



DHH Group

sustainability report 2022

March 21, 2023

*The internet infrastructure
of the emerging digital economies*

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ESG report introduction

In 2021, DHH published its first ESG report. This report outlines the Company's continued sustainability effort in 2022, accomplishments and changes compared to the previous year, and areas for improvement. We believe that ESG has a fundamental impact on all of the things we do, including how our teams collaborate and how our Company is branded as an example. We work on enhancing the opportunities and living conditions in the markets and communities where DHH operates. Nevertheless, we are conscious that considerable work has to be done in order to define realistic sustainability goals and operate all of our portfolio firms sustainably.

DHH always strives to meet all the stakeholders' expectations, and in 2022 we met almost all of them, achieving the set income growth and new customer growth. The costs, however, have also risen due to the electricity price spike. Nonetheless, we are motivated to continue working toward our objectives in 2023 by strengthening organizational readiness and winning investors' confidence along the way.

We lay out our pledges to conformity with Environmental, Social, and Governance (ESG) standards as well as the United Nations Sustainable Development Goals (SDGs) in this paper (the "Sustainability Report"). The following chapters present the most relevant sustainability initiatives from the Group's portfolio companies.

1. About DHH

The key environmental impact of the ICT industry in which DHH operates is that it is an energy-intensive industry. The power consumption of the data centers represents a major environmental negative effect. One distinguishing feature of DHH is how it is modernizing the ICT industry is the development of engaged, active relationships based on shared purpose with our clients. Using this strategy helps us run operations that are healthy, energy-efficient, and data-driven.

We, as a Group, made significant progress over the year. Among our ESG highlights across the Group was the ongoing promotion of digital inclusion and the creation of opportunities for social empowerment through digitization and modernization. In order to provide continuous socioeconomic contributions to the markets we serve and for the Group as a whole to achieve sustainable corporate growth, we consciously take the appropriate steps. DHH is attentive to fostering leadership by incorporating sustainable business practices across all levels of portfolio firms.

2. DHH Group's values

As a fast-growing cloud computing, internet access, and hosting provider in the area, DHH is at the intersection of industries, people, and the environment. The Company helps other companies and individuals to communicate and do business in a way that reduces their carbon footprint. In an effort to keep sustainability as a crucial aspect of how we do business, we are forming innovative partnerships, investing in the welfare of our communities, and helping our clients reach their carbon emission objectives.

The expectations of stakeholders are to create an effective organization that has a positive impact on society and the local community. During these difficult times, the expectations of stakeholders changed. As a result of inflation and delays in the supply chain, suppliers raised the prices of goods and services, employees demanded salary raises, and investors expected company growth to justify their investments.

However, in order to exceed the stakeholders' and clients', the Company is remaining attentive to following the trends in clean technologies and anticipating the future enough to intercept a latent demand that will become increasingly concrete with the generational turnover. Companies operating in the sector of technology are accustomed to having a vision in this respect because every development gives an advantage and opens up prospects. DHH is aware that even at the same price and quality, consumers may prefer products that are sustainable.

3. DHH Group's alignment with UN SDG goals

As no specific regulation has been passed for the ICT industry, it is left to the market itself to adapt and require companies to become more responsible when it comes to sustainability. In order to streamline its efforts, DHH adopted the SDG framework to define and prioritize ESG objectives and goals.

In 2022 we remained dedicated to the UN SDGs and doing our lot to address global environmental and social challenges. We've been focusing on SDG 4 on Quality Education and SDG 11 on Sustainable cities and communities as major impact areas across our reach through a variety of sustainability activities.

Our current sustainability commitments are mapped to seven of the SDGs that our team has identified as the most critical and pertinent to DHH's operations. We align with the following SDGs:

Environmental goals	Sustainable cities and communities, responsible consumption and production (goals 11, 12)
Social goals	Quality education, gender equality, decent work and economic growth, and reduced inequalities (goals 4, 5, 8, 10)
Governance goals	Industry, innovation, and infrastructure (goal 9)

With a dedication to ethics, we work to accomplish our purpose. The most crucial goal is developing innovative, durable, and reusable infrastructure. We believe that the key to sustainability and long-lasting success is to consistently communicate the ideals of responsibility for our work in a way that is inclusive of both employees and clients.

The goals and the progress toward annual objectives are discussed and monitored fairly regularly. For example, Quality education is addressed at the beginning of the year and integrated with the Company's objectives. Decent work and economic growth are reported on during quarterly meetings.

4. DHH Group's commitment to ESG

DHH was founded in 2015 and now comprises a holding company and a portfolio of completely owned enterprises. The Company's major goal is to deliver trustworthy services to business clients and telecom operators at affordable pricing. Its main objective is to provide superior services to clients in order to meet their high requirements. Numerous cloud computing, internet access, and hosting services are provided by the nine distinct businesses in Serbia, Slovenia, Italian Switzerland, Bulgaria, and the former Yugoslav Republic of Macedonia. The Group provides a range of add-on goods, including website builders and SSL certificates, in addition to colocation services.

DHH consists of the Italian-based companies Seeweb, Tophost, Connesi, and Warian (relevant minority participation with an earnout in progress), Slovenian-based Webtasy, Serbian-based Plus, and mCloud, Swiss-based DHH Switzerland, and the Bulgarian-based Evolink, as well as various minority interests.

If we want to inspire others to take similar steps, we must advance social justice and combat climate change via our operations, duties, and connections. To help our clients migrate to a low-carbon economy, we are pursuing significant projects that encourage innovation while also running efforts that support environmental responsibility, social justice, and community impact.

ENVIRONMENTAL GOALS

The foundation from which a firm like DHH must start to strive to support the success of others is the development of robust infrastructure and the promotion of innovation and fair, responsible, and sustainable industrialization. We expect to achieve the sustainability balance before the deadlines set by EU and/or national requirements because we have been working to decarbonize our Company for at least four years.

Employees at DHH believe that environmental preservation is incorporated at every level of the business, from operation to management, and that projects and activities like saving electricity, rubbish sorting, going paperless, and opting for glass cups rather than single-use plastic ones demonstrate this. By continuously looking for any potential reductions in the number of servers we require, we have streamlined the use of the hardware required to provide our services. To use less power and conserve electricity, we have combined a lot of smaller servers.

Use of resources

More services will migrate to the cloud and become "on-demand" in order to reduce resource waste. Resource reduction will be necessary for the future, and every Company will need to develop a sustainability plan. In order to save expenses and their carbon footprint, we anticipate that more corporate clients will look into local and regional cloud providers or use multi-cloud strategies.

Every piece of equipment we buy is always replaced after the amortization period ends. Regular updates to the equipment inventory and list make it easier to prioritize which pieces

of equipment need to be replaced. The list is distributed across the whole organization, from top to bottom, so that everyone is aware of the plan for replacing equipment.

We are committed to the smart use of resources by using caching and making the services that we offer to end customers as light as possible and lowering our carbon footprint as possible. In order to decrease power consumption and carbon emissions, we want to improve server efficiency and expand the number of cloud-based and on-demand applications. In comparison to the previous year, in some regions, we migrated all servers to one data center and consolidated all the data center costs.

Increased demand for storage is not only a problem for our Company, but a worldwide issue so we expect some new solutions will be presented in years to come. We anticipate that we will be under considerably more pressure to reduce our use of electricity. We employ free cooling technology throughout the colder months of the year to cut down on the energy needed for cooling. We have begun turning on the micro cloud servers, which use 36% less energy.

Energy efficiency

We still believe that our business' greatest environmental effect comes from our use of power. This is the major driver for our ongoing investments in infrastructure and technology to raise our data centers' PUE (Power Usage Efficiency). In comparison to 2021, we reduced the PUE of our primary data center, EDCS2, by 2% in 2022. We have also reduced electricity bills by switching to all LED lighting and replacing almost all old AC units with more modern ones.

Evolink reports increasing power usage efficiency by 2%, while DHH Switzerland reduced total electricity consumption by 35%. By employing high-efficiency devices, energy spending was reduced by 15% at Warian. The reductions were made feasible by enhancing data centers' capabilities. Some companies like Connesi report a strong reduction in total electricity consumption from 2021 to 2022 of 16,28% against an increase in personnel and electric cars. One Company reports swapping remote nodes' power supply with high-efficiency models - a simple action it took to reduce energy consumption.

New solutions must be developed to reduce carbon emissions, especially in data centers, which consume the most energy. We anticipate rising power costs, which puts pressure on us to continue making investments in strategies to increase the PUE of our data center operations. Data centers that use renewable energy sources will gain an advantage. We are already lowering the amount of electricity required by recycling data servers and expanding the use of cloud services, but data centers will ultimately need to integrate renewable energy sources like solar. From the point of view of the energy efficiency of the Data Center, we have reduced consumption by relocating our equipment and servers to DNSH-certified data centers.

In addition to this, one of the companies offsets a large part of its CO₂ emissions with the maintenance and management of a forest of over 1,5 hectares located within the natural park of Colfiorito, Italy. Finally, the cooling and heating system of one of our main offices in Italy was also built with a heat pump system that allows a considerable reduction in energy and a reduction of consumption of raw materials.

Supplier selection

The majority of the actions we do now relate to favoring “green” suppliers over others. Clients must feel confident in making an educated choice of their providers. Because of this, the degree of sustainability may play a crucial role in defining supplier consideration.

Some of our suppliers still heavily rely on single-use plastics, especially in terms of large packaging, thus these are the areas that still need to be improved. In addition, the characteristics of the product itself are also considered when choosing a supplier. For example, when selecting a vendor for a new device, power consumption is given more weight.

Some companies report that, even though they did not phase out coal, due to the uncertainty of gas energy, no new power plants powered by coal are planned in the region. This led to using much more green energy (wind and solar) than before.

Commute and travel

As a consequence of the assistance of the “videoconference”, which has had a significant operational influence, the activities of business visits, notably for commercial and administrative employees, have been significantly decreased in the post-covid period. The workers who reside further away from the corporate headquarters already work most of the time remotely, minimizing their presence at work and enhancing productivity while lowering the negative effects of commuting. The commuting emissions per employee were nearly zero in some of our portfolio firms.

The issue of transportation has been handled with a notable growth in electric means of transportation relative to internal combustion cars this year compared to the previous. One of DHH’s portfolio companies now has a fleet of 14 cars, 3 of which are fully electric.

Waste management

For some years now, DHH has significantly implemented activities aimed at environmental sustainability. We sort waste and use energy as sparingly as possible. In particular, plastic bottles, plastic writing pens, and the use of single-use plastic have been minimized throughout the Company. In some companies, we use systems that filter the drinking water of the public aqueduct, and at the same time, each collaborator has been equipped with a multipurpose thermal bottle. Compared to the previous year, we recycled much more paper documents and have more digitized accounting processes.

Compared to 2021, there have been no major changes except a greater focus on waste management and the reduction of emissions. We need to move on to the training of the staff, and in this regard, we have set ourselves the objective of providing training to improve the staff’s understanding of sustainable management.

We ensure all our old equipment is disposed of in a proper manner. Items such as toners are collected and sent to vendors who refurbish them and give them a 2nd or 3rd life.

Several of the companies in the portfolio have reported having completely eliminated using paper or plastic. A paperless workplace means printing only what is required by law and storing all other documents digitally. Some companies have a procedure in place for collecting and discarding used batteries for both employees' personal batteries, and batteries used in UPS systems are covered. All garbage is also sorted and recycled. Some DHH portfolio companies recycle outdated servers or pass them on to local colleges or schools rather than throwing them away. A defined procedure for giving servers away was experimentally established in some portfolio companies in 2022.

SOCIAL GOALS

It is important to DHH to enable equitable, non-discriminatory working opportunities for our employees and collaborators that foster personal development while also adhering to health and safety regulations and our fundamental values.

DHH's ability to build its Company sustainably depends on making decisions and investments that are designed for a workforce and a local community that is prepared for the future. To improve our shareholder returns, this includes controlling our ESG aspects and generating positive direct and indirect value across all of our strategic investment decisions. It also requires agility in adjusting our Company plan to take advantage of possibilities and meet connectivity, data, and digital requirements in an economy that is becoming more and more digital.

Sustainable communities

We try to stimulate all initiatives that come from the team regarding environmental protection. We participate in the Initiative [Plastic Caps for Future](#) which encourages charity, solidarity, and recycling altogether for a better future for the youngest.

DHH places constant attention and respect on safety, health, and environmental issues. As it does business in various communities in the region, the Company feels the obligation to a positive contribution to society and the environment and an obligation to comply with well-respected and honest practices related to marketing and sales. In addition, DHH works on resolving ethical issues in an effective and transparent manner.

Decent work and economic growth

We have enacted a Code of Ethics that outlines expectations for behavior from DHH's Board members, managers, and all other staff members. This code also includes our expectations for our vendors, suppliers, contractors, and other third parties. At DHH, we place great importance on honesty, integrity, and respect for all people. We never compromise these principles in order to advance our business.

Gender equality is also important. We currently have more than 50% of women working with us, and our tech admin with the highest title is a woman.

Quality education

The opportunity for everyone to have a digital presence, as well as the growth of the community through employment and education, are major social implications of DHH's work. We participated in many IT trade shows both domestically and internationally last year. To inspire or educate others, our staff also hosted meetings, lectures, and other events. Most important thing is that we do a lot of educational events and we offer internships to young graduates.

In addition to internal education, quality education is something DHH strives to achieve through collaboration with nearby institutions to offer lectures to students and internship possibilities for students.

GOVERNANCE

The foundation of a responsible and sustainable business is good governance. Our managers are given the freedom to act as a conduit for the development of value for our other stakeholders, with guidance from our Board and assistance from the Group. Processes and procedures that seamlessly assure efforts toward realizing our vision and business plans, as well as generating returns on investment for our investors and the Group, are made possible by strong governance with regard to ESG.

We have encouraged competent scrutiny of environmental concerns and sustainability management at the Board level. We aim for more active and meaningful cooperation using our diverse Board to achieve DHH's sustainability goals following important awareness engagements with the Board on sustainability.

Safety and privacy

Our company principles, which include operating responsibly, include good governance, particularly in the areas of data privacy and cyber security. As a digital business, we understand how important it is to safeguard the privacy of the data we collect from our clients, staff, and other stakeholders. Our organization as a whole, both internally and internationally, makes sure that data is treated with the utmost care and thoroughness.

5. Points of improvement and plans for the future

The energy efficiency in the industry is suboptimal. Servers use a lot of electricity to run and, as a byproduct, create a lot of heat which requires strong air-conditioning, which in turn increases electricity use even further. Excess heat is released and not utilized. DHH's main future target is to lower the cost of electricity by optimizing server capacity and switching to more efficient servers (ex. multi-cloud servers).

While our industry does not produce toxic waste, it does consume a lot of electricity and old equipment (servers, cables, routers, etc.) that must be recycled to avoid polluting the environment. Electricity production still relies on non-renewable resources, so our impact is

not negligible. We are already investigating many operational solutions. For example, the possibility of using refurbished hardware with a warranty is one of them.

Even though the Company's IP MPLS network is solely based on fiber, which aggregates high bandwidth and eliminates the need for multiple copper cables, it also consumes a significant amount of electricity for power and cooling of IT infrastructure in our data centers.

While some portfolio companies have already defined optimistic sustainable goals, not all DHH companies have yet joined this overarching vision of sustainable development. The main future objectives of one of the companies are the construction of a photovoltaic system on the roof of the headquarters by 31/12/2023 and the upgrade of the entire car fleet to full electric by 31/12/2025.

DHH is influencing collaborators to change for the better. We have asked most of our partners to start using "digital first" documentation (ex. invoices) so that there is as little need for paper as possible. Consequently, we get less physical mail, and more processes are handled online. Moreover, DHH plans to require the data center partners to start providing electricity from 100% green energy sources. Industry-wide, there are effective examples of how to utilize the surplus heat generated by servers and data centers. In the future, more options will likely become accessible, and DHH intends to stay on top of changes in the industry.