



Sustainable
SUCCESS

Stakeholder Advisory Panel

2022 – Climate Change

1. Introduction

As a business in a rapidly changing industry, Playtech wants to play its part in raising standards and embedding sustainability internally and across the sector. Playtech is aware that societal and stakeholder expectations are constantly evolving and as a result decided to set up a Stakeholder Advisory Panel to review and guide the Company's approach to sustainable business.

Playtech has set out a roadmap to grow its business in a way that has a positive impact on its people, its communities, the environment, and its industry. Sustainable Success is how the Company is bringing the principles of sustainability and responsible business into its culture and operations.

Following the four successful panel sessions last year, which allowed Playtech to draw on a wide range of knowledge, insights, and experiences, the Company has decided to continue its engagement with this group in 2022. By sharing ideas, suggestions, and constructive challenges with members of its senior management team, the panel has a crucial role in shaping the sustainability strategy and improving performance.

Panel composition:

- **Christian Toennesen**, Group Director of Sustainability, Selfridges Group
- **Chris Coulter**, CEO, GlobeScan
- **Polly MacKenzie**, Non-Executive Director, Registry Trust Ltd
- **Dan Waugh**, Partner, Regulus Partners

The first panel meeting of 2022 took place on 16th June 2022 and focused on a *progress update on Sustainable Success, Playtech Protect and Safer Gambling*. The second session took place on 21st September 2022 and focused on *Diversity, Equity and Inclusion (DEI)*. This third session took place on 7th December 2022 and focused on **Climate Change**.

After each session, the intention is to produce a short paper summarising the principal points raised by the panel and Playtech's response. These documents – and the discussions which will form the basis for them – will be predicated on the Chatham House Rule*.

For this meeting, the panel was joined by the following members of Playtech's senior management:

- **John Krumins**, Non-Executive Director
- **Mor Weizer**, CEO
- **Lauren Iannarone**, Chief Sustainability and Corporate Affairs Officer
- **Irene Markitani**, Head of Sustainability

Also, in attendance were Paul Burke and Stephanie Attal-Juncqua, Senior Partners at Carnstone Partners Limited, who facilitated the discussion and provided support.

* "When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed."

2. Climate Change Progress and Priorities Update since last year

The session started with an update from Playtech's Chief Sustainability and Corporate Affairs Officer and the Head of Sustainability on the progress made since the last meeting in December 2021. Key areas of progress included:

- **Governance:** Playtech has continued to strengthen its Board of Directors' engagement and oversight of climate change through the Sustainability and Public Policy Committee. As mentioned in previous panel meetings, the Board approved linking ESG performance and remuneration. Playtech's climate change target will be one of the key performance measures linked to remuneration. This year, Playtech's Board of Directors and Executive management have received specific training on climate change to further their understanding of how the latter may impact the business and vice versa. This embraced evolving expectations and standards on climate change, in relation to reporting and mitigation actions, and the impact of climate change on companies and the importance of quantifying it. Finally, Playtech has continued its engagement with our key country leads via our Environment Forum to communicate the Board mandates on climate change.
- **Strategy and Implementation:** Playtech has a 40% reduction target for its Scope 1 and 2 emissions by 2025 from a 2018 baseline and the business has been taking steps to make sure it has the right resources and activities to meet its commitment. With the climate agenda developing at a fast pace, Playtech is also making sure that it is alert to evolving regulatory expectations while also identifying areas where the business would like to play more of a leadership role within its sector. As such, Playtech has submitted its commitment to set near-term and Net Zero targets to the Science Based Target initiative (SBTi) and is working on preparing its net zero road map to show efforts and activities needed to reach its targets. As part of this process, Playtech has conducted a climate risk assessment for its supply chain, covering Scope 3 Category 1 (purchased goods & services) and Scope 3 Category 2 (capital goods) which combined make up approximately 71% of Playtech's total emissions. Playtech has also refreshed its materiality assessment, which has once again identified climate change as one of Playtech's most significant issues.

Data and Reporting: Playtech has continued to collect, measure and report more relevant information and data to help drive our climate change agenda in its latest 2021 Annual Report (ARA 2021). Playtech has reported Scope 2 market-based figure for the first time in its ARA 2021 to help the business measure progress against its commitment to switch its own operations to renewable energy. Playtech has also increased the accuracy of its Scope 3 methodology and data reporting in the ARA 2021, where the business has mapped out and measured Scope 3 emissions against the 15 categories of the Greenhouse Gases emissions. ARA 2021 also aligned more closely with the Task force on Climate-related Financial Disclosures (TCFD), including a detailed description of the Climate Scenario Analysis. Playtech has been focusing on the quantification of the risks and opportunities identified in the climate scenario workshops for inclusion in the 2022 Annual Report. Finally, Playtech has submitted a CDP Climate Change questionnaire for the third consecutive year in 2022 and scored a B rating in 2021[†].

- **Employee Engagement:** There is a lot of engagement from employees across the business around climate change, especially from Playtech's technology employees, such as developers and coders, who are interested in the topic. The business regards this as a major area of opportunity going forward and this employee support will contribute enormously to the achievement of our net-zero objective.

[†] Playtech maintained its B rating in 2022.

Climate Change-Discussion points

The panel raised a number of questions and observations relating to Playtech's Climate change progress and future plans, including:

- **Industry and Collaboration: Other industries have joined hands and collaborated on climate change (e.g., Race to Zero etc.): is there an opportunity for the gambling industry to replicate this model? Can Playtech lead on this initiative?**

Playtech's conversation with the panel:

Playtech recognised the importance of industry led collaboration to drive a consistent and efficient decarbonisation road map for the industry. Playtech wanted to hear more from the panel about those successful collaborations from other sectors. The panel shared some further information on these sector wide initiatives, such as one spearheaded by Ikea and Walmart, which recognised the scale of the challenge and mapped out the joint effort required for maximum impact. As a result, many retailers joined forces to create a road map to net zero and some best practice guidance documents for the sector, thus reinforcing the sector's commitment to net zero.

The panel has raised an important point around collaboration for the industry, specifically, the need to involve all key players in the value chain, including Playtech's customers.

- **Playtech's Net Zero Implementation Plan: Other businesses have been struggling to quantify the cost of implementing a net zero plan and the estimated return on investment. Has Playtech been able to measure this yet? Where will your biggest challenges lie?**

Playtech's conversation with the panel:

Playtech has been working on quantifying the climate related risks and opportunities for the business. This has been a learning curve, and we have started this journey by quantifying the costs that Playtech has the most control of, that is, those relating to its internal business units. Playtech's next step is to estimate and model the cost from a range of operational decisions that will impact the way we work with our value chain and suppliers. This is the first step for the business to understand the scale of the challenge and allows Playtech to estimate investment required and costs for the business to mitigate and/or adapt to these climate related risks. As a result, Playtech has calculated the investment to make our own operations more energy efficient and/or switch to renewable energy.

On this last point, the panel raised an interesting challenge to Playtech saying that these measures, although effective, are passive measures. How can Playtech go one step further and instead of riding the wave it generates the waves e.g., power purchase agreements, generate its own energy, helping to create the infrastructure of the future? Playtech would welcome any ideas to think outside the box, which is exactly the approach the business needs to build a clear net zero pathway and achieve it.

The conversation then moved on to discuss Playtech's biggest challenges in the journey to net zero – how and when will incorporating climate change into decisions on OPEX and CAPEX become a management process? In short, at what point will difficult trade-offs across the business be required and how will this fundamentally change the way we do business? The panel agreed that Playtech will start to feel the 'burden' of this task when its SBTi commitment to net zero becomes public next year and when it will submit the target, as it will have to demonstrate how the business is planning to reach their target. On the latter, Playtech will have to decide on how it wants to engage with its suppliers; what minimum requirements it will want to set on climate to continue its relationship with suppliers; who are the suppliers that it can influence based on size; and how strict it wants to be, for example when does the business decide to no longer procure from a supplier that will not switch the renewables or does not have a science based target?

In 2023, Playtech will explore how to enhance its supplier engagement programme by offering incentives for superior performance on climate and other sustainability topics. This will include identifying the relevant groups of suppliers where Playtech has the most leverage and where the business needs to engage on climate change. When it comes to customers, if Playtech can offer a breakdown of the different services and products based on the GHG emissions intensity, this can be a real competitive advantage for the business.

- **Senior Managers and Employees: Do you think senior managers are sufficiently well informed on climate change? How can you bring your employees along for the ride and make sure they buy-in to the challenges the business face and the solutions that need to be implemented to meet our net zero targets?**

Playtech's conversation with the panel:

The panel have noticed that climate literacy at senior management level is improving; however, there is still a long way to go. The company has established a cross business environmental forum for this purpose. A key future challenge will be how Playtech continues to expand climate literacy and the understanding of investment costs and returns related to climate change across the business. Thus, the next step for Playtech will be to prioritise policies and actions that secure maximum impact and contribute effectively to progress on its journey to net zero.

Playtech asked the panel, about how best to strike the right balance between incentive and friction when it comes to making those systemic changes within the business and bringing employees along that net zero journey and get them to buy-in? Playtech believes that the best approach is to incentivise and compensate the right behaviours. By doing so quickly, employees buy-in to our climate change mission and, as a result, the business can avoid having to mandate rules that may generate that friction within the business. Essentially, this is about bringing everyone onto the journey to a low carbon economy. The panel supported this view and encouraged Playtech to pursue it.

Interestingly, the conversation progressed toward how climate change and its impact is on a horizon that is still too far into the future. Consequently, for many employees, it is a concept that is too remote, whose work horizon is less than five years and may be considerably shorter. Playtech needs to find a way to get its employees to think about the much longer-term to help them understand the importance of tackling climate, bond around visions of the future, and place climate into a broader ESG context.

- **Climate Change Risk: Will it ever become a material risk from a financial perspective for Playtech?**

Playtech's conversation with the panel

The panel agreed that climate change, from a Scope 1 and 2 emissions perspectives, will most likely not become a significant financial risk for a business like Playtech that mainly runs on electricity and operates in countries that are decarbonising their electricity grids quickly. However, Playtech would need to continue to quantify the climate related risks from its value chain.

Having said that, businesses are being forced into position on this topic by regulators and other stakeholders. Considering the timeframe, the whole world is working toward to get to net zero, Playtech agrees that businesses must lead on this transition to low carbon economies and drive significant change. The right path is to emphasise the importance of this issue, develop a compelling narrative delivered by charismatic leaders who will drive this agenda and embed their position throughout our employee base.

- **Communications: What do investors want to see on this topic?**

Playtech's conversation with the panel

The panel believe investors want to benchmark Playtech against comparative companies first and foremost. But they are also looking for signals that indicates how well Playtech understand the regulatory mandate worldwide and how honest and robust Playtech is when it comes to its net zero plan. On the latter, investors would like to see businesses publishing their plan to net zero, ideally costed, and when it comes to best practice, Playtech could consider giving investors a 'Say on Climate' when presented with the first published net zero plan.

Climate change has become a hygiene factor now so Playtech will no longer be set apart positively for having a net zero plan, but it will be set apart negatively if it does not. The real differentiators are likely to relate to how realistic (and costed) the plan and the timeframes required to achieve it.

Playtech agrees with the views of the panel on this.

- **Ambition: Playtech asked the panel what their biggest challenge for Playtech would be?**

The panel's response:

Climate change and the transition to net zero is probably easier for a business like Playtech than for other sectors. So why would Playtech need the same amount of time as other, more challenging sectors? Playtech could realistically achieve net zero much earlier than 2050 and so we would expect Playtech to get there by 2030 or 2035.

The other question is around what role offsets will play in Playtech's strategy? There is sensitivity around offsets, so Playtech needs to use them as little as possible or, ideally, not at all. If the use is unavoidable, then they should be of the highest quality and invest in carbon capture and storage.

If Playtech wanted to add a unique angle on this, the business can invest in building renewable energy capacity in those countries where access to these sources is currently limited.

Overall, the panel was impressed with the progress made since last year on the climate agenda, which clearly shows how committed Playtech is to address the global climate challenge.

Summary of key points

Three main themes emerged during the discussion:

1. While Playtech has made considerable progress, there remains work to do around building and communicating a compelling narrative for employees which places climate change squarely within their own sphere of accountability.
2. A key part of the narrative will embrace the costs of the transition and why this makes sense commercially and in relation to Playtech being a responsible business that is aware of the wider environmental context. Such an approach is likely to receive recognition from investors both in terms of its transparency and realism.
3. Playtech's commitment to achieving net zero is commendable. However, given the nature of its business, it needs to be more ambitious in terms of the timeframes for achieving it. In this way, Playtech can demonstrate real leadership and use this to leverage progress across the sector.