



ten square\_games

# **NON-FINANCIAL DISCLOSURE OF TEN SQUARE GAMES CAPITAL GROUP FOR 2023**



\*this file is an excerpt and an integral part of the Management Board's Report on the Activities of the Ten Square Games S.A. Capital Group. for 2023

# 34.

## SOCIAL RESPONSIBILITY (ESG)

### 34.1. Introduction

Although the Ten Square Games Group is not subject to the reporting obligation introduced under Article 49b of the Accounting Act of September 29, 1994 and Article 55 paragraphs 2b-2c., the Parent Company's Management Board takes into account the interests of various social groups, environmental protection, as well as relations with various stakeholder groups at the stage of building its business development strategy.

In 2023, the Ten Square Games S.A. Group began preparations for reporting under the EU Corporate Sustainability Reporting Directive (CSRD), which requires it to prepare a non-financial report starting with the 2025 report. The report will be created in accordance with the requirements of the ESRS (European Sustainability Reporting Standards) and will present information and figures about the Group's Parent Company and its subsidiaries. To prepare for this process, Ten Square Games Group has carried out a number of activities in 2023, such as:

- » a materiality study,
- » analysis of climate risks, and
- » taxonomy compliance study.

A description of these is provided in the following section. This work, as well as a number of workshops and training sessions, served Ten Square Games Group to revise its data collection processes and identify the groups of data that will be necessary for Ten Square Games Group's future sustainability report to be fully compliant with regulatory requirements in this regard.

In 2024, Ten Square Games Group is planning further steps to bring the Group closer to regulatory compliance. One of the most important of these will be, among other things, the development of Ten Square Games Group's ESG Strategy.

In carrying out sustainability activities, the Parent Company's Board of Directors annually establishes an ESG action plan and allocates a budget for these activities, in order to realistically help address relevant global issues in line with the company's value of „Be Part of the Change.“ It is the ambition of the Parent Company's Board of Directors to ensure that the Group's business activities do not have a negative impact on the environment and build long-term value for all stakeholders including: players, business partners, people providing work and services to the Group.

Ten Square Games' management, both at the strategy development stage and in daily business operations, strives to implement international Environmental, Social, and Governance (ESG) standards. The Parent Company works with global organizations such as the Fair Play Alliance and Tech To The Rescue to apply more sustainable solutions in the products it offers and to share resources with NGOs.

## **34.2.** **Business model of Ten Square Games**

TSG Group is a market leader in innovative hobby-themed mobile games that accompany players for many years. The value of the mobile game market reached \$90.5 billion (Newzoo) in 2023 and is projected to grow in the long term.

TSG Group's business model is based on providing free-to-download games with monetization realized through in-app payments made by players. A key element of the monetization strategy are so-called Live Ops – regularly scheduled in-game events that engage players through new tasks and objectives.

The Group's main products are described in Section 3 of the Management Report on the Operations of Ten Square Games Group and Ten Square Games S.A. for 2023. In section 11 of the above document, the Parent Company's Board of Directors outlined the strategy of its operations and expected development.

In April 2023, The Parent Company's Management Board revised its existing business strategy. This was in response to rapid structural changes in the mobile game market. Ten Square Games Group focused on the development of major projects, abandoned the further development of two projects, and adjusted the employment structure to the market condition and development plans. Thanks to rapid adaptation to changing market conditions, the Group is starting 2024 with a stable financial position, ready for the next stage of development.

The 2023 materiality survey confirmed that TSG Group's employees and consumers (end users) are the most important for its development. The Group operates in an industry where the creativity and innovation of the people employed are the most important in the struggle for market position. Therefore, since its inception, the Group has attached great importance to creating an attractive workplace that attracts talent from around the world. At the end of 2023, 76% of all the Group's employees were of Polish nationality, and 24% of the Group's employees represented other nationalities.

Ten Square Games also cares about relations with its users by creating a top-notch customer service team whose main task is to maintain good relations with players. The games developed by the Group are aimed at adult users over the age of 18.

In order to better understand the needs of players and respond to them more effectively, the Parent Company's Management Board of commissioned a study of the characteristics of players of the main products. Its results confirmed that Fishing Clash and Hunting Clash players are dominated by men, who account for 84% and 83% of players, respectively. In both games, the largest age group is those aged 35-54, who account for a total of about 68% of players. The 18-34 age group accounts for about 10-11%, and the 55+ group accounts for about 21% of players.

Most Fishing Clash and Hunting Clash players are established family members and working professionals. Their main motivation for participating in the game is to overcome more challenges, earn the most points, and spend time with and compete against people with similar interests. The majority of players list fishing and hunting as their hobbies in the real world, indicating a strong link between their life interests and their choice of games.

Based on a voluntary survey of Wings of Heroes players, it was found that fans of the title are mature people – the average age of a player is about 49. It is dominated by men, who make up about 98% of players. They share common interests, among which are history, aviation and outdoor activities. Wings of Heroes players are interested in expanding their knowledge of airplane flying and history. They are eager to play realistic flight simulators.

### 34.3. Corporate culture

The corporate culture at TSG is centered around 5 core values. They are regularly discussed and promoted by the Parent Company's Management Board. Meetings with employees throughout the Group are held at least twice a year. They provide a platform for discussion of the Company's values, their understanding and application to daily work. These values include the courage to explore, responsibility, cooperation, quick adaptation to change and mutual trust. The regularity of the meetings ensures continuous reflection on corporate culture and its integration into TSG's operations.

The main values promoted by Ten Square Games are:

- » **Dare to Explore:** Encouraging creativity, innovation and learning from mistakes.
- » **Own It (Be Responsible):** promoting responsibility, creativity and self-reliance.
- » **Grow Together:** fostering cooperation, personal and professional development within a team.
- » **Change Fast:** adapt to a rapidly changing market environment.
- » **Trust:** transparency, openness and honesty.

These themes are not only promoted in meetings, but are also evaluation criteria in recruitment processes and during employee evaluations, highlighting their importance to TSG's organizational culture.

The Parent Company's Management Board also supports grassroots employee initiatives, which demonstrates the practical dimension of a commitment to shaping corporate culture. In addition, Ten Square Games' Board of Directors recognizes project responsibility and the courage to explore as crucial to the company's success, which is communicated to employees as important elements of corporate culture that build TSG's competitive advantage in the mobile game market.

The Parent Company's Management Board has tools in place to support the corporate culture, including:

- » **Funding for employee initiatives** – shows the Board's support for innovation and employee engagement.
- » **Assessment of fit with corporate culture during recruitment** – ensures that new employees will act in accordance with company values.
- » **Regular employee evaluations** – includes an assessment of how well employees' behavior aligns with the organizational culture.
- » **Team-building events** – organizing large team-building events for the entire Group and smaller meetings within teams promotes cooperation and relationship building.

Organizational culture at TSG is dynamic and evolves with the company, which is reflected in the way the Parent Company's Management Board engages in its development and promotion. By focusing on its core values and integrating them into its daily operations, TSG creates a work environment that fosters innovation, responsibility and shared growth.

## 34.4. 2021-2024 pillars of sustainable growth

### 34.4.1. Environmental

The Parent Company's environmental goal is to reduce its carbon footprint in accordance with the Greenhouse Gas Protocol (GHGP) in four areas of the company's operations:

1. reducing CO2 emissions in processes and solutions at all Ten Square Games offices;
2. reducing CO2 emissions from business travel;
3. offsetting the environmental impact of employees and contractors in the performance of their professional duties;
4. offsetting the environmental impact of players when using Ten Square Games products

## GREENHOUSE GAS EMISSIONS

The Company has not yet estimated greenhouse gas emissions for 2023. This is due to a change in the entity assisting Ten Square Games in the calculations in order to provide more accurate data to properly analyze the largest sources of emissions. Below, the Company reports the calculations made for 2022.

Emissions for 2022 were counted in three scopes (Scope):

**Scope 1:** direct emissions (Greenhouse gas emissions generated directly by the organization and its activities. Examples: fossil fuel combustion, refrigerant leaks.)

**Scope 2:** indirect energy-related emissions (Emissions associated with the organization's consumption of electricity, heat or steam. Example: electricity consumption.)

**Scope 3:** other indirect emissions (All other indirect emissions occurring upstream or downstream of the organization's value chain. Examples: purchase of raw materials, purchase of services, business travel, transportation of goods, waste, use and end of life of products sold, extractive energy).

Calculation methodology used:

- » Official and approved GHG Protocol methodology: ISO 14064-1;
- » GWP 100.

Scope 1&2 emissions were 230 tCO<sub>2</sub>e, and scope 3 emissions were 8.4 ktCO<sub>2</sub>e. Total emissions were 8.6 ktCO<sub>2</sub>e. This represents a 16% year-on-year reduction in the total of all three scopes. Most of the emissions generated by the Parent Company are digital – they are related to the operation and maintenance of products – mobile games.

Most of the calculations performed were based on the expenditure method, this applies primarily to Scope 3 emissions. Indicators from ADEME's Base Carbone were used for the calculations.

The Group engaged in the projects described later to build environmental awareness among its players. These activities were conducted with recognized partners. As a result of its activities, Ten Square Games S.A. receives certified carbon credits (VERRA – Verified Carbon Credits), which can offset some of the Group's greenhouse gas emissions.

## Energy consumption

In 2023, energy consumption at Ten Square Games S.A.'s headquarters in Wroclaw amounted to 177.02 MWh. Energy consumption at the office of Verona-based subsidiary Rortos amounted to 37,490 kWh. The Group also had offices in Warsaw, Berlin and Bucharest during 2023; however, these were mostly shared, small spaces. For these spaces, it was not possible to obtain actual energy consumption data from the building administrators.

## Green activations in games

The Group actively undertakes pro-climate initiatives. Game activations are an important part of the company's strategy to create interesting and engaging content for players, conveying knowledge about ecology and environmental issues in an entertaining way, as well as inspiring action to combat climate change.

Ten Square Games has participated in the annual Green Game Jam event organized by the Playing for the Planet Alliance (created by the UN Environment Program) since 2022. For last year's event (2023), Fishing Clash created a week-long event centered around three ecosystems (the Amazon, the Himalayas and the Indian Ocean) and three endangered animals. By collecting event currency and completing tasks, players reached the goal, allowing the company to donate funds to selected projects of Milkywire, a technology platform that enables support for various environmental projects. TSG's goal was to draw attention to the current problems of nature in the aforementioned regions and educate players.

Each activation is planned to maintain a consistent narrative between the in-game activities at the event and the company's or players' involvement in a real-world environmental project. An example is the Fishing Clash's Earth Day event at one of its locations, New Zealand. Players received an invitation to participate by actively earning points for fishing trash out of a New Zealand fishery, gradually restoring it to its original appearance. The parent company donated \$30,000 to the project to the New Zealand NGO WAI Wanaka through cooperation with partner PlanetPlay. The premise of the project is to monitor and research the state of microplastics in New Zealand waters. This approach to creating activations maximizes the effectiveness of reaching a large audience.

Activations also appeared in the Hunting Clash game during World Environment Day. Players were invited to join an in-game environmental event aimed at raising environmental awareness. Players started at a contaminated location (Tanzania), which was cleaned up over the course of the game to eventually be restored to its beautiful, original state. Again, the company partnered with the NGO PlanetPlay to raise funds for the Hongera project in Kenya. It contributed to reducing carbon emissions and supported the local community. The event united Hunting Clash players in a mission to help the world while playing their favorite game.

Together, the Group's commitment to in-game eco-activities and financial support has helped support 3 environmental projects – WAI Wanaka, Milkywire and Honger's PlanetPlay project, which generated 2,000 carbon offset units (carbon credits).

### 34.4.2 Social

Ten Square Games recognizes its impact on the local communities in which the Group's key stakeholders operate: those who work for the Group under a contract of employment or other legal relationship, contractors, subcontractors, players, suppliers and shareholders. The Group, through its activities, has a real impact on shaping the ecosystem in which it operates. Therefore, Ten Square Games' existing rules, procedures and business policies focus on 2 main groups in this area:

1. employees and others who provide work for the Group. In this area, the aspects to which the Group pays much attention are:
  - a. equal pay – its effect is to close or maintain the wage gap between employees of different genders employed at Ten Square Games at a level lower than in the Polish economy as a whole. This effect is achieved through various measures taken in 2023, such as salary benchmarks reviewed twice a year, promotion and hiring of women in management and senior technical positions.

It is worth noting that many of the top positions at Ten Square Games Group are held by women. Overall, 30% of leaders at TSG are women, which is the average rate in the technology industry, but this number may increase in the near future in line with the aforementioned trend of increasing team diversity.

- b. mental health – recognizing the importance of this issue, catalyzed by the COVID-19 pandemic, Ten Square Games is committed to supporting employees' mental health. In addition to providing private medical care, the company has introduced an additional mental health care package.
2. the end users of Ten Square Games Group products – gamers. The team in charge of dealing with players on a daily basis forwards any comments made to the product teams. As a result, changes are made to products to meet the needs of users. In addition, procedures have been adopted to eliminate inappropriate behavior among players. In 2023, these measures were further supported by the introduction of a Code of Conduct for Players („Code of Conduct”).

The majority of people working with Ten Square Games Group, both under employment contract and otherwise, are ICT specialists. In 2023, Ten Square Games Group employed an average of 222 people on the basis of an employment contract, while the average number of people employed at Ten Square Games Group in 2023, on the basis of all types of contracts, was 390. 62% of employees are men, and 38% are women. The largest age group among both men and women is 30-50 years old.

## Employees under contract of employment at Ten Square Games Group by age group and gender – as of December 31, 2023:

AGE	WOMEN	MEN
Age group over 50	0	5
Age group 30-50	45	76
Age group below 30	35	52
<b>TOTAL</b>	<b>80</b>	<b>133</b>

## Employees under contract of employment at Ten Square Games Group by nationality and gender – as of December 31, 2023:

NATIONALITY	WOMEN	MEN
Polish	67	95
Italian	4	25
Other	9	13
<b>TOTAL</b>	<b>80</b>	<b>133</b>

On the Parent Company's Management Board, one of the three Board members is a woman. The six-member Supervisory Board also includes one woman.

The Gender Pay Gap indicator for the entire Ten Square Games Group in 2023 was 6.43%, which was 1.37 p.p. lower than the Gender Pay Gap indicator for Poland for 2022 (the latest update of data published by Eurostat.).

The above indicator was developed in accordance with the definition set forth in the ESRS standards. This means that it was calculated based on the average gross hourly wage of women divided by the average gross hourly wage of men weighted by the number of employees in each of the Ten Square Games Group companies. The indicator was calculated for employees with employment contracts. The indicator calculated by the indicated method (unadjusted wage gap) does not take into account the full characteristics of employment.

Ten Square Games Group supports employees in combining work and family life. One of the initiatives is to maintain the possibility of remote work on selected days of the week or to allow flexible forms of employment after returning from maternity, parental or parental leaves. In preparation for reporting in accordance with ESRS standards, the Parent Company has verified several indicators that will require reporting on work-life balance. Information obtained in this process is that in 2023, 37 people were entitled to parental leave. 21 people took advantage of this entitlement. In contrast, the rate of return to work after taking parental leave was 71.4% in 2023. The retention rate of those returning from parental leave was 100%.



The people who work and collaborate with the TSG Group are a major source of innovation and ideas that can lead to the creation of breakthrough games and technologies. Investing in the development of employees' competence and creativity can result in new, innovative products, which increases the Group's competitiveness in the mobile game market. Building a strong organizational culture that fosters employee commitment and loyalty can lead to increased productivity and quality of work. People who identify with the company are more likely to pursue common goals, which can translate into better company performance. That's why in 2023 Ten Square Games Group provided opportunities for people who work for it to participate in 18 different training courses and workshops to improve their soft skills. In preparation for reporting on ESG issues, Ten Square Games Group has introduced new rules for collecting training information, which will enable more accurate reporting of indicators in future periods.

The Group regularly conducts employee satisfaction surveys in the form of an anonymous questionnaire. This gives each person working for Ten Square Games a chance to express his or her opinion and openly provide information on positive or negative impacts that affect or may affect them. The Parent Company analyzes the results of the surveys each time and takes appropriate action if necessary. Conclusions from the surveys are taken into account when shaping employment and working conditions at Ten Square Games. Survey results also provide an opportunity to analyze sentiment and interactions over time due to their regularity and repetitiveness. In a survey conducted in early 2024, almost half of those working for the Parent Company based on various forms of employment shared their feelings about the workplace. 70% declared satisfaction. The level with job satisfaction was rated at more than 22 points out of a possible 30.

The Parent Company has also implemented a system for reporting irregularities, available to all persons working for TSG, regardless of their form of employment, and to external persons. The form for reporting irregularities is available on the Parent Company's corporate website. The Group encourages people to report information about actual or potential violations or abuse of the law by TSG, in particular provisions on consumer protection, privacy and personal data protection, or labor law, as well as behavior that is contrary to TSG's values or otherwise violates the rights and freedoms of the reporter. The TSG Group strives to ensure full compliance of the TSG Group's activities with the applicable regulations, policies and internal procedures of the TSG Group, as well as to ensure respect for the values of the TSG Group, a healthy working environment free from all manifestations of discrimination, exclusion and other violations of personal rights and freedoms, regardless of forms of employment. The report may be anonymous or may include the whistleblower's contact information. It is sent to impartial persons designated to handle whistleblower reports, who investigate the circumstances indicated in the report.

Ten Square Games Group operates with due diligence to ensure compliance with the rights of persons employed under contracts other than employment contracts. These people are also protected against events such as discrimination and mobbing, and can also benefit from development within the organization's structures under designated contracts related to the adopted cooperation formula.

### 34.4.3. Governance

Ten Square Games uses accurate and transparent accounting methods, avoids conflicts of interest in the selection of Management Board members, does not use any financial benefits to obtain preferential treatment and does not engage in any illegal practices, but ensures transparency of its activities. As a company listed on the WSE, Ten Square Games applies the Good Practices of WSE Listed Companies in its operations. Currently, the Company implements the principles indicated in the document in 81%. Its ambition is to achieve greater compliance with the indicated principles, and its plan is to at least maintain this result in the future.

The Group remains in constant contact with shareholders and investors by participating in conferences organized by financial institutions and answering questions sent to the investor relations department. Ten Square Games S.A. publishes financial reports on a quarterly basis. Each publication is accompanied by a conference during which investors and shareholders can ask questions directly to members of the Management Board. Due to the large share of individual shareholders in the ownership structure of the Parent Company, investor chats dedicated to this group are also organized. The company also maintains an investor relations section on its corporate website. The Management Board of the Parent Company carries out these activities to ensure equal access to information for investors and transparent communication of the Group's activities and financial results.

The Group settles its liabilities on time. Suppliers issue invoices with different payment terms – Polish suppliers usually set payment terms at 7-14 days, and foreign suppliers use longer payment terms. Almost 100% of invoices sent to Ten Square Games S.A. is settled before the payment deadline.

The Parent Company or its subsidiaries are not party to any legal proceedings in connection with payment delays.

## 34.5. Execution of the Sustainable Development Goals

As an international Group operating in the rapidly developing digital industry, Ten Square Games is well aware of the challenges facing the world today. The climate crisis, inequality, poverty and hunger are just some of the global problems that the Group wants to contribute to solving by allocating some of its resources to these activities.

To address the most critical global issues in the most comprehensive and systematic way, the Group has joined the UN Global Compact and is implementing the Sustainable Development Goals that have been adopted by this organization:



## ZERO HUNGER

We donated money to a local charity, the Pociecha Foundation, which provides hot meals to children from economically disadvantaged families.



## GOOD HEALTH AND WELL-BEING

We provided our employees and associates with:

- a. private medical care subscription, which provides quick access to specialist doctors
- b. free oncological examinations and regular education in the field of cancer prevention
- c. reimbursement of psychological services and mental health education
- d. free on-site physiotherapy services
- e. free access to sports and recreation facilities in Poland.



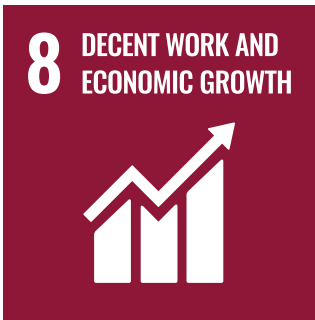
## QUALITY EDUCATION

We have created numerous development projects (e.g. The Boost Week), training programs (e.g. Skill UP) and international knowledge exchange events to improve the qualifications of our employees and associates. We also supported technical education in local communities and sponsored programs that allowed people without technological experience to gain new competences and become IT specialists



## GENDER EQUALITY

The rules, procedures and policies of our day-to-day operations are non-discriminatory and equal rights oriented. We support employment, development and diversification of the workforce, where every employee is treated with dignity and respect, regardless of age, gender, professional experience, religious and ethnic origin, level of (dis)ability or nationality.



## DECENT WORK AND ECONOMIC GROWTH

We have adapted our benefits program to the needs of all employees, for example, offering medical insurance to same-sex partners or the possibility of working fewer hours in the first month after returning from maternity leave while retaining the right to full pay.



## REDUCED INEQUALITIES

Ten Square Games employs women in management and technical positions. As these are the highest paid positions, this policy helps to neutralize the gender pay gap that exists in all countries where the company operates.



## CLIMATE ACTION

The group has taken the first steps towards carbon neutrality and is working towards achieving its net zero emissions target – in line with its Science-Based Targets initiative. During 2023, the Group carried out many ecological campaigns, which resulted in increasing the level of knowledge of employees, contractors and players. Details of these projects and their effects are described in the environmental part of the document.



## LIFE BELOW WATER

In 2023, the Group continued to engage players in activities that expressed care and responsibility for the planet. The group pays special attention to the implementation of projects related to the protection of water reservoirs. These ecosystems are a key gameplay setting in the largest game published by Ten Square Games S.A. – Fishing Clash. In 2023, on the occasion of Earth Day, Ten Square Games S.A. prepared a special event in the game's New Zealand location, where players were encouraged to partici-

pate in ecological activities, such as fishing out garbage from waters, which gradually restored the beauty of the natural environment. Thanks to this project, the Company engaged the gaming community in environmental protection activities and provided real financial support to external initiatives. Through collaboration with WAI Wanaka and partner PlanetPlay, Ten Square Games has donated \$30,000 to a microplastic monitoring

and research project in New Zealand. These activities underline the Group's commitment to creating social and environmental value. They are also closely linked to the business strategy of the Ten Square Games Group. The above project is an illustration of the fact that games can be not only a source of entertainment, but also a tool for educating and mobilizing the global community to act to protect the planet.



## PARTNERSHIPS FOR THE GOALS

Ten Square Games S.A. joined the UN Global Compact Initiative – a program that unites companies from around the world in a commitment to promote human rights and sustainable development in their organizations. Every year, the Company prepares a mandatory report on its activities, which it submits to the organization.

The parent company also joined the Fair Play Alliance, a global coalition of companies from the computer games industry committed to creating healthier gaming communities, within which it can develop and share best practices in order to prevent any signs of harassment, discrimination, or abuse. In the opinion of Ten Square Games, mobile games should be a safe space that gives users many constructive challenges and the opportunity to interact with each other. Therefore, in 2023, Ten Square Games has developed and implemented a Code of Conduct for players. In addition to its game applications, the Parent Company also made it available on its corporate website. The company condemns all manifestations of discrimination, and in its efforts to eliminate such potential incidents, it is supported by automated chat filters that help identify vulgar, offensive or discriminatory phrases. In the event of verbal aggression, the Company may block

the inappropriately behaving player from accessing the game. In special cases, the Company encourages any player who feels the target of aggression to cooperate with law enforcement authorities.

Ten Square Games is also a member of Tech To The Rescue, a voluntary movement of technology companies that help non-governmental organizations around the world implement digital solutions to increase their social impact.

The company also joined the Playing for the Planet initiative organized under the United Nations Environmental Program. Its members committed to introducing ecological events in their games, reducing CO2 emissions and supporting climate protection initiatives. In 2023, one of the games from the portfolio participated in the Green Game Jam event organized as part of this initiative.

Expenditures related to supporting culture, sports, charitable institutions, media, social organizations and trade unions incurred in 2022 and 2023 and described above are presented in the tables below:

TYPE OF THE EXPENDITURE	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022
supporting environmental initiatives	393,986	932,267
sponsoring initiatives	199,075	70,886
supporting charity initiatives	20,570	1,093,139
incl. support for Ukraine	0	1,000,000
supporting sports initiatives	21,830	10,430
supporting educational initiatives	11,691	124,980
<b>TOTAL</b>	<b>647,152</b>	<b>2,231,704</b>

ORGANIZATION	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022
Sphaira Innovation AG	199,942	0
Milkywire AB	118,836	0
Tech to the Rescue Foundation	71,204	67,751
DevGAMM LLC	57,972	0
GAP Foundation (Fundacja Gospodarki i Administracji Publicznej)	30,000	0
Polish Center for International Aid	0	500,000
Polish Medical Mission	0	500,000
Planetly GmbH	0	494,159
Ecosia GmbH	0	295,002
Polish Angling Association	0	100,000
Other	169,198	274,792
<b>TOTAL</b>	<b>647,152</b>	<b>2,231,704</b>

## 34.6.

### Processes preparing the Parent Company for non-financial reporting

#### 34.6.1. Materiality assessment

Ten Square Games Group conducted a comprehensive materiality study in 2023. The methodology according to which the study was carried out was adapted to the requirements of the CSRD directive and the new European Sustainability Reporting Standards (ESRS). The materiality testing process was conducted by an external entity – MATERIALITY. The result of the materiality testing process is the mapping of ESG risk areas, which can then be incorporated into internal risk control systems. The significance test was carried out using the MAX 4 – MATERIALITY ASSESSMENT MATRIX methodology, version four.

The study included, among others: the following sources of information:

- » analysis of aggregated source data from individual stages of the study,
- » comparative analysis of 21 entities from the gaming industry from Poland and around the world,
- » comprehensive survey conducted on a group of 17 people. The group included, among others, representatives of the management board and senior management of the Parent Company,
- » surveys and structured interviews with 5 representatives of external stakeholders.

During the materiality testing process, the level of risk in relation to material issues was examined. Risk testing was part of the financial materiality parameter testing. The issues covered by the study were analyzed using two dimensions: the level of risk and the level of opportunity.

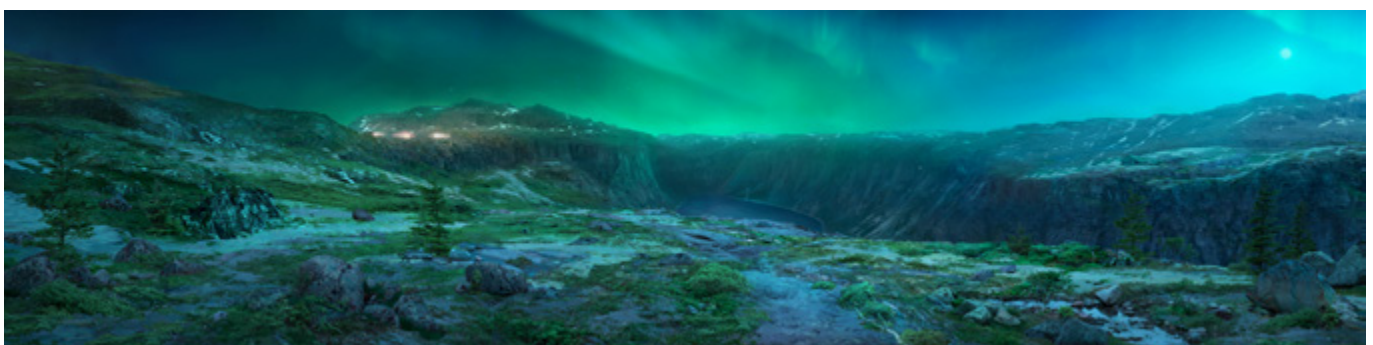
There are no separate operating segments in the TSG Group, therefore the group of comparable entities in the materiality test included entities conducting publishing activities in the field of computer games, which is the core business of the Ten Square Games Group.

In accordance with the principle of double materiality, an issue was considered significant and reported if it was considered significant from the perspective of impact materiality, financial materiality or both.

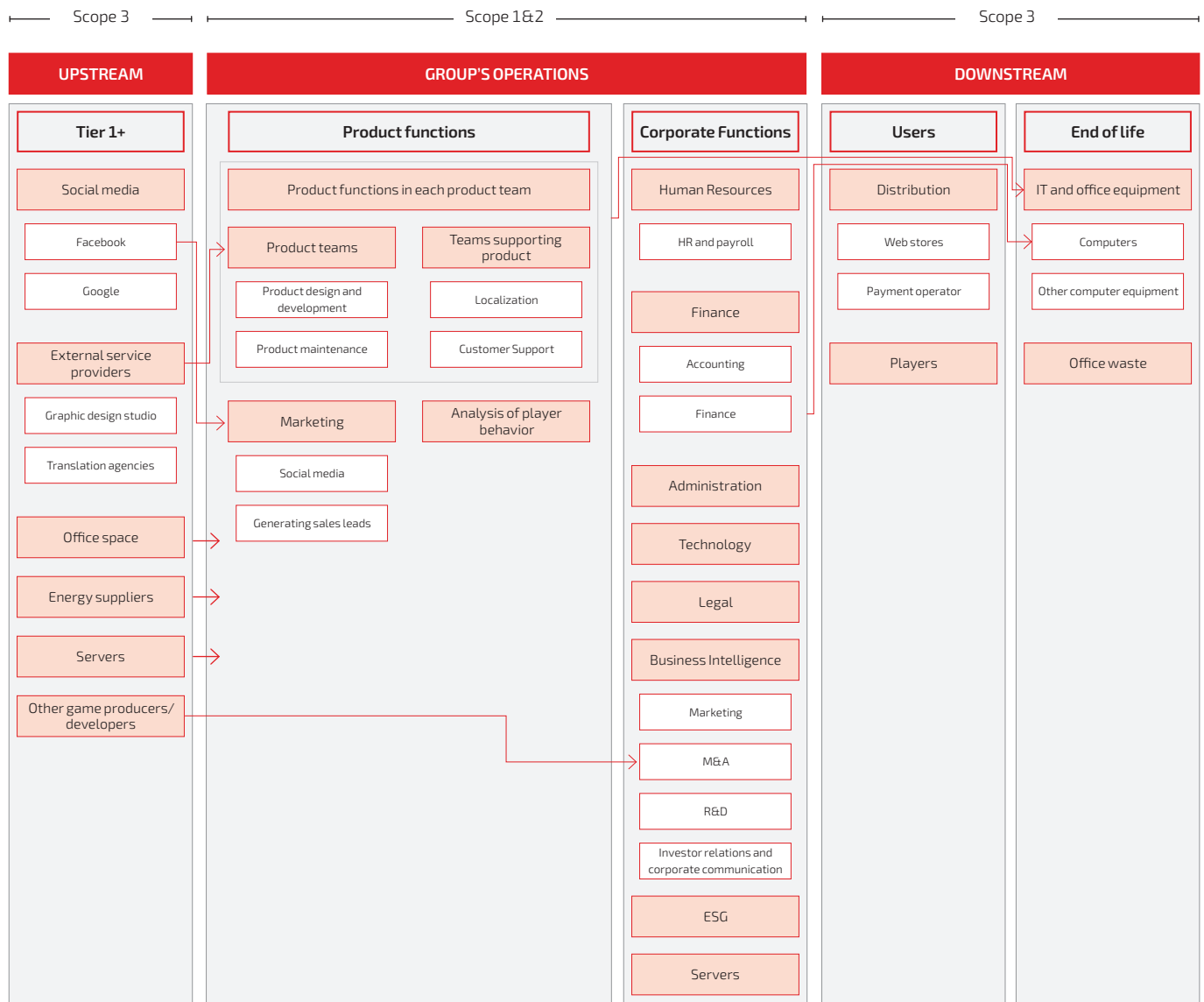
### **Materiality of impact**

The monitoring of impacts was closely related to the Group's identified activities and business relationships, as well as the value chain, which was developed by a working group that represented different areas of the Group's activities and different perspectives. The value chain was the basis for analyzing the Group's influence by analyzing, among others, the Group's suppliers (which also includes the Group's contractors and business partners), the products and services offered, the organizational structure, end customers and users of the products offered by the Group, as well as the end of life of equipment and waste.

The stakeholders influenced by the Group have been identified based on the areas of activity of the value chain.



## VALUE CHAIN OF TSG GROUP



The impact materiality parameters were assessed by the scale and importance of stakeholder groups for the Group (including share in revenues, costs, capital provision, etc.). The significance of a given activity or the Group's impact on individual stakeholder groups was also assessed. An issue with a significant impact is considered if the materiality of the impact is at least important (IM>2), the risk is at least greater than average (R>2) or the chance is at least greater than average (S=>2).

Parameters determining the significance of the impact:

- » power of influence
- » scope of influence
- » possibility of repairing the effects
- » probability of impact.



## Financial materiality

Financial materiality parameters used in the materiality test include:

1. The scale of the risk or opportunity, which determines how severe the consequences will be for the Ten Square Games Group if a given risk occurs. In the case of an opportunity, the scale determines how significant the beneficial effects can be if the opportunity occurs and is exploited.
2. The probability of a risk or opportunity determines how likely it is to occur in the context of the Group.

## Taking into account stakeholder opinions

In the materiality testing process, 6 stakeholder groups were identified that were important from the perspective of Ten Square Games. The stakeholders influenced by the Group have been identified based on the areas of activity of the value chain. The stakeholder group included:

- » consumers (players),
- » employees, persons providing work for the Ten Square Games Group on the basis of an employment relationship other than an employment contract,
- » suppliers,
- » subcontractors,
- » legislative bodies and public administration and
- » investors (also potential ones).

During the materiality testing process, interviews and surveys were also conducted with representatives of individual stakeholder groups.

As a result of the study, 24 significant ESG issues were identified, subject to reporting, with different management priorities. Topics that are subject to reporting in accordance with the ESRS S1 standard regarding persons performing work for the enterprise have been classified as the highest priority issues. In this area, the Company analyzed 11 topics. Issues related to consumers and end users described in the ESRS S4 standard were given medium priority. In this area, 8 issues were analyzed. Issues related to business practices described in accordance with the ESRS G1 standard were given normal management priority. Based on the study, 3 topics were analyzed in this area. The same priority has been assigned to climate change issues described in the ESRS E1 standard. Two topics were analyzed as important in this area.

The results of the materiality study will constitute the basis for developing the ESG strategy of the Ten Square Games Group.

## **Taking into account the results of the materiality test in ESG management**

Sustainability risks are assessed in a manner consistent with other risks – in the context of their probability, impact on the Group's operating activities, impact on the financial result and impact on the Group. In this way, the Management Board of the Parent Company ensures that risks related to sustainable development are neither ignored nor preferred to other risks. Ten Square Games Group has not yet developed a formal process for managing sustainability issues. Work on it will continue in subsequent periods.

### **34.6.2 Climate risk analysis**

In 2023, the Ten Square Games Group carried out the identification and analysis of ESG risks, i.e. risks and the resulting threats and opportunities in the field of climate change, natural environment issues, social, labor and human rights issues. This analysis was performed in cooperation with an external consulting company, in accordance with the AXIS® methodology (Amplification, eXclusion, Intensification, Seizure), in a four-stage process including: comparative, questionnaire, quantitative and qualitative analysis. The process was based on assumptions consistent with the ISO 31000 Risk management standard.

The analysis included 38 risks and their potential effects in the form of 12 opportunities and 26 hazards for the organization.

#### **The following time horizons were adopted for the analysis of climate risks:**

- » 2023 – 2025
- » 2026 – 2030
- » 2031 – 2050

#### **Probability is assessed on a scale:**

- » Almost certain
- » Very likely
- » Likely
- » Somewhat likely
- » Rather unlikely
- » Unbelievable
- » Very unlikely
- » Almost impossible

#### **Weight is assessed on a scale:**

- » Very high
- » High
- » Medium high
- » Medium low
- » Low
- » Very low

After assessing the probability and importance of individual threats and opportunities, it was determined that 1 opportunity and 3 threats are of significant importance to the Ten Square Games Group. Additionally, 3 opportunities and 10 threats were monitored and managed in justified cases.

The group of significant risks and opportunities includes:

### Opportunities

1. An opportunity to acquire customers interested in products that help counteract the climate crisis.

### Risks

1. Risk of interrupting logistic chains.
2. Risk of the need for more detailed reporting of sustainable development issues.
3. Risk of an increase in energy prices as a result of a high-emission electricity mix in Poland or other countries.

The described study identified specific groups:

**Group A (Amplification)** – high probability and low severity:

- » 2 opportunities,
- » 7 threats.

**Group X (Exclusion)** – niskie prawdopodobieństwo i niska waga:

- » 7 opportunities,
- » 13 threats.

**Group I (Intensification)** – high importance and low probability:

- » 1 opportunity,
- » 3 threats.

**Group S (Seizure)** – high probability and high importance:

- » 1 opportunity,
- » 3 threats.

According to the audit methodology, those risks, threats and opportunities for which the probability or severity exceeds certain established boundary values should be considered material. The boundary value for probability is set at the level of the first threshold, which is a multiple of 0.5 above the average for all threats and opportunities combined. The above average was 5.03, so the marginal value was set at 5.50. The boundary value for weight is determined as the average of: the average of all ratings, the median of all ratings and the maximum rating in the weight category – rounded to decimal places. The average was 3.34, so the marginal value was set at 3.50.

### 34.6.3. UE Taxonomy

The EU Taxonomy is a taxonomy that shows what part (percentage) of activity – through the prism of revenues, capital expenditures (CapEx) and operating expenses (OpEx) – is environmentally sustainable. Related obligations were introduced by Regulation (EU) 2020/852 of the Parliament and of the Council of 18 June 2020 on establishing a framework to facilitate sustainable investments. The Ten Square Games Group is not yet subject to the reporting obligation in accordance with the EU Taxonomy and this disclosure of compliance with the Taxonomy is information published voluntarily as a result of the work of the Parent Company in the process of preparation for reporting.

According to the taxonomy, an environmentally sustainable activity is one that simultaneously:

- » makes a significant contribution to the achievement of at least one environmental goal,
- » does not cause serious harm to any environmental purpose,
- » is conducted in accordance with Minimum Safeguards,
- » meeting technical qualification criteria.

The EU taxonomy is structured around 6 environmental objectives:

1. Mitigating climate change,
2. Adaptation to climate change,
3. Sustainable use and protection of water and marine resources,
4. Transition to a circular economy,
5. Pollution prevention and control,
6. Protection and restoration of biodiversity and ecosystems.

**The Technical Eligibility Criteria** detail what it means to make a significant contribution to specific objectives and not cause serious harm. They are set out in Annexes I and II to Commission Delegated Regulation (EU) 2021/213930, as extended by Commission Delegated Regulation (EU) 2022/121431.

**Minimum Safeguards**, określone w Art. 18 Regulation 2020/852 are the procedures used to ensure compliance with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

### Compliance of the activities conducted by Ten Square Games with the Taxonomy

As a result of the analysis conducted at the Identification stage, it was shown that the main activities of the Ten Square Games Group in 2023, which were related to the production, maintenance and investments in the field of mobile games, are not clearly included in the annexes to the delegated act, therefore, for key Turnover, CapEx and OpEx values at Ten Square Games, it is not possible to verify their compliance with the taxonomy.

In 2023, the Ten Square Games Group generated over PLN 436 million in revenues from activities not classified as systematic. The Group's source of revenue is mainly micropayments.

## Examination of compliance with Taxonomy

In order to examine compliance with the taxonomy, a four-stage process was planned. Due to the results of the first stage of the process, showing the lack of significant activities qualifying for taxonomy, the Ten Square Games Group did not conduct stages 2, 3 and 4 in 2023. The exception is the element of stage 3 „Verification" – in 2023, an analysis of the compliance of the activities was carried out Ten Square Games with Minimum Guarantees. Due to this, the description of the subsequent stages of the study is omitted below.

The process was carried out by a team consisting of representatives of the Ten Square Games Group with the support of an external consulting company and was supervised by members of the Management Board of the Parent Company.

## Minimum Safeguards

*„Minimum safeguards" are the procedures followed by an undertaking carrying on a business activity to ensure compliance with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight core conventions identified in the International Labor Organization's Declaration on Fundamental Principles and rights at work and the principles and rights set out in the International Bill of Human Rights."*

The examination of compliance with the Minimum Safeguards was carried out in accordance with the recommendations included in the Final Report on Minimum Safeguards by Platform On Sustainable Finance.

In accordance with the above recommendations, failure to meet the Minimum Guarantees is one of four conditions:

1. Inadequate or non-existent human rights due diligence processes, including labor rights, corruption, taxation and fair competition.
2. The Company has been ultimately held liable or found to have violated labor or human rights law in certain types of labor or human rights lawsuits.
3. Lack of cooperation with the OECD National Contact Point (hereinafter referred to as the OECD NCP) regarding the notification accepted by the OECD NCP.
4. The Business and Human Rights Resource Center (BHRRC) raised an allegation against the company and the company did not respond within 3 months.

During the verification process at Ten Square Games, non-compliance with the above-mentioned premises was examined as follows:

**Premise 1:** Verification of the completeness of due diligence processes was based on internal verification of the existence and operation of due diligence process elements resulting from the framework of these processes contained in the documents listed in the definition of Minimum Safeguards. It has been shown that some stages of the process require supplementation to ensure the continuity and completeness of the process. For this reason, it was decided that the activities of the Ten Square Games Group were incompatible with the Minimum Safeguards due to their qualification for Premise 1.

**Premise 2:** The second premise was verified in the process of supplementing the answer to premise 1 by checking whether no final convictions were passed against the persons mentioned in the content of the premise during the period covered by the verification. As a result of the verification, it was found that there was no information qualifying the Group to meet the conditions of premise 2.

**Premise 3:** The OECD NCP notification database was verified, which showed that there were no notifications regarding the Group in the period covered by the verification. [<http://mneguidelines.oecd.org/database/>].

**Premise 4:** The Business and Human Rights Resource Center (BHRRC) report database was verified, which showed that there were no reports against Ten Square Games in the period covered by the verification. [<https://www.business-humanrights.org/en/companies>].

As a result of the verification process, it was determined that Ten Square Games does not meet the requirements of the Minimum Safeguards for 2023. As a result of the process, recommendations were presented, the implementation of which is aimed at creating a complete due diligence process in a model that meets the requirements set out in the definition of Minimum Safeguards.

## 34.7. Summary

Although Ten Square Games has long been committed to developing its operations in a sustainable manner, the number and scale of initiatives in this area have increased significantly in recent years. Along with preparations for formal reporting of ESG activities and the development of an ESG strategy, the Group's activities focus on the most important issues. The parent company decided to start preparations for reporting ESG activities in 2023, i.e. earlier than required by law, to ensure even greater transparency of activities and real involvement in the changes necessary for ESG to become a permanent element of business processes.