



MASTERPLAST

**MASTERPLAST GROUP
ESG REPORT 2021**

Properly designed facade insulation can halve heating and cooling energy demand. With the implementation of the facade thermal insulation the building energy rating of our home will improve, and as a result, its value will also be higher.

As a healthcare producer, we provide modern hygiene products and solutions to the society.

► Introduction

Dear Investors and Readers!

Like 2020, 2021 was also hectic, full of challenges, but also dynamic and joyful. Masterplast's activities and products have proven to be imperative in several areas such as fight against COVID or cooperation for a more sustainable future. Although COVID has radically changed the way we have lived and done business so far. Thanks to our strong corporate culture and values, our solution-oriented team has been constantly looking for opportunities to create value for our customers and improve their environment. We are proud of all our colleagues who have helped each other shoulder to shoulder and also ensured the continuity of supply in addition to our sound internal operations.

Besides the most successful year in the history of the Masterplast Group, we are delighted to publish our first ESG report on our 25th company anniversary. Since the foundation Masterplast Group has paid special attention to sustainability as a key pillar in our vision. As a leading European producer we contribute to the development of energy-efficient and environmentally sustainable buildings. We have long been working in line with ESG principles, nonetheless the ESG report preparation has triggered a more conscious and structured approach. A great example is that Masterplast, being the first among the Hungarian construction material producers, has laid the foundations and started to operate a circle economy. In December 2021, we presented our ESG roadmap to the Budapest Stock Exchange, based on which we prepare our first simplified ESG report for the 2021 business year, with a view to the key events of the previous year.

We are constantly looking for business opportunities that go beyond traditional shareholder value creation. We believe that we can be truly successful if we can change, develop and grow with all our stakeholders according to mutual benefits: besides our colleagues and families, with our suppliers, customers, investors, as well as with authorities, regulators, legislators, educational and research institutions. The purpose of our first and at the same time pioneering ESG report is to present our strategy, operations, value creation from a different dimension and to help our stakeholders' understanding. We believe that as a next-generation construction material and healthcare industry company, this is a further step in the path that proves our commitment, openness and accessibility.

We hope that this report will provide useful information to everyone interested in what sustainability means to us. As one of the leading companies in the Central and Eastern European region, we feel responsibility to give guidance by setting a positive example and encouraging others to join us on a path toward a more beautiful future.

Sárszentmihály, 28. April 2022

Dávid Tibor

Founder, Chairman of the Board



► Overview

Founded in 1997, Masterplast, as the largest Hungarian-owned manufacturer of construction material and healthcare protective equipment in the Central European region, is a major supplier to construction material trading companies. It has been present on the market for 25 years listing its shares on the stock exchange in 2011, and since 2017 it is a Premium category company of Budapest Stock Exchange (BSE). It has a solid position in the building thermal insulation, pitched roof insulation and dry construction components' market.

Thanks to the acquisition of a manufacturing plant in Aschersleben in 2020, Masterplast has entered the healthcare industry, initially as a raw material distributor, then a producer of protective clothing, which increased Masterplast's profitability. It is constantly developing its production capacity through investment implementations. It has subsidiaries in nine countries, complemented by export activities managed from Hungary. The report relates to the whole Masterplast Group covering the performance and results achieved in 2021 by its wholly or partly owned subsidiaries.



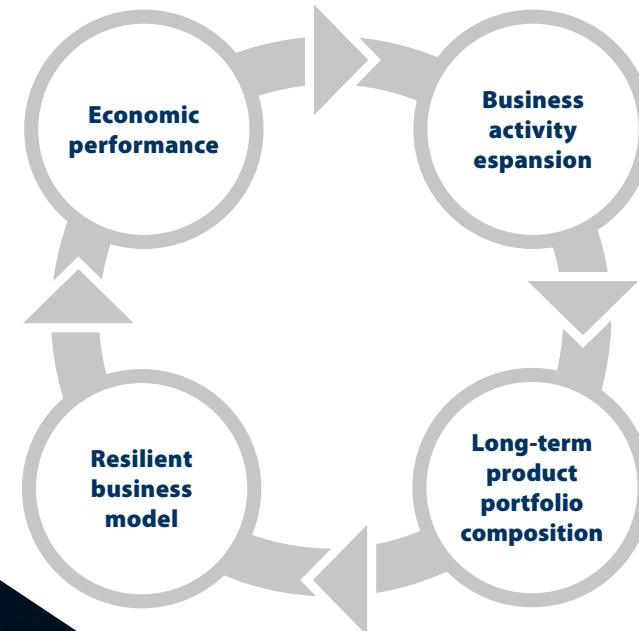
- **2nd position** in Europe in the production of fiberglass mesh
- In the **TOP 10** of Europe's non-vapour permeable roof underlays' production
- **Health industry basic textile material manufacturer in Central and Central-Eastern-Europe**

Sustainable development

In Europe, buildings generate nearly 40% of CO₂ emissions. With Masterplast products and insulation systems on average 20-50% energy efficiency improvement and a corresponding emission reduction can be achieved per building. By 2030, at least 35 million buildings' energy efficiency development will be carried out across Europe. In this respect, the proportion of buildings with adequate thermal insulation is particularly low in Central and Eastern European and Southern European countries.

Masterplast Group is constantly expanding its business activities, with launching and strengthening the healthcare industry and roofing membrane production business line in 2020-21, and with the establishment of the modular architecture business line in 2022.

Due to the resilient business model the multi-purpose use of thermal insulation materials have enabled a shift towards the production of protective clothing and hygienic textiles for healthcare. The outbreak of the pandemic and its presence as a long-term trend opened up a business opportunity for Masterplast Group. In the long-term product portfolio design, the company takes into account the long-term requirements of the European Union, the goal of moving towards a net carbon neutrality by 2050, the Taxonomy Regulation's requirements to join the Unified European Product Catalogue, the different readiness and income levels of the single countries. Continuous innovation and the gradual introduction of a modular architecture are a strong further step towards emissions targets and a circular economy.



Masterplast Group in numbers

1379
employees



of which **900**
in the production



in **9**
countries



in **3**
business lines



sales of EUR
191.5
million



the proportion
of female workers
is **32%**



26% for those
under 30



14% for those
over 50



approx. **4000m³**
of EPS and XPS cutting waste
collected and recycled into
Thermoconcrete



95% of production
waste recycled or sold
for recycling



Sustainability context

The Masterplast Group is committed to environmental sustainability and contributes to the reduction of carbon emissions. Buildings and residential houses are the largest emitters, and by their energy efficiency renovation a large reduction in carbon emissions can be achieved. Masterplast Group, as a major player in the insulation materials market, contributes to the energy efficiency upgrade and to the reduction of energy consumption of the building stock, both in terms of new and existing buildings and facilities.

Masterplast's vision is that buildings are temporary storage for building materials. In 2020, the Group acquired Fidelis Bau Kft., a company dealing with the recycling of polystyrene and the production of lightweight thermo concrete. Taking advantage of the opportunity arising from this acquisition, Masterplast launched a unique circular economy in the construction materials industry in Hungary, in the framework of which it produces thermo concrete by collecting polystyrene. Through its Eco-Point partner network Masterplast collects the construction residues from the polystyrene products it supplies and recycles them 100%, producing again thermal insulation material and in this way considerably reducing the amount of waste on the construction site. In 2020, the amount of specific waste in fiberglass production further decreased with the increase in production technology discipline, with smaller but important machine developments supporting improved and reduced waste generation. It pays close attention to energy use in both logistics and manufacturing.

Styrofoam thermal insulation is an environment friendly solution without any harm to health

Response to Covid-19 challenge

Protecting the health of the Group's employees, customers, suppliers and all partners was a top priority. We have taken the necessary health measures, with an emphasis on communication, information sharing, and attention to ensuring that employees can maintain a work-life balance.

There were serious disruptions in global supply chains during the pandemic. The Masterplast Group was able to provide continuous production and supply thanks to the optimized raw material stock and storage management, backed by solid supplier partnerships sufficient for several months.

The Masterplast Group launched its operations in the healthcare industry in 2020 with the acquisition of a plant in Aschersleben, Germany. In April 2021, the Company entered into contract with the National Healthcare Service Centre for the supply of protective coveralls necessary in the protection against the coronavirus epidemic. The Company contributes to the management of the epidemic situation by supplying quality certificate personal protective equipment.

Masterplast Group's activities support the UN sustainability development goals through a direct contribution to SDG9. Industry, innovation and infrastructure, SDG11. sustainable cities and communities and SDG12. responsible consumption and production.

▶ Corporate governance

The Company places great emphasis on the implementation of responsible corporate governance recommendations and guidelines, taking into account the organization and capabilities of the Group formed by the Company and its subsidiaries. The General Meeting is the main decision-making body of the Company, which consists of all shareholders. The executive body of the Company is the 5-member Board of Directors. The Board of Directors acts as a body. The Board of Directors of the Company continuously monitors the operation and on an ongoing basis receives information on the operation of the Company from the management and the CEO. The CEO directs and controls the company's day-to-day operation, work organization, and ensures the necessary resources for a stable and smooth operation. The Chief Executive Officer is not a member of the Board of Directors but attends its meetings as a permanent invitee. Masterplast puts high emphasis on sustainability, energy efficiency and environmental protection in both its internal processes and the production and development of its products. The ESG issues in the organizational structure are assigned to the Director of Business Development. Thus, the integration of ESG processes into the operation of the organization is realized inside the senior management of the Company, directly subordinated to the CEO. In the implementation of ESG aspects, the Director for Business Development performs a coordination task, supervises the data registration, data collection and monitoring processes, for which the inputs are provided by each division managers and site managers.

Resources



Employees

- 1379 employee
- 9 countries
- 22% female middle and senior management



Manufacturing and markets

- Production in 7 sites, in 3 countries, in 11 plants
- Sales activity in 40 countries



Divisions, cooperation

- 3 business lines, 6 categories of products
- Continuous product innovation



Financial Resources:

- 3 bond issuance programmes in a total value of EUR 55 m
- Robust and increasing EBITDA
- Free-cash-flow production



Energy consumed:

- 59 071 045 kWh



Partnership

- 51 suppliers for core business activity
- 11 countries

Added value

1



Market

- 5.000+ satisfied customer annually
- 30.000+ insulated residential building annually
- 150.000.000+ m² of fiberglass mesh sold in Europe and 500.000+ m³ of EPS in Europe annually

4



Employees

- Personnel cost: EUR 21,395 m
- Time dedicated to development of employees: a total of 4,530 hours

2



Investors

- Shareholder value increase through share price increase and dividend

5



Local communities

- Amount of donations in year 2021: EUR 64,000
- Close and regular cooperation with local communities

3



Regulations

- Income taxes: EUR 2,12 m
- Taxes and duties: EUR 0,20 m
- Wage contributions: EUR 2,94 m

6



Non-governmental organisations

- Partnership with non-governmental society
- Collaboration with universities, hospitals
- Active participation and membership in construction sector related professional organisations

► Materiality



Raw materials and products

Insulation materials make a significant contribution to the reduction of emission value of the building stock responsible for the highest emission value, which underpins the demand for Masterplast products in the long run.

With its products, the Company contributes to saving up to 50% of the heating and cooling costs of residential and non-residential properties, thus reducing the CO₂ emissions of buildings.

Masterplast Group's products improve the emission value of the European building stock. The energy demand in primary energy of a net-zero energy compliant dwelling/building is 1/6 to 1/9 of a building built in the 1980s that has not undergone energy renovation since then. If we want to achieve a net zero requirement for a building built in the 80s, 20 cm of facade insulation and 30 cm of slab insulation should be installed in addition to the renewal of the mechanical engineering and doors and windows.

Fossil raw materials

(e.g. EPS, PP, GPPS)



50%

Non-fossil materials

(e.g. fiberglass, steel)



50%

Annual purchased quantity's proportion of total purchased raw materials:



Circular economy

95% of the waste generated during the manufacturing process can be recycled or reused.

In its Hungarocell Green Programme the Company now collects and recycles the cuttings (EPS and XPS) of the insulation material delivered, a total of 4,000 m³.

CSR Hungary, The Hungarian Business Responsibility Award in 2021. Hungarocell Green Programme in the category „Best innovation for the circular economy“ - More than 70 Eco-Point nationwide, 4000m³ of recycled material

In the modular architecture, waste minimization begins at the design stage, where technological discipline in manufacturing is higher, and suppliers can deliver in an optimised size for industrial-scale production. Factory production allows the professional, selective collection of the waste and its transfer to suppliers/recyclers. In modular construction, clear-cut design, high-level supplier and in-house engineering support ensure the application of a higher energy rating. For industrial-scale factory production, the building element stock is typically sourced directly from manufacturers shortening the traditionally long supply chain. With conscious design and typically dry construction solutions, most built-up materials can be dismantled and reused with little or no damage. With a relatively small ecological footprint, the building can be relocated as needed – something that is almost impossible with traditional construction.



Energy consumption and emissions

The Masterplast Group focuses on improving the specific efficiency of emissions values in its continuously expanding business

The company is also looking at the volume of emissions as it expands its business, and aims to contribute to sustainability through relative reductions.



Energy consumption
of manufacturing activities

41 861 466 kWh



Water consumption
of manufacturing activity

2 593 387 m³



Masterplast Group
total energy consumption

59 071 045 kWh



Energy consumption of
distribution and sales

17 209 579 kWh



Supply chain

The Masterplast Group is committed to shortening the supply chain. In supplier capacity it relies primarily on manufacturing base countries, complemented by Middle and Far East partners for professional reasons.

The company's assessment of its environmental and climate change impacts also includes an environmental assessment of its suppliers, and the company is also affected by its own activities and as a result of its business. The Masterplast Group avoids potential negative environmental impacts in its supply chain by communicating its expectations towards its suppliers.

The Masterplast Group is committed to shortening the supply chain. Besides the countries where the production bases are located fossil raw materials are sourced from other European countries and the Middle East. In the case of non-fossil raw materials, the Far East is also a supplier of fiberglass, which in this case represents the most optimal sourcing option. Packaging materials, both fossil and non-fossil origine, are sourced from the base countries, ensuring shortest possible supply chain.



Customers

Energy consumption is significant in the delivery of the products to the customers. Masterplast Group continuously optimizes its distribution strategy and increases the proportion of direct delivery from the factory to customers, taking into account the principle of responsible consumption. It seeks to co-operate with purchasing companies and to expand its large-scale customer base among its customers and consumers.



Direct deliveries from the base to customers in Sárszentmihály

increased by 18%
from 2019 to 2021.



In the largest manufacturing base in Subotica

increased by 63%
from 2019 to 2021.



Direct deliveries from Kál

**increased by 85%
in terms of volume**
from 2019 to 2021.



Percentage of independent directors in Board

20%



Percentage of independent directors in Board

60%



Proportion of female employees in senior management

19%



Average proportion of women in middle management

22%



The most important value is the employee



The majority of Masterplast Group employees come from local communities, with more than 80% coming to work from less than 25 km away.



Employees are involved in constant internal training for the number of hours required by local regulations. Special attention is paid to the initial, preparatory trainings. The focus is on corporate culture and its development through workshops attended by the majority of white-collar workers, and the process has started for blue-collar workers. The total time of the internal and external workshops implemented in 2021 is 4530 hours.



The Masterplast Group considers the diversity of its workforce and the proportionate representation of different age groups and genders in its employee structure to be a priority. On the last day of the year 2021 the proportion of employees under 30 years of age was 26% at Group level, while the proportion of employees over the age of 50 was 14%.



The total number of accidents at work was 1 accident occurring per 34 employees at Group level. Exit turnover in 2021 was 15% at Group level, while entry turnover was 22%.



Local communities

Local value creation

- Playground, Sárszentmihály Isoflex Classic roofing membrane
- Building material support worth HUF 500,000 for the reconstruction of the burnt down home of the Vincze family
- Selye - Kadarkút helping families in need to repair roofs damaged by summer storms
- Support for animal shelters and animal welfare foundations, 57 supported organizations

Child welfare, child health

- Purchase of 2 Patient monitors for the operating room of the Public Hospital of Subotica worth 10 thousand Euros
- Marketing support worth HUF 7 million for Hungarian Child Rescue Foundation for the 1% collection, the organization received a transfer of 86 million HUF.
- Building the Child Rescue Point in collaboration in Balatonlelle, our goal for 2022 is to complete the construction of the Child Rescue Point, to provide child rescue - to purchase new ambulances

Sport support

- Supporting a Hockey team
- Supporting mini-soccer youth training
- Support for the local football team in Duboševica
- Cooperation with the BOM Foundation: a scholarship program to support young Hungarian talents in sports and academic careers, embracing more than 150 young athletes
- Addressing young generations by supporting Gamer culture
- Brand Ambassador Collaboration, Supporting Fanni Illés Paralympic Athlete

Professional tenders

- Open design competition launched by Masterplast and Demján Sándor Foundation „Design of a residential building complex with large green space and renewable energy” Professional competition for young architects

Environmental protection

- Awareness-raising
- Tree planting program in primary school