocks

Grow the best talent

We strive to bring together the best talent, united with a common mission. We invest in our ability to recruit, train and retain our expertise.

Build leading offerings

With our work, we transform businesses into modern software-driven organizations. We actively build leading-edge consulting practices and offerings with unique technology that differentiates us in the market.

Build thought leadership

We continuously build a reputation as a thought leader. This reputation elevates our profile as domain experts globally.

Ensure operational excellence

We will develop and improve our internal ways of working to get to the next level. We invest in scalable tools, processes and infrastructure across the Eficode group.

Drive international growth

We will make continued investments in building our customer base enabling us to grow in Europe and beyond.

Our core values

We want to change the world

We believe in change through software. When we share our knowledge, we make an impact. This creates a more connected, more automated, more delightful world.

We take pride in our results

Our experience and expertise move our customers forward. By helping them deliver value, we create long-lasting, successful relationships.

We learn every day

Continuous learning is our source of innovation. We face the world with curiosity and courage, and apply new practices and technologies to advance ourselves and our customers.
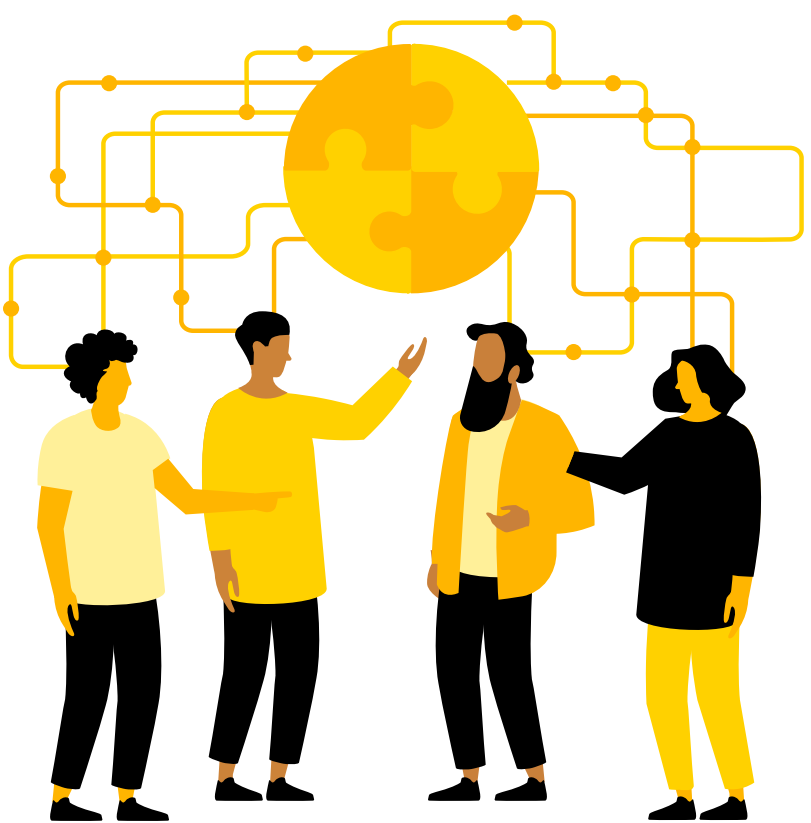
We complete each other

In a world that is diverse and complex, we can make our differences our differentiators. By working together, we amplify our strengths.

Our responsible focus areas

To date, our core responsible focus areas have been used as a framework for guiding, communicating and reporting on our vision, strategy, goals and activities in relation to sustainability.

Promoting equal opportunities

Promoting equal opportunities for our Eficodeans and wider communities.

Providing support for digital education

Supporting digital education and future generations of software development professionals.

Making a digital impact

How our business impacts the world around us through socially meaningful digital advancements.

Making environmentally-friendly choices

The decisions we make to reduce our company's negative environmental impacts.

Impacts, risks and opportunities identification process overview

The double materiality assessment prompted Eficode, for the first time, to formally, systematically and strategically integrate multidisciplinary activities for identification of impacts, risks and opportunities (IROs) into our Group management processes. The identification of IROs comes primarily from our business-as-usual activities, such as:

Risk management systems, i.e. ISO 27001

Management control and reporting systems

Audit processes

Functional processes, such as purchasing and sales

Stakeholder assessment and feedback

Human-rights risk assessments

Employee engagement surveys and forums

Peer-reviewed publications and industry expert knowledge sharing

In addition to the output from these activities, we conducted benchmarking within our industry, looking both at industry trends and predictions, as well as competitor analysis. We also engaged with our stakeholders as further described in the subheading below. The output of our identification activities and stakeholder engagement provided us with valuable input on our actual and potential positive and negative impact on the environment and society, including human rights, as well as the risks and opportunities affecting Eficode. The results are documented and approved by our Management Team, Audit Committee and finally, by the Board of Directors before being published. Throughout the year we will have separate meetings with material stakeholder groups to discuss relevant impacts and topics. The results of these discussions will be used as input for future iterations of the double materiality assessment.

Governance

This double materiality assessment has been conducted under the leadership of the Group Sustainability and Compliance Manager, supported by the ESG Steering Committee, an interdisciplinary group of Eficode employees from relevant areas of operations, and additional experts from the most important stakeholder groups. The ESG Steering Committee is composed of the Group Chief Executive Officer, Group Chief Financial Officer, Group Head of People and Culture, Group Head of Strategy and Corporate Development and Group General Counsel. The assessment is reviewed annually as a minimum, and the identified material topics are approved by the Management Team, Audit Committee and Eficode's Board of Directors.

Process steps

Eficode went through a number of steps to identify the actual and potential IROs relating to environmental, social and governance matters across our own operations, and in our upstream and downstream value chain. The outcome was a long list of IROs which we further analyzed and scored. Applying a suitable threshold for materiality, we then filtered the long list down to those matters that are material to Eficode and our stakeholders. The process steps for determining the material topics are described in Figure 1 below. The value chain, use of stakeholder dialogue and the scoring criteria used for impact materiality and financial materiality are described further under the following sub-headings.
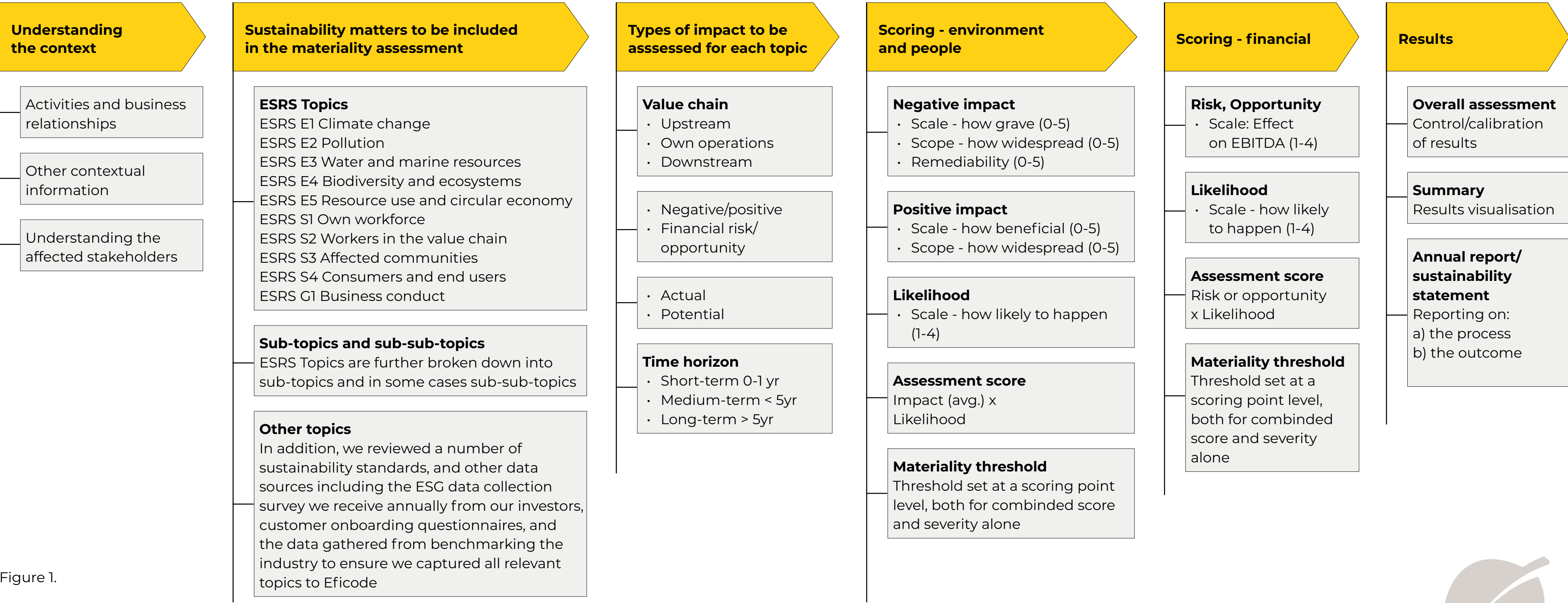
Understanding the context	Sustainability matters to be included in the materiality assessment	Types of impact to be assessed for each topic	Scoring - environment and people	Scoring - financial	Results
Activities and business relationships	**ESRS Topics** ESRS E1 Climate change ESRS E2 Pollution ESRS E3 Water and marine resources ESRS E4 Biodiversity and ecosystems ESRS E5 Resource use and circular economy ESRS S1 Own workforce ESRS S2 Workers in the value chain ESRS S3 Affected communities ESRS S4 Consumers and end users ESRS G1 Business conduct	**Value chain** · Upstream · Own operations · Downstream	**Negative impact** · Scale - how grave (0-5) · Scope - how widespread (0-5) · Remediability (0-5)	**Risk, Opportunity** · Scale: Effect on EBITDA (1-4)	**Overall assessment** Control/calibration of results
Other contextual information		· Negative/positive · Financial risk/ opportunity	**Positive impact** · Scale - how beneficial (0-5) · Scope - how widespread (0-5)	**Likelihood** · Scale - how likely to happen (1-4)	**Summary** Results visualisation
Understanding the affected stakeholders	**Sub-topics and sub-sub-topics** ESRS Topics are further broken down into sub-topics and in some cases sub-sub-topics	· Actual · Potential	**Likelihood** · Scale - how likely to happen (1-4)	**Assessment score** Risk or opportunity x Likelihood	**Annual report/ sustainability statement** Reporting on: a) the process b) the outcome
	Other topics In addition, we reviewed a number of sustainability standards, and other data sources including the ESG data collection survey we receive annually from our investors, customer onboarding questionnaires, and the data gathered from benchmarking the industry to ensure we captured all relevant topics to Eficode	**Time horizon** · Short-term 0-1 yr · Medium-term < 5yr · Long-term > 5yr	**Assessment score** Impact (avg.) x Likelihood	**Materiality threshold** Threshold set at a scoring point level, both for combinded score and severity alone	
			Materiality threshold Threshold set at a scoring point level, both for combinded score and severity alone		

Figure 1.

Our value chain and stakeholder engagement

Our value chain

Eficode has identified, at a high level, the key dependencies in its value chain. This has allowed for the identification of vulnerabilities and interconnections that may amplify risks. This enables us to implement strategic measures for resilience, ensuring a proactive approach to addressing potential challenges and enhancing the sustainability of our operations. As we develop our capacity in this area we will use more advanced value chain mapping to increase and deepen our understanding of risks, opportunities and dependencies, using systematic analysis to glean valuable insights into the activities of our supply chain. This will allow us to mature our evaluation and reveal opportunities for the integration of more sustainable practices and innovative solutions.

Stakeholder engagement

Our stakeholders' feedback is vital to assess the significance of impacts, risks and opportunities. Stakeholders can be divided into two groups: affected stakeholders and users of sustainability statements. The first one mostly consists of our suppliers, employees, local communities and society at large. Users of sustainability statements are often customers, investors, lenders and authorities.

We have identified our stakeholders by surveying the groups, organizations and individuals that are either impacted by our operations or, in a variety of ways, have an impact on our strategy and goal achievement. We considered what our stakeholders expect of us and how we meet those needs. Our most important stakeholders are shown in Table 1.

Stakeholder group	Description	Influence	Interest
Customers	Companies that purchase our services	High	High
Suppliers/Contractors	Companies that provide us with products and services	High	High
Partners	Companies that Eficode partners with to design or deliver services to customers	High	High
Employees	Individuals legally employed by one of our entities	High	High
Financial institutions	Such as banks, lenders and investors	High	High
Government institutions	Entities established by government	High	High
Certification institutions	Independent third parties that certify against recognized standards	High	High

Table 1.

We engage with our stakeholders continuously in order to identify and assess issues that are relevant to our ongoing relationships. We believe that stakeholder engagement is a valuable means of building transparency, trust and understanding across our value chain, and is integral for the development of a sustainable business. We achieve this ongoing dialogue through a number of channels, including:

- Customer satisfaction surveys
- Complaint procedures
- Community events
- Grievance mechanisms
- Employee forums and working groups
- Employee satisfaction surveys

- Partner events
- Audit programs
- Industry events
- Topic-focused panel discussions
- Topic-focused workshops
- Functional processes such as purchasing and sales

In addition to analyzing the information we receive through the above channels and incorporating it into our assessment, for this first iteration of our double materiality assessment, we asked stakeholders to complete a specific survey to collect their views on sustainability matters. We received 74 responses, ranging across stakeholder groups, with the large majority of responses coming from the employee stakeholder group.

On the next pages is an overview of the feedback we received from the stakeholder survey, which we combined with the data from other engagement sources to help us identify and assess IROs.

We asked stakeholders to share their perspectives on the impact Eficode has on the outside world. A summary of the feedback received is shown in Figure 2 below.

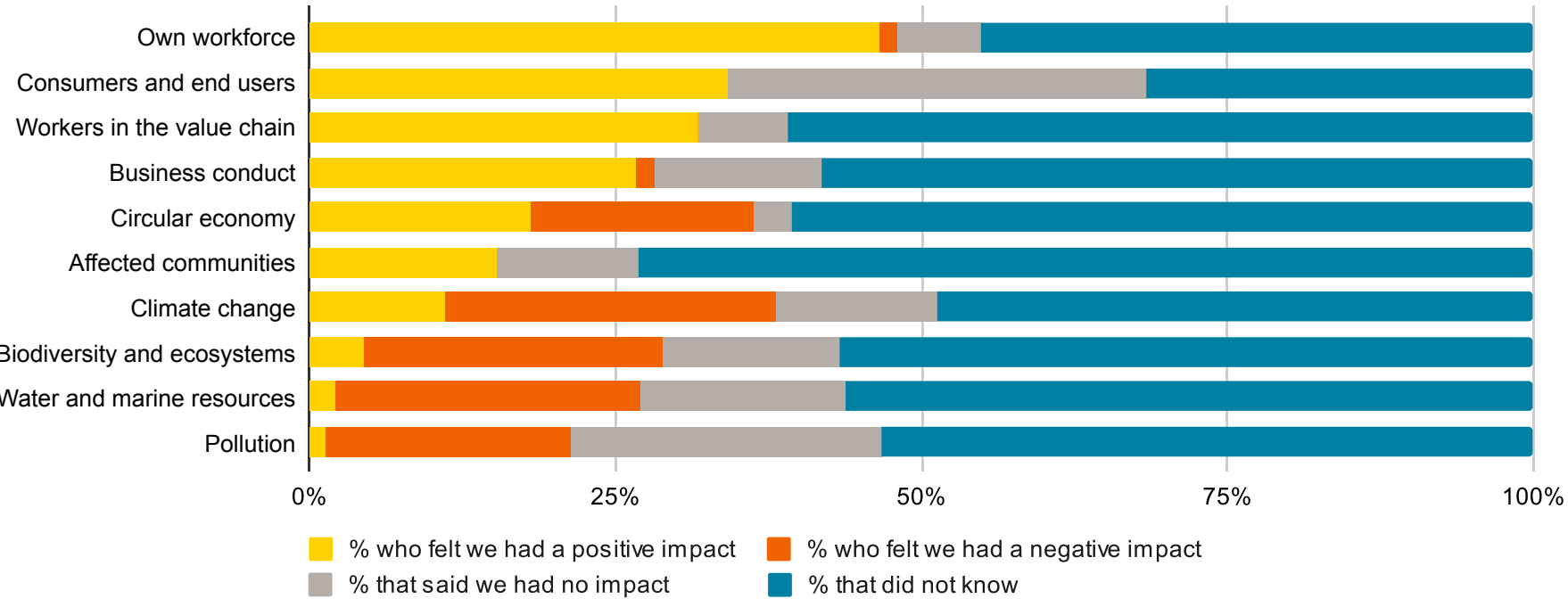## Eficode's Impact on the outside world

Figure 2

We asked stakeholders to share their perspectives on financial risks and opportunities facing Eficode. A summary of the feedback received is shown in Figure 3 below.
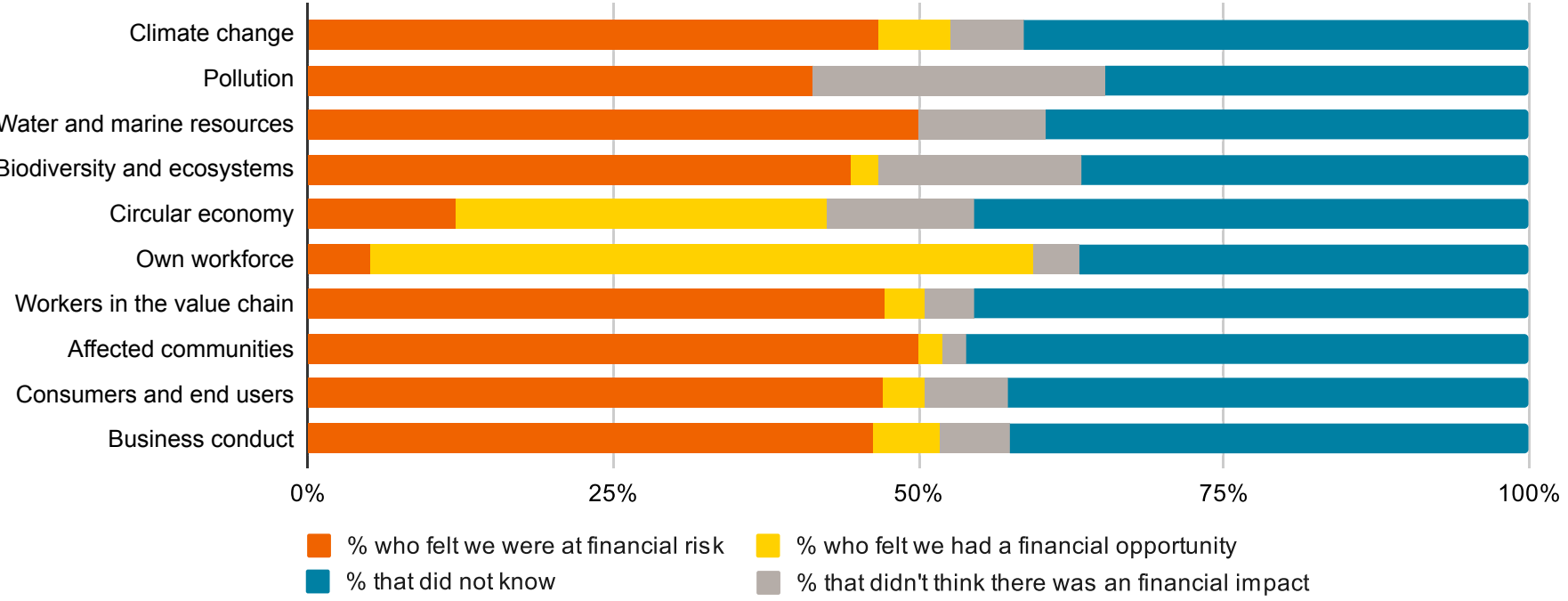
We asked stakeholders to share their perspectives on what topics they felt were important. A summary of the feedback received is shown in Figure 4 below.

Financial risks and opportunities
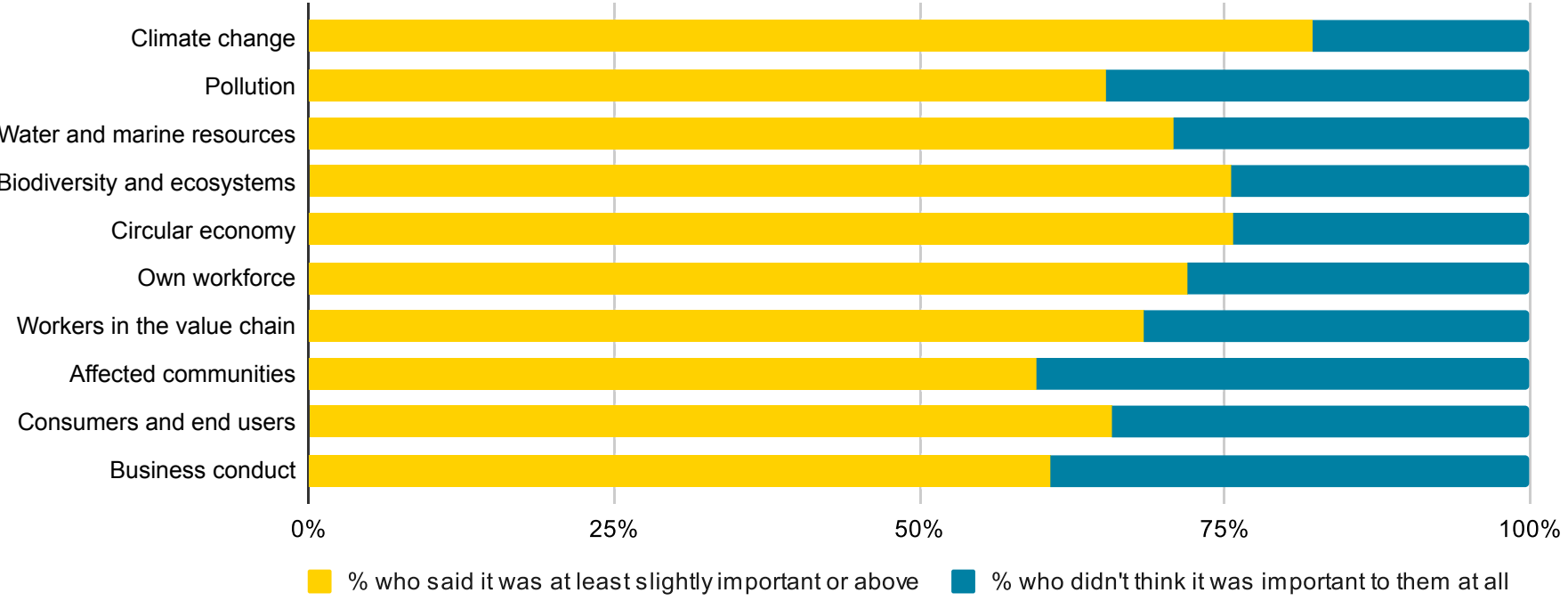

Figure 3

Stakeholder importance

Figure 4

Impact materiality scoring

The identified impacts were evaluated and scored based on their severity and likelihood. Severity is based on scale, scope and irremediable character as defined in ESRS 1.

Environmental impact

The metric of scale has been delineated following legal mandates and Eficode's current situation, serving as a criterion to assess the actual or potential scale of the impact. The determination of scope is dependent on the pervasiveness of the impact on the environment, exemplified by factors such as greenhouse gas emissions having a global effect on the environment. Remediation is defined as how difficult it is to reverse the impact on the environment.

Social impact

To determine the severity and likelihood of our positive and negative impact on people, we have defined a scoring based on the scale of the impact and size of the stakeholder groups affected. The definition used for the scale of the impact is centered around legal mandates and international standards, as well as Eficode's current situation. Remediability criteria are set based on how difficult it is to reverse the impact on people.

For potential impacts, the scoring is connected to the likelihood of the impact occurring. Likelihood is scored from less than or equal to a 10% chance, to more than a 90% chance. In the case of potential negative human rights impacts, the severity of the impact takes precedence over its likelihood. Any IRO assessed to potentially have a severe human rights impact is automatically deemed material without the need for further assessment.

For negative impacts, we have used the scoring criteria in Table 2.

Table 2: Negative impact score: Severity (A+B+C/3)			
Points (A/B/C)	Scale (A) How grave is the impact?	Scope (B) How widespread is the impact?	Irremediable character of impact (C) How difficult is it to reverse the impact?
0	None	None	Very easy to remedy
1	Minimal	Limited	Relatively easy to remedy short-term
2	Low	Concentrated	Remediable with effort (time & cost)
3	Medium	Medium	Difficult to remedy or mid-term
4	High	Widespread	Very difficult to remedy or long-term
5	Absolute	Global/Total	Non-remediable/Irreversible

Table 2.

For positive impacts, we have used the scoring criteria in Table 3.

Table 3: Positive impact score: (A+B/2)		
Points (A/B/C)	**Scale (A) How beneficial is the impact?**	**Scope (B) How widespread is the impact?**
0	None	None
1	Minimal	Limited
2	Low	Concentrated
3	Medium	Medium
4	High	Widespread
5	Absolute	Global/Total

Table 3.

Financial materiality scoring

Material risks and opportunities generally derive from impacts, dependencies or other factors, such as exposure to climate hazards or changes in regulation, that address systemic risks. A topic is relevant to Eficode from a financial perspective if it triggers financial effects on Eficode by potentially generating risks or opportunities that influence, or are likely to influence, the current situation, future development, financial position, cash flows, access to capital and the cost of capital, and therefore the enterprise value of Eficode in the short, medium or long term. This is covered by the EBITDA, i.e. "operating profit". EBITDA is defined by Eficode as operating profit before interests and other financing expenses, taxes, depreciation and amortization. Such risks and opportunities may not be captured by financial reporting as the scope of financial materiality for the sustainability statement is an expansion of the scope of materiality used to determine the information to be included in Eficode's financial statements.

In the assessment of the financial effect of the material topics, we have categorized all risks and opportunities based on impact on EBITDA, as shown in Table 4 below, as well as on the likelihood of the risk or opportunity materializing pre-mitigation. The EBITDA levels are the same, used throughout all financial risk and opportunity assessments in Eficode. Likelihood is scored from less than or equal to a 10% chance, to more than a 90% chance.

Table 4: Financial impact score		
Magnitude	**Definition**	**Score**
Minor	More than 0.5%, less than 1.5% of EBITDA	1
Moderate	Equal to or more than 1.5%, less than 3.5% of EBITDA	2
Significant	Equal to or more than 3.5%, less than 7.5% of EBITDA	3
Critical	Equal to or more than 7.5% of EBITDA	4

Table 4.

Materiality thresholds

After assessing our long list of IROs, we filtered them through our materiality thresholds in order to produce a shorter list of material IROs. We then reviewed the outcome, calibrating and applying controls to ensure we had captured all material IROs, and therefore, all material matters. The materiality thresholds used are summarized in Tables 5 - 7.

Table 5: Negative impact score			
Potential negative impact:	Maximum score:	20	Potential negative impacts that have a score of 5 or higher, are deemed to be material for Eficode due to the combined scale, scope, irremediable character and likelihood being such that the matter is material. Additionally, any potential negative impacts that have a scale score of 4 or higher, regardless of overall score, are deemed to be material for Eficode. Lastly, any potential negative impacts that could result in a severe human rights impact are deemed to be material for Eficode.
	Minimum score:	0.5	
	Materiality threshold:	5	
Actual negative impact:	Maximum score:	5	Actual negative impacts that have a score of 3 or higher are deemed to be material for Eficode due to the combined scale, scope, and irremediable character being such that the matter is material.
	Minimum score:	0.5	
	Materiality threshold:	3	

Table 5.

Table 6: Positive impact score			
Potential positive impact:	Maximum score:	20	Potential positive impacts that have a score of 10.5 or higher, are deemed to be material for Eficode due to the combined scale, scope and likelihood being such that the matter is material. Additionally, any potential positive impacts that have a scale score of 4 or higher combined with a scope score of 3 or higher regardless of likelihood, are deemed to be material for Eficode.
	Minimum score:	1	
	Materiality threshold:	10.5	
Actual positive impact:	Maximum score:	5	Actual positive impacts that have a score of 3 or higher, are deemed to be material for Eficode due to the combined scale and scope being such that the matter is material. Additionally, any actual positive impacts that have a scale score of 4 or higher, regardless of overall score, are deemed to be material for Eficode.
	Minimum score:	1	
	Materiality threshold:	3	

Table 6.

Table 7: Financial impact score			
Risks:	Maximum score:	16	Risks that have a score of 8 or higher are deemed to be material for Eficode due to the combined magnitude and likelihood being such that the matter is material. Additionally any risks that have a magnitude score of 4 or higher, regardless of likelihood are deemed material for Eficode.
	Minimum score:	1	
	Materiality threshold:	8	
Opportunities:	Maximum score:	16	Opportunities that have a score of 8 or higher are deemed to be material for Eficode due to the combined magnitude and likelihood being such that the matter is material. Additionally any opportunities that have a magnitude score of 4 or higher, regardless of likelihood are deemed material for Eficode.
	Minimum score:	1	
	Materiality threshold:	8	

Table 7.

Double materiality assessment results

Table 8 shows details of which of the ESRS topics and sub-topics are material. It shows where in the value chain a topic is material, whether it is material based on Eficode's impact or financial impact, and if it is a positive or negative impact. Some topics are linked to both positive and negative impacts and/or risks and opportunities, depending on where in the value chain they are assessed. The results have been aggregated to sub-topic level but details of the sub-sub-topics can be found in Appendix A.

I - impact on environment and people. R - financial risk. O - financial opportunity. Ne – negative. Po – positive.

Topical ESRS	Topic	Sub-topic	Upstream				Own operations				Downstream			
			I Ne	I Po	R	O	I Ne	I Po	R	O	I Ne	I Po	R	O
ESRS E1	Climate change	Climate change mitigation	🟥					🟥			🟩	🟩		
		Energy	🟥				🟥		🟥		🟥			
ESRS E3	Water and marine resources	Water	🟥											
ESRS E5	Circular economy	Resource inflows, including resource use	🟥				🟥							
ESRS S1	Own workforce	Working conditions					🟥	🟩	🟥					
		Equal treatment and opportunities for all					🟥	🟩	🟥					
		Other work-related rights					🟥	🟩						
ESRS S2	Workers in the value chain	Working conditions	🟥											
		Equal treatment and opportunities for all	🟥											
		Other work-related rights	🟥		🟥									
ESRS S3	Affected communities	Communities' economic, social and cultural rights	🟥											
ESRS S4	Consumers and end users	Information-related impacts for consumers and/or end users									🟥	🟩	🟥	
		Personal safety of consumers and/or end users									🟥		🟥	
ESRS G1	Business conduct	Corporate culture						🟥	🟩					
		Management of relationships with suppliers, including payment practices	🟥						🟥					
		Corruption and bribery	🟥						🟩	🟥				

Table 8.

20

Management of material topics

The double materiality assessment guides our strategic priorities and supports us in developing capacity within our business to improve our impact under material topics and to understand and manage our risks and opportunities.

This section is an introduction to our general approach to managing material topics, an approach which we continue to develop and mature as we continue to learn and improve. We look forward to ongoing engagement with our stakeholders on this journey and encourage all interested parties to keep abreast of our progress via our website.

Policies and guidelines

Eficode has a set of policies and guiding documents that cover a broad range of ESG topics, and all employees undergo mandatory training on these topics annually:

- Code of conduct
- People policy
  - Anti-harassment policy
  - Diversity, equity and inclusion policy
- Anti-bribery and corruption policy
- Health and safety policy

- Human rights policy
- ESG policy
- Supplier code of conduct
- Security policy and sub-policies
- Whistleblowing policy
- Social media policy

General approach

Our general management approach assigns the Group senior management members to manage the material topics within their respective areas. They are also responsible for implementing the relevant sustainability measures for each topic. The ESG Steering Committee will address and follow up on material topics and initiate processes aimed at developing policies, actions, metrics and targets within the boundaries of the material topics. The ESG Steering Committee reports to the Board Audit Committee. The members of the ESG Steering Committee represent the whole value chain within Eficode and have relevant background and experience within the sustainability aspects of the company. The Board of Directors evaluates the objectives, strategies and risk profiles at least annually. Specific targets and metrics linked to the material topics are evaluated by the ESG Steering Committee. New targets and metrics are approved by the Audit Committee or, where necessary, the Board of Directors.

Appendix A

Standard	Topic	Sub-topic	Sub-sub-topic
ESRS E1	Climate change	• Climate change mitigation • Energy	
ESRS E3	Water and marine resources	Water	• Water consumption • Water withdrawals
ESRS E5	Circular economy	Resource inflows, including resource use	
ESRS S1	Own workforce	Working conditions	• Secure employment • Working time • Adequate wages • Work-life balance • Health and safety • Social dialogue • Freedom of association, the existence of works councils and the information, consultation and participation rights of workers
		Equal treatment and opportunities for all	• Gender equality and equal pay for work of equal value • Training and skills development • Measures against violence and harassment in the workplace • Employment and inclusion of people with disabilities • Diversity
		Other work-related rights	• Child labour • Forced labour • Water and sanitation • Privacy
ESRS S2	Workers in the value chain	Working conditions	• Secure employment • Working time • Adequate wages
		Equal treatment and opportunities for all	• Gender equality and equal pay for work of equal value • Employment and inclusion of people with disabilities • Measures against violence and harassment in the workplace
		Other work-related rights	• Child labour • Forced labour • Water and sanitation • Privacy
ESRS S3	Affected communities	Communities' economic, social and cultural rights	Water and sanitation
ESRS S4	Consumers and end users	Information-related impacts for consumers and/or end users	Privacy
		Personal safety of consumers and/or end users	Security of a person
ESRS G1	Business conduct	• Corporate culture • Management of relationships with suppliers, including payment practices	
		Corruption and bribery	• Prevention and detection, including training • Incidents