

ESG Impact Report 2021

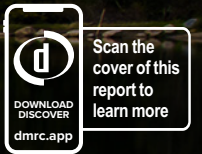


DIGIMARC



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Letter from our CEO

This past year has been transformative for Digimarc and has highlighted just how critical remote and digital experiences have become in how the world connects, engages, and does business. As we move with purpose toward illuminating products' journeys to provide trusted intelligence and promote a prosperous, safer, and more sustainable world, it is important that we provide organizational clarity for all our stakeholders. To that end, we are proud to present our inaugural Environmental, Social, and Governance (ESG) Impact Report as a reflection of our commitment to transparency and enduring value creation. The formalization of our ESG program and supporting management structure contributes to all aspects of our business and is the cornerstone of our culture. At Digimarc, ESG is a framework to help us better understand the needs of our stakeholders, and build a more sustainable and successful business.

To lead these efforts and establish accountability, we have added unique leadership capabilities to our Board of Directors and Executive Leadership. Their collective expertise brings passion and drive to help realize the true potential of Digimarc. Their leadership will provide a pathway forward for the entire organization while lending the foundational support our employees need.

Customers, employees, investors, and regulators are all talking about ESG and sustainability. It's clear to me that our stakeholders have high expectations for a company like ours, especially as our technology can contribute to solving complex global challenges facing our world today. Our commitment to embedding ESG throughout our organization aims to meet those expectations, while communicating our goals, progress, and challenges transparently.

Our success in pioneering digital watermarking technology is just the beginning of the Digimarc story. In 2021, we steered hard in the direction of becoming a product-led company. And at the end of the year, we announced our now completed acquisition of EVERYTHING, a business intelligence company that will turbocharge our transformation in 2022 and beyond. The future capability of our technology is only just being realized and we can't wait to show the world where we are going next.

Of course, we won't get there without the people who are at the core of our ESG approach. We are defined by our dedicated employees and our investment in top talent continues to be a priority. Our people live our values – Courageous, Collaborative, and Curious – by innovating with integrity, recognizing that we're stronger

together, and listening and looking forward. We will continue to drive these behaviors throughout all our organizational decisions.

I am excited by our company's immense potential to help solve complex societal challenges, ranging from counterfeiting that threatens product safety and society's trust in its currency to opaque supply chains that impede improvements in areas such as ethical sourcing and the inefficiency and ineffectiveness of current plastic recycling technologies. This year will see Digimarc reach a new level of maturity on our path to fulfilling our purpose, underpinned by our values and comprehensive ESG integration.

Sincerely,



Riley McCormack
President and Chief Executive Officer

About Digimarc

Digimarc is a global leader in product digitization, delivering business value across industries through unique identifiers and cloud-based solutions. A trusted partner in deterring digital counterfeiting of global currency for more than 20 years, Digimarc illuminates a product's journey to provide intelligence and promote a prosperous, safer, and more sustainable world. With Digimarc, you can finally see everything. And when you see everything, you can achieve anything.

Digimarc was founded in 1995, and is headquartered in Beaverton, Oregon. In January 2022, we expanded our global footprint through the acquisition of EVRYTHNG Ltd., inventor of the Product Cloud, headquartered in London, United Kingdom.

Digimarc is a Nasdaq-listed public company (NASDAQ: DMRC) incorporated in Oregon.

For more information, visit us at [digimarc.com](https://www.digimarc.com)

25+ years

Of history in pioneering Digital Watermarks

20+ years

As trusted provider of security technology to a global consortium of central banks

USD 26.5 MM

Revenue in 2021

228 dedicated employees

As of December 31, 2021

Our Purpose:

We illuminate a product's journey to provide trusted intelligence and promote a prosperous, safer, and more sustainable world.

Our Values:

COURAGEOUS

We innovate with integrity

Challenge each other and do the right thing – even when it's difficult – to deliver wins for our customers.

COLLABORATIVE

We're stronger together

Embrace diverse perspectives and harness our collective talent to realize our full potential.

CURIOS

We listen and look forward

Think differently and seek out opportunities for growth to exceed our stakeholders' expectations.

Our ESG Framework

Building a solid foundation for integrated ESG management



Our Commitment to ESG Integration

Digimarc is committed to sustainable value creation, transparency, and alignment with Environmental, Social, and Governance (ESG) best practices. ESG covers the range of our organization's impacts on the world around us (impacts outwards), as well as environmental, social, and governance risks and opportunities that have an impact on Digimarc (impacts inwards). Our approach is grounded in the firm belief that effective management of our ESG impacts is a differentiator for our business and supports our ability to create enduring value for our shareholders and other key stakeholders.

We have invested in ESG as an integral element of our company's strategy. In 2021, we solidified the strategic importance of ESG and stakeholder relations by adding the VP, ESG Engagement & Corporate Communications to our executive management team, reporting directly to the CEO and providing regular updates to the Board of Directors.

We are identifying additional ways to focus on ESG integration going forward, including incorporating awareness building and training on ESG topics into onboarding, training, and other employee engagement activities.



Mignon Senuta

VP, ESG Engagement & Corporate Communications

Mignon joined the executive management team in 2021 to spearhead the company's ESG strategy and unify all stakeholder communications, including public affairs, investor relations, media relations, and internal communications.

What drove your motivation for joining Digimarc?

When I discovered that I had been using Digimarc's flagship technology for most of my life, as a company trusted to successfully deter digital counterfeiting of global currency for more than 20 years, I knew there had to be more to this story. I quickly realized Digimarc was a company in transformation with the potential for positive impact at an almost inconceivable scale...and I wanted to be a part of it.

By illuminating the journey our customers' products embark on everyday – from production to consumption and end of life – we can provide the trusted intelligence necessary to solve complex societal challenges. Digimarc has been tapped as a trusted partner to do just this for more than

20 years by protecting public confidence in currency. ESG is our core business and I'm inspired to think where our innovation will take us next.

What does ESG integration mean at Digimarc?

Our ESG program is focused on constructing governance structures that distribute accountability and responsibility throughout various levels and functions of our organization. Though still in early stages, we take pride in the exceptional level of organizational support for our ESG approach, which will set us up for success.

My time at Digimarc has only confirmed that our success is inextricably linked with strong ESG practices, and that is the story I'm so proud to share with our stakeholders in our inaugural ESG Impact Report. This report represents a key part of our commitment to transparency and ESG leadership. We align our reporting with the most widely accepted standards – including the Sustainability Accounting Standards Board (SASB) and the UN Sustainable

Development Goals (SDGs) – and strive to provide our stakeholders with information that is concise, comparable, and decision-oriented.

How does Digimarc go about identifying ESG challenges and priorities?

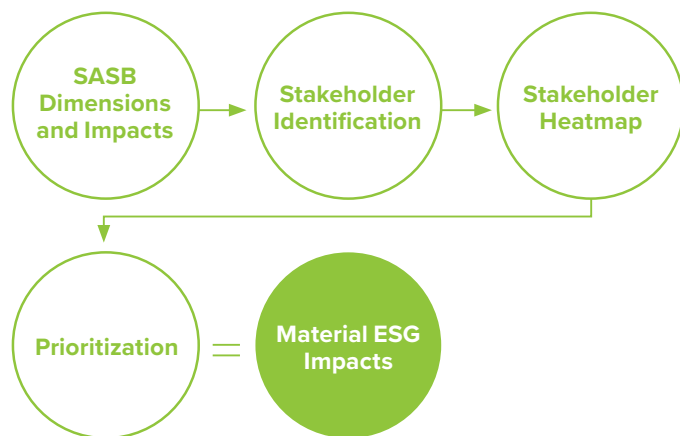
The ESG & Corporate Communications team led a comprehensive materiality assessment to prioritize the most important ESG topics for the company. From this assessment we also identified three foundational pillars of our framework: People, Product, and Planet, supported by a strong Governance foundation. We will use this framework to structure our goal setting, performance management, and reporting on our ESG impacts.

Our ESG journey has just begun. It will take the collective efforts of our employees, a disciplined focus on ESG integration, and unwavering dedication from our leadership team. We are proud to embark on this journey together and look forward to sharing our progress transparently with our stakeholders.

Materiality Assessment

In 2021, Digimarc conducted a comprehensive analysis to identify and prioritize the most impactful ESG topics for our company. This *materiality assessment* determined which issues our ESG approach should address, based on what our stakeholders view as important.

Our materiality assessment began with the universe of ESG *Dimensions* and *Impacts* identified by the *Sustainability Accounting Standards Board (SASB)*, which we enhanced with some company-specific additions. Digimarc's ESG approach seeks to incorporate the views of all our stakeholders, including our employees, customers, regulators, and local communities. Creating a stakeholder heatmap allowed us to gauge which ESG impacts were prioritized across our stakeholder groups. The resulting ranking gave us detailed insights into the expectations of our stakeholders, which form the foundation for our ESG Framework.



Digimarc's ESG Framework

Our materiality assessment in 2021 resulted in a broad spectrum of priority ESG impacts *inwards* and *outwards* for Digimarc to manage proactively. To facilitate the creation of an ESG Strategy to guide our progress over the coming years, and to communicate this transparently, we have organized our impacts into the following ESG Framework. We will use this Framework to structure our goal setting, our progress tracking, and reporting on ESG. This ESG Impact Report addresses each of the three pillars in the following chapters.

Pillar	People	Product	Planet
Priority ESG Impacts	<ul style="list-style-type: none"> • Human Capital Management • Diversity, Equity, and Inclusion • Community Relations • Human Rights 	<ul style="list-style-type: none"> • Product Design & Lifecycle Management • Customer Privacy • Ethical Messaging • Business Model Resilience 	<ul style="list-style-type: none"> • Climate Change Management • Ecological Impacts • Resource Consumption
Strategic Importance for Digimarc	Our ability to create value over the long-term as a technology company relies heavily on our People's contributions and innovation. Nurturing an engaging and inclusive culture allows our People to reach their full potential. Maintaining strong relationships with our external stakeholders is a prerequisite to retain our license to operate.	Complex societal challenges will drive our customers' agendas over the long term. Applications of our technology that support sustainability, transparency, and protect consumers offer significant opportunities. Communicating the benefits of our Product responsibly and addressing potential risks to global supply chains and the global economy can strengthen our competitiveness and help manage regulatory risk.	We believe that the climate emergency requires action from all economic participants. Responsible management of scarce resources, our carbon footprint, and ecological impacts throughout our value chain supports our ability to adapt and be resilient to a changing Planet. Leadership in this area is a core expectation from many of our stakeholders.

Foundation	Governance
Priority ESG Impacts	Data Security; Governance Structures; Executive Compensation; Management of the Regulatory Environment; Competitive Behavior; Systemic Risk Management

The Foundation – Governance

Digimarc's ESG Framework and strategy are built on the foundation of our strong corporate governance, which is essential in managing our ESG impacts across People, Product, and Planet. The Digimarc Board of Directors oversees the management and governance of the Company and is committed in promoting the interests of the Company and its stakeholders while complying with the Digimarc Corporate Governance Guidelines. Our Board maintains several standing committees: an Audit Committee, a Compensation and Talent Management Committee, a Governance, Nominating, and Sustainability Committee, and a Market Development Committee.

Our ESG strategy and integration is the responsibility of the Governance, Nominating, and Sustainability Committee, whose charter includes oversight of sustainability functions, and policies and programs involving human capital, shareholder outreach, and social, environmental and

sustainability initiatives. The Compensation and Talent Management Committee also plays an important role in ESG oversight, as it reviews certain human capital management and pay equity initiatives, among others.

Some of our most important Governance impacts include strong data security practices, maintenance of structures that ensure accountability, and responsible management of our relationships with regulators, legislative bodies, and other public actors. Besides these, developing our approach to executive compensation is a priority for Digimarc following Board and Leadership refreshment and recognizing significant room for improvement. Our 2022 Proxy Statement elaborates on the changes implemented for 2022 in this regard. These changes go hand-in-hand with improvements to the formal governance structures at Board and Leadership level, such as separating the role of CEO and Board Chair to prioritize independence, and welcoming a new CEO in 2021.

Data and information security represent key risks to our business. As a technology company, we take these extremely seriously and have instated a variety of systems and controls to manage these risks. In addition to technical safeguards, these include employee training and policies governing use of company equipment, information management, as well as escalation and response policies.

The SASB Index of this ESG Impact Report elaborates on our performance on some of the key Governance topics. Our Governance impacts are largely managed through a comprehensive set of corporate policies and regular disclosures.

Our policies on [Corporate Governance](#) can be found on our website. Our [Annual Report](#) and [Proxy Statement](#) provide more in-depth information on how we manage these topics.



Alicia Syrett

Chair of the Board of Directors and the Governance, Nominating, and Sustainability Committee

Alicia was elected Chair of the Board in 2021 and brings more than 20 years of investment management, executive, human capital management, and governance expertise to the Digimarc Board.

What role does the Governance, Nominating, and Sustainability (GNS) Committee play in ESG?

Building on our fiduciary duties as board members, we believe that companies which effectively manage financially-material ESG exposures outperform their peers. As a result, the Committee proactively expanded our Charter to incorporate Sustainability and solidify ESG as a key focus at the Committee and Board level. We recognize the strong interest of our stakeholders (shareholders, employees, customers, suppliers, regulators, community) in ESG, and we believe our role is not only to provide oversight of company ESG activities, but also to actively solicit stakeholder feedback and update our mandate accordingly.

How does the Board and GNS Committee stay informed about ESG?

As a Board and GNS Committee, we take personal responsibility and hold ourselves accountable for staying apprised of how the ESG landscape is evolving. We actively read and share news on industry trends; we attend educational webinars and events (such as those offered by the National Association of Corporate Directors); and we engage with stakeholders to solicit their feedback. From an oversight perspective, we share the desire for transparency in disclosures and metrics, and we've worked with the VP, ESG Engagement & Corporate Communications to receive and review quarterly updates on our ESG program. We also monitor rating agency assessments, internal policy changes, reporting frameworks and regulatory requirements.

What are the Board's and GNS Committee's ESG priorities?

While we exercise oversight across a breadth of ESG areas, we maintain a strong focus on Human Capital Management, Diversity, Equity and Inclusion, and our impact on the planet. With human capital management, we monitor company culture and employee wellbeing including benefits programs, training and development opportunities, and employee feedback. We believe diversity, equity, and inclusion is fundamental to outperformance at the company and board level, and we monitor changes in workforce demographics and seek to increase the diversity of our Board composition. On the environmental front, we are focused on the positive environmental impact of the product portfolio and the increasing importance of addressing climate change.

ESG Integration – the Roles of *Impact Owners* and *Impact Managers*

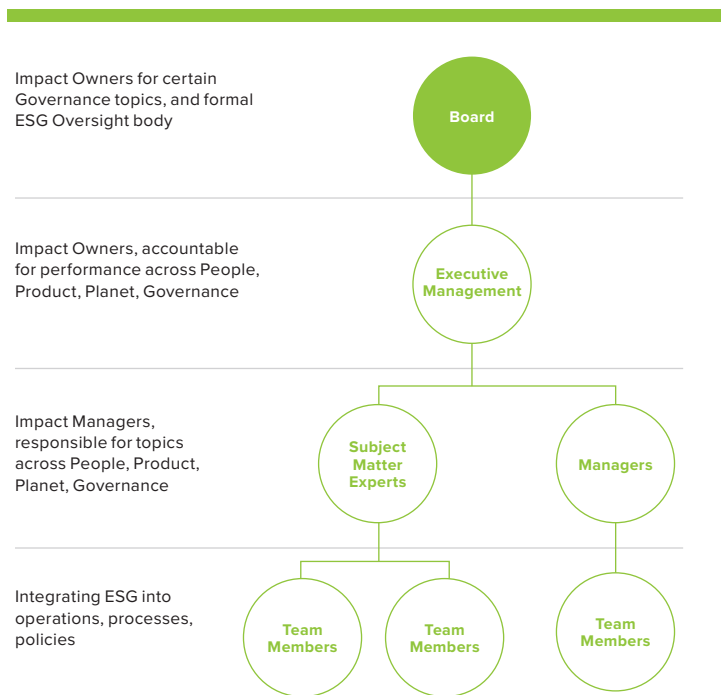
Digimarc’s executive management team has identified ESG Integration as a core priority underpinning our objectives. It is no coincidence that Integration is an explicit element of our approach. We believe an effective and integrated ESG strategy is a competitive advantage as it helps address the environmental, social, and governance risks and opportunities to the business and its stakeholders. Too often, ESG is an add-on to company strategy, and Digimarc’s ESG governance is designed to avoid this pitfall.

Management of our ESG Impacts across People, Product, and Planet, as well as our Governance impacts, is assigned to the most relevant functional leads and subject-matter experts throughout the organization.

Functional leads are members of the executive management team and carry ultimate accountability for our performance on their assigned ESG impacts. They act as *Impact Owners*. For instance, our Chief People Officer is formally accountable for our progress on diversity, equity, and inclusion (DEI).

Day-to-day responsibility for managing ESG impacts lies with *Impact Managers*, subject-matter experts and managers in functions that are most relevant to the issue. For example, our Talent Acquisition Manager within our Human Resources function is the *Impact Manager* for DEI. In this capacity, she works closely with a diverse group of colleagues to develop, implement, and monitor DEI policies and strategies.

The ESG & Corporate Communications team plays a coordinating role between *Impact Owners* and *Impact Managers*, and relevant working groups. Rather than being directly responsible for ESG programs, the team guides the overall strategy, provides input on best practices, conducts benchmarking, and coordinates our ESG reporting and disclosure. As we progress on our ESG journey, this structure empowers our organization to make progress on our most important ESG impacts and emphasizes the integration of ESG as a core element of our strategy.



Contributing to the UN Sustainable Development Goals

Launched in 2015, the Sustainable Development Goals (SDGs) are a global set of goals, targets, and indicators adopted by the United Nations to guide countries, communities, and organizations in their work to create a sustainable world by 2030. The 17 Goals represent the complex interdependencies of sustainable development. Digimarc believes that our organization can contribute to a subset of the Goals and targets that are most closely tied to our business: Goals 5, 9, 12, 13, and 14. As we further integrate ESG into Digimarc’s strategy, we will work on codifying and measuring our company’s impact on these targets.



Target 5.5 is linked to our diversity, equity, and inclusion efforts, both inside and outside the company.



Target 9.4 is linked to our technology’s potential to systemically upgrade infrastructure in a variety of settings and applications.



Targets 12.2 and 12.5 are linked to our work on recycling sortation and supply chain traceability.



Target 13.1 is linked to our commitment to reducing our value-chain greenhouse gas emissions.



Target 14.1 is linked to our Digimarc Recycle offering, apply our technology to help develop a circular economy for plastics.

Stakeholder Engagement

In a complex business landscape, it is vital that Digimarc engages actively with a wide spectrum of stakeholders. Our stakeholder engagement approach helps us determine our material impacts and monitor emerging issues. It is the lifeblood of our ESG strategy. Our engagement in partnerships and collaborations also enables us to share knowledge and learn from best practices in the industry.

In 2021, we became signatories to the UN Global Compact and are participating in the Early Adopter Program of the Compact's new reporting framework in 2022, one year earlier than required, to demonstrate our commitment to ESG transparency.

Our stakeholder engagement focuses strongly on the Product pillar of our ESG strategy. Our technology has wide-ranging applications that can contribute to environmental sustainability, such as through our plastics recycling work. In this context, moving a complex value chain towards the circular economy requires expansive collaboration and energetic engagement.

Another important stakeholder group we have engaged with continuously is the local non-profit community around our Beaverton, Oregon headquarters.

The following sections of this report highlight some of our efforts and outcomes from 2021.

Our Vision for 2022 and Beyond

Recognizing that we are in a relatively early stage of our ESG journey, 2022 will be a year of baselining, strategy building, and goal setting. The commitments we make to improve our management of our material ESG issues need to be grounded in a comprehensive understanding of our current position and we need to be deliberate in choosing priorities that achieve impactful progress. The ESG landscape moves rapidly, and positioning ourselves for success means taking stock and further institutionalizing ESG as the way that Digimarc does business. Digimarc will look to invest in the development of our ESG data collection and monitoring capabilities, through tools that assist us in setting strategic ESG objectives and reporting progress.

Our *People, Product, Planet* ESG Framework will help us categorize and communicate the goals we set this year. For example, the development of a comprehensive Diversity, Equity, and Inclusion (DEI) strategy is a priority for managing our People impacts. Adopting guidelines and governance structures to help us adhere to Ethical Messaging principles in our marketing will help us communicate clearly on Product impacts to our stakeholders. And an in-depth greenhouse gas (GHG) inventory will allow us to set carbon reduction targets that capture our expanding global footprint and manage one of our most important impacts on the Planet.

Key Platforms and Memberships

Some of the important Product-related stakeholders we engage with to drive sustainable progress through our technology.

 <p>HolyGrail 2.0 Digimarc is the selected technology provider in this industry collaboration aiming to speed the transition to a circular plastics economy.</p>	 <p>Ellen MacArthur Foundation Digimarc is a signatory to the New Plastics Economy Global Commitment and we report annually on our efforts.</p>
 <p>Sustainable Packaging Coalition We collaborate with packaging sustainability stakeholders to catalyze actionable improvements to packaging systems.</p>	 <p>Petcore Europe Digimarc participates in technical working groups to advance recycling innovations along the PET value chain in Europe.</p>
 <p>U.S. Plastics Pact Digimarc representatives serve on various work streams related to on-pack labeling and plastics-related legislation in the U.S.</p>	 <p>Association of Plastics Recyclers Digimarc participates in events and works closely with its members' companies, including in technical working groups.</p>

2021 Highlights

Our key statistics and achievements across People, Product, and Planet

PEOPLE

228

Employees as of December 31, 2021

300

Employees as of January 3, 2022, following acquisition of EVRYTHNG Ltd.

38%

Of our Board of Directors identify as an underrepresented gender

30%

Of our global employees identify as an underrepresented gender

38%

Of our Board of Directors identify as a member of an underrepresented community

21%

Of our U.S. employees identify as a member of an underrepresented community

40%

Of employees participated in Learning & Development programs

PRODUCT

~1,000

Digimarc patents granted and pending as of December 31, 2021

20+ years

Of protecting trust in global currencies, providing counterfeit deterrence technology to a consortium of central banks

18 MM

Digimarc-encoded images positively identified by our customers over the past 5 years to enforce brand protection

125,000

Pieces of plastic packaging representing...

260

SKUs (stock-keeping units) trialed in semi-industrial testing of Digimarc watermarks for plastics recycling sortation under the HolyGrail 2.0 initiative

99%

Average detection rate of plastics packaging achieved by a prototype detection sorting unit developed by Pellenc ST and Digimarc

PLANET

86%

Reduction in tons CO₂e emitted across Scopes 1, 2 and 3 in 2021 vs 2019

100%

Renewable wind energy procured at our Headquarters via RECs

5%

Reduction in electricity use at our Beaverton, OR Headquarters in 2021 vs 2020

6%

Reduction in electricity use per Full Time Employee (FTE) in 2021 vs 2020

People

People are the foundation of our business – responsible Human Capital Management, Diversity, Equity, and Inclusion, and impactful Community involvement are among our priorities



Human Capital Management

Our Digimarc culture continues to be our competitive advantage through the engagement of people, top talent recruitment and a steadfast focus on the health and well-being of our employees. Our well-rounded culture enables our development of products that create value for our stakeholders, while also highlighting the creativity, skills, and dedication of our workforce.

Our company's functions are designed to channel our human capital resources toward our common purpose of providing trusted intelligence that promotes a prosperous, safer, and more sustainable world.

As our world shifted to remote work due to the COVID-19 pandemic, Digimarc quickly adapted and leveraged our strong values – Courageous, Collaborative, and Curious – to continue advancing our work. This ultimately became an advantage and led Digimarc to recruit from a more diverse talent pool as we have permanently shifted to a hybrid onsite/remote organization.

We also recognize that competitive compensation and benefits are at the core of our ability to cultivate top talent. In 2021, our Human Resources team led a market assessment of our compensation and benefits. The results informed widespread adjustments to enhance our market position and support talent retention.

Employee Engagement

To continue driving our success and growth, we make employee engagement a priority for our company through valuable health and well-being programs that enable our employees to feel connected and inspired through our company culture. Colleagues who feel engaged in their work contribute to a healthy culture, while demonstrating higher levels of productivity.

One of the most important sources of employee engagement is organizational clarity regarding purpose, values, and strategy. In 2021, Digimarc invested in the creation of an ESG & Corporate Communications team, which includes a specialist focused on internal communications that create clarity, foster engagement, and support the integration of Digimarc and EVRYTHNG colleagues. The team – an important partner for HR – led the transition to a new corporate intranet site, designed as an information hub to orient new employees, share information cross-functionally, and cascade important announcements, supporting the goal of clarity for all our employees. Regular All Employee Meetings, as well as knowledge-sharing opportunities such as Digimarc's Tech Tuesday lunch-and-learn sessions, further support employee engagement.

In addition, the constantly changing COVID-19 situation added to potential employee uncertainty. We conducted regular Employee Pulse Surveys in order to gauge employee feelings about COVID-19 restrictions and their ability to work effectively from home.



Jill Elliott

Executive Vice President, Chief People Officer

Jill joined Digimarc in February 2022. As Chief People Officer, she is responsible for the company's human capital management, including our human resources, diversity, equity, and inclusion strategy.

What excites you about your role at Digimarc?

Joining a courageous company like Digimarc with a rapidly expanding global footprint is a thrilling challenge. Digimarc has a long and rich history, built on attracting high quality talent and fostering an innovative culture. Stewarding our People strategy as we enter the next chapter of our story is an exciting responsibility.

How do you view the importance of People in contributing to Digimarc's success?

Every output we've ever produced is the direct result of our people. It is no coincidence that People is the first pillar in our ESG Framework – while all three are important, we need to recognize that first and foremost, we're a people business.

Digimarc's long-term success relies on maintaining a healthy organization. In addition to bringing and keeping exceptional talent on board, a healthy organization

makes sure all our colleagues have clarity on what we're working towards. That nurtures employee engagement and helps us leverage our talent responsibly.

If our employees are the lifeblood of our company, the people we interact with externally are the sunshine that we rely on to fuel our growth. As we become a global, hybrid remote/onsite company, the definition of 'community' changes for us. But we still depend on our relationships with those communities and the people we impact throughout our value chain to give us our fundamental license to operate.

What are your focus areas for 2022?

One of Digimarc's strategic anchors is that we'll succeed by cultivating top talent. Continuing to invest in our workforce by attracting and retaining the best people globally is our priority. In order to do that, we recognize the need for a comprehensive strategy on diversity, equity, and inclusion (DEI). An extensive baselining and goal setting exercise will take place this year to work towards DEI leadership.

74%

Of employees participated in engagement survey in 2021

9%

Voluntary employee turnover in 2021

Successfully integrating Digimarc and EVRYTHNG colleagues is a key focus for 2022. To support this significant undertaking and ensure our employees' participation in the process, a cross-functional Integration Change Management Office (ICMO) was instated. ICMO Champions from all areas of our combined organization work collaboratively to support integration at all levels.

An important element of the integration of our two companies is the continued global rollout of the Table Group Methodology, which prioritizes becoming a healthy organization by focusing on clarity. Digimarc has invested in this framework with dedicated support for cascading this way of working throughout each function. We will continue to concentrate on organizational health in 2022 by providing further support for functional leads and managers across the organization.

In 2021, Digimarc began a significant transformation towards being a product-led company. This transition highlighted the importance of prioritizing employee engagement and belief in our purpose and organizational strategies.

We asked our employees whether they understood the company direction. Despite a high level of positive responses, we saw room for improvement. As a result, Digimarc hosted an all-employee Global Town Hall in March 2022 to align on company objectives and goals, and support the integration of Digimarc and EVRYTHNG. Hosted in Portland, Oregon, as a hybrid event under observance of COVID-19-related health protocols, the Global Town Hall offered a welcome opportunity for colleagues to meet in person. The event energized our colleagues, and its success will see it return as an annual highlight on the company calendar.

Employee Well-being

Digimarc's Human Resources policies protect our employees' health and safety, and provide a number of benefits to support their emotional and physical well-being. We recognize the important role we play in enabling a healthy work-life balance for our employees, which in turn supports our ability to attract, retain, and engage high-quality talent.

We expanded our parental and pregnancy leave policies in 2021 to ensure our colleagues feel

supported during this important time. For example, by increasing paid pregnancy leave from eight to 16 weeks, we not only prioritize our team members' physical and emotional well-being, but also recognize the important inclusion benefits this can generate. Digimarc also enables employee participation in a third-party provided employee assistance program (EAP) to access support for issues such as stress management and counseling, among others.

Learning and Development

In 2021, Digimarc furthered our investment in helping our people develop skills and competencies by hiring a Sr. Learning and Development Manager. While our employees already enjoy access to a variety of training and development opportunities, the Sr. Learning and Development Manager will work with internal stakeholders to create a comprehensive Learning and Development Policy and bring best practices to Digimarc. Besides helping employees build the skills they need to be successful in their roles, we

believe that encouraging and rewarding proactive development of personal and professional competencies enhances employee engagement and supports our organizational health.

40%

Of employees participated in a Learning & Development Program in 2021

Comparable data for 2020 and 2019 is unavailable

99

Completed Learning & Development Courses by our employees in 2021

Comparable data for 2020 and 2019 is unavailable

USD 87,604

Digimarc investment in employee Learning & Development Programs in 2021

150% increase vs 2020
60% decrease vs 2019



The Global Town Hall in March 2022 reinforced clarity across our growing organization.

Diversity, Equity, and Inclusion

Digimarc puts diversity, equity, and inclusion (DEI) at the center of our human capital approach. Some of the most important ways in which we can influence DEI are improving the representation of underrepresented communities at all levels of our company, ensuring pay equity across dimensions of diversity, and fostering universal belonging by providing inclusion-oriented resources and benefits.

Diversity, equity, and inclusion are material to our business because strong DEI practices can help us attract and retain quality talent by, for example, benefiting from previously underrepresented talent pools. Ensuring the representation of diverse backgrounds and perspectives can help us avoid siloed thinking and enhance our ability to innovate. The benefits of DEI also intersect with our employee engagement efforts and their outcomes. As a result, improving our performance on DEI is critical to our long-term business success.

We have focused on increasing DEI for over a decade and the demographics of our workforce generally improve every year with increased gender and ethnic representation among our workforce, management team, and the Board of

Directors. Digimarc's demographics have increasingly reflected the ethnicity demographics of our headquarters' metropolitan statistical area's workforce. We are also broadening our search parameters to include new geographies by enabling remote positions and targeting diverse and inclusive job sites to attract a more diverse applicant pool.

Our Board has made significant progress over the past several years in establishing a well-rounded and diverse group of directors. We significantly increased our diversity of gender and demographic background¹ on the Board, from 0% in 2020 to 29% at the time of our 2021 Annual Meeting of Shareholders. Our board refreshment efforts in early 2022 have continued to focus on improving diversity, with 38% of directors standing for election at our 2022 Annual Meeting of Shareholders bringing diversity of gender and 38% bringing diversity of demographic background. More information is available in our [2022 Proxy Statement](#).

Nonetheless, we recognize that Digimarc has significant room for improvement in this area. We have taken several steps to set the groundwork for an impactful DEI strategy. Since 2021, oversight of diversity and inclusion

has been expressly delegated to the Board Governance, Nominating, and Sustainability (GNS) Committee. In early 2022, we added our Chief People Officer, Jill Elliott, to our executive management team. Jill brings extensive experience in building diverse, inclusive, and engaging places to work and will focus on the creation of a comprehensive diversity, equity, and inclusion strategy. The strategy will be built on a baselining exercise, reflecting our key stakeholders' expectations, our workforce profile, practices, and policies. We will then work towards setting concrete targets to improve our DEI performance over the short- and long-term by the end of 2022.

Recognizing that we should not put existing initiatives on hold in the meantime, we will concurrently continue monitoring our employees' experience with DEI at Digimarc through surveys, and work to enhance the diversity of our candidate pools and search firms. An important part of our approach is transparency. The information disclosed in this report and the additional diversity data included in the 2022 proxy statement represent important steps on this journey.

Gender Representation of Global Employees

	Total # employees	Female		Male		Non Binary		N/A	
Management	10	3	30.0%	7	70.0%	0	0%	0	0%
Technical Staff	95	18	18.9%	77	81.1%	0	0%	0	0%
All Other Employees	123	47	38.2%	76	61.8%	0	0%	0	0%
Total	228	68	29.8%	160	70.2%	0	0%	0	0%

Data as of December 31, 2021

*N/A = not available or not disclosed

Demographic Background of U.S. Employees

	Total # employees	Asian		Black or African American		Hispanic or Latino		White		Other		N/A	
Management	10	1	10.0%	0	0%	1	10.0%	8	80%	0	0%	0	0%
Technical Staff	95	13	13.7%	1	1.1%	1	1.1%	77	81.1%	3	3.2%	0	0%
All Other Employees	116	13	11.2%	3	2.6%	4	3.4%	90	77.6%	5	4.3%	1	0.9%
Total	221	27	12.2%	4	1.8%	6	2.7%	175	79.2%	8	3.6%	1	0.5%

Data as of December 31, 2021

*N/A = not available or not disclosed

^Other includes the classifications: Native American or Alaska Native, Native Hawaiian or Pacific Islander, and "Two or More Races"

¹ Our definition of diversity of demographic background is aligned with the definitions and disclosure requirements under the [2021 Nasdaq Board Diversity Rule](#).

Community Relations

Digimarc has long been committed to maintaining strong relationships with our local communities. Digimarc's employee-led Fun Committee coordinates our involvement in charitable causes through donations and volunteering, as well as supporting the development of STEM education programs at local institutions. We are also proud of our longstanding internship program in partnership with organizations like [MECOP Inc.](#) and [Saturday Academy](#). Our program has provided dozens of High School, Undergraduate, and Graduate students from our community with unique opportunities to gain practical experience in STEM.

In light of our company's shift to hybrid work, we face a challenge in redefining what community means at Digimarc. Our acquisition of EVERYTHNG Ltd, headquartered in London, UK, and with offices in Belarus and China, among other locations, means that our employees reside all over the globe. As of December 21, our company was composed of 25% remote employees, and we expect this number to grow. An important element of the Fun Committee's work for 2022 will include this redefinition of community.

Our approach will continue to be based on a strong set of community-oriented policies. As part of the Digimarc Community Outreach Program, employees are granted paid volunteer time off to assist a charitable organization of their choice, and we encourage our employees' community support by matching employee donations to non-profit organizations, up to a total limit of USD 10,000 per year.

We do not allow Digimarc-sponsored volunteer time off or matched donations to be used for organizations that engage in discrimination or do not uphold our values related to diversity, equity, and inclusion in our communities.

Human Rights

Our 2021 ESG materiality assessment re-emphasized the importance of protecting human rights within our organization and throughout our value chain. Especially as we become a more global company, we bear a greater responsibility for protecting and respecting the rights of our people and those around us.

Digimarc has published a [Human Rights Policy](#) on its website. The policy expresses our commitment to respecting human rights and outlines the principles on which we base our approach. In the policy, we identify our company's key areas of impact on human rights, including our responsibilities towards our employees, partners, and suppliers. We are particularly aware of our employees' right to a healthy and positive work environment that is free from harassment and discrimination. As a result, our [Discrimination and Harassment Free Workplace Policy](#) is also publicly available and describes how we support our employees in speaking up against and reporting harassment or discrimination.

Our Human Rights Policy commits us to conducting due diligence to identify and address human rights risks in our operations and business relationships. In 2022, we will explore the best way forward for a comprehensive Human Rights Due Diligence exercise in line with international best practices, and will report on our plans, progress, and outcomes.

2021 Community Highlights

In 2021, Digimarc organized a total donation to the Oregon chapter of the Make-a-Wish Foundation of \$8,851, including \$2,550 of employee donations and \$1,000 of donations matched by Digimarc. This built on a 2020 total donation of \$3,714, surpassing the \$3,000 goal set for 2020.

We continued our longstanding support for Oregon Mathematics, Engineering, Science Achievement (MESA) by participating virtually in the MESA Day, where our physical booth or virtual video presence over the years has showcased innovation in practice to school children.

As the pandemic restrictions ease, we are keen to recommence our strong involvement in STEM education organizations in person. This involves participating in the annual ChickTech high school Tech Showcase, where we sponsored a 3D printing jewelry design workshop in 2019. ChickTech is dedicated to retaining women in the technology workforce and increasing the number of women, girls, and nonbinary people pursuing technology-based careers.



Product

Our technology acts as an enabler to promote a prosperous, safer, and more sustainable world



Digimarc delivers transformative product digitization solutions featuring digital watermarks and other unique identifiers combined with product intelligence in the cloud. Digimarc activates products, objects and digital media for greater accuracy, efficiency, security, and recyclability. Companies benefit from deeper business insights, better brand integrity, and supply chain traceability for total transparency.

In January 2022, Digimarc acquired the Product Cloud company EVRYTHNG to support greater product digitization and intelligence. Combining Digimarc's unique means of identification with the EVRYTHNG® Product Cloud makes it possible to gather and apply traceability data from across the product lifecycle, unlocking end-to-end visibility and authenticity through item-level, real-time intelligence and analytics.

Product Design & Lifecycle Management

These unique, market-leading capabilities mean that the solutions we provide to our customers add tangible economic value, while also carrying immense potential to solve broader societal challenges. We perceive this potential as an unprecedented opportunity and an important responsibility to create value sustainably. To fulfill this responsibility, we must incorporate environmental, social, and governance

considerations into the characteristics and purposes of our technology and solutions, integrating ESG into our Product Design & Lifecycle Management. This includes considering the impacts of our products on all stakeholders, as well as our ability to address the increasing customer and societal demand for solutions that address systemic economic, societal, and environmental issues.

Our Product function owns and manages this series of ESG impacts, with our Chief Product Officer acting as the Impact Owner for Product Design & Lifecycle Management. This chapter elaborates on the most important Product applications that have positive sustainable impact potential.

Ethical Messaging

Another closely related ESG topic that is material to our organization is our responsibility to reflect sustainability impacts, both positive and negative, transparently in our communications. Digimarc prioritizes transparency and accuracy in our marketing statements and company presentation, including in this report. Our commitment to Ethical Messaging is embedded in a formal governance process based on a cross-functional Ethical Messaging Committee, which reviews our communications for adherence to a set of guidelines that emphasize responsible marketing.



Tony Rodriguez

Executive Vice President, Chief Technology Officer

Tony has been with Digimarc for over 25 years. He currently oversees engineering, and research and development. He is also the inventor on 294 issued U.S. patents.

What have been some of the most rewarding successes for Digimarc during your time with the company?

From Digimarc's first patent and product, to going public and winning an Emmy Award® for Technology & Engineering, there have been plenty of memorable achievements. One constant throughout has been our focus on building a technology that our partners and customers can trust. For example, I'm proud of our longstanding relationship with a consortium of central banks to provide technology to deter banknote counterfeiting.

Underlying this success is a world-class team of researchers, designers, and engineers, who have applied their diverse backgrounds and talents to build an innovation engine that continues to accelerate. It is their passion paired with unique perspectives that have allowed us to deliver solutions to problems that our customers previously considered unsolvable. Helping to build and in-turn learn from these teams is tremendously rewarding. The giant leaps we've taken over the past year and the focus on investing in our people make my role and this company as exciting as ever.

What are the biggest opportunities for our technology in the coming years?

Our technology and strategy put us on the cusp of truly unique opportunities to have a positive impact on the world. Our innovative platform helps our partners and customers solve some of the largest economic, social, and environmental challenges of our time. Think of our ability to bring end-to-end traceability to global supply chains, to protect consumers through reliable product authentication and anti-counterfeiting, or to improve the sortation of plastics packaging to support better recycling rates. While we've been innovating and honing our technology for decades, we're more focused than ever on using it with purpose to help solve a specific set of complex problems where we can have the biggest impact.

How does the acquisition of EVRYTHNG Ltd unlock even more potential?

In short – in countless ways! We joke that our organizations were separated at birth, and the acquisition was us coming back together. The integration of our technologies enables a complete solution set for our customers to address the big challenges I described before, and the exceptional cultural alignment between our organizations just reinforces that added value.

Counterfeit Deterrence of Banknotes

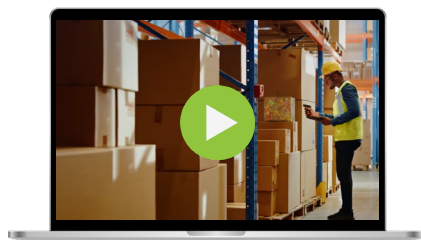
Digimarc has maintained a long-term relationship with a consortium of central banks for over 20 years, providing trusted technology to help deter digital counterfeiting of currency. The relationship was the first commercially successful large-scale use of our technologies and protects billions of banknotes in circulation globally. This highlights our commitment to protecting a central tenet of our global economy – public confidence in currency. We are proud that ESG considerations around the stability of our economic system are at the very core of our Government business segment and have been for over two decades.

Brand Integrity and Protecting Consumers

Counterfeiting is a global crisis for companies and consumers alike. According to the International Chamber of Commerce, the value of [counterfeit and pirated goods will exceed \\$1.9 trillion globally this year](#), and 5.4 million legitimate jobs will be put at risk as a result. Industries that face a particularly high degree of

counterfeiting include the automotive, pharmaceutical, and consumer products sectors. Besides posing a financial risk to companies, counterfeiting can seriously harm product safety, especially in sensitive industries like pharmaceuticals.

Our Brand Integrity solution allows brand inspectors and consumers to authenticate genuine items using mobile devices, protecting consumers from illegitimate and potentially harmful counterfeit goods. Online, our watermarks can also be added to digital images to protect brand assets and prevent counterfeit web stores. Over the past five years, our customers have positively identified over 18 million of their Digimarc watermark-encoded images to enforce brand protection.



Digimarc brings your products to life with a digital record of their journey and interactions. You can finally see everything about your products' past and present, and make intelligent decisions about the future of those products and your business.

Ken Sickles

Executive Vice President, Chief Product Officer

Ken joined Digimarc in 2021. He is responsible for developing, delivering, and supporting Digimarc's global technology platform.

What did you see in Digimarc that made it the perfect fit for you?

Throughout my career, I've never seen an opportunity to build something as impactful as we have with Digimarc. Part of that opportunity is the advancement and integration of Digimarc and EVRYTHING technologies, but a key piece is the caliber and culture of this team, which make Digimarc the unique company it is.

How would you summarize Digimarc's product strategy?

In 2021, Digimarc embarked on a major shift to become a product-led company, identifying the set of Solutions that Digimarc will bring to market. They include Brand Integrity, Recycling, and secure, multi-purpose digital watermarks. They are the applications where our powerful technology can provide a differentiated unlock, contributing materially to solving a complex problem in a way that other approaches cannot. These are not only business challenges for our customers, they are societal problems that give our products the opportunity to contribute to a better world.

The integration of Digimarc and EVRYTHING only makes this focus on solving societal challenges stronger – the EVRYTHING® Product Cloud has been a missing piece in our work with the HolyGrail 2.0 cross-value chain recycling collaboration, for example. Now we're equipped with this world-leading capability as well to drive recycling solutions at scale.

How does Digimarc integrate ESG considerations into its Product organization and strategy?

Product is a core pillar of our ESG Framework because this is what drives our sustainable value creation potential. Achieving that potential means that ESG cannot be an afterthought. That is why I am the Impact Owner for our product design and lifecycle management ESG impacts, and our VP, Product Operations is the Impact Manager, working closely with the ESG team to bring our stakeholders' perspectives and best practices into all our processes. In 2022, we are focused on implementing an ESG stage gate process in our product development.

Improving Recycling Accuracy

Regulators, consumers, and businesses globally are motivated by a paradigm shift away from our take-make-waste, linear economy. The circular economy encourages the preservation of valuable resources, the protection of the environment, and the prospect of sustainable economic value creation. Plastics have revolutionized the way products are packaged and sold, and in 2022, an estimated [2.7 trillion pieces of plastics packaging](#) will be in circulation globally. Nonetheless, only 9% of global plastic waste is recycled, according to a 2019 study in the peer-reviewed journal *Science Advances*. Businesses face a systemic challenge in building a circular plastics economy.

Digimarc watermarks provide a powerful digital identity that can support more accurate recyclability of plastics and other materials, solving an important technological aspect of this complex challenge. Among the benefits of digital watermarking for this application is that our technology enables the identification of plastics that were previously too difficult to identify, such as carbon black packaging and separating food grade and non-food grade containers.

Digimarc digital watermarks are at the center of a pan-European initiative addressing the plastics recycling crisis. Driven by AIM -

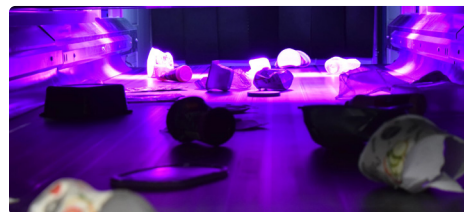
European Brands Association and powered by the Alliance to End Plastic Waste, over 160 companies and organizations from the complete packaging value chain have joined forces for the [Digital Watermarks Initiative HolyGrail 2.0](#). The objective of the initiative is to prove the viability of digital watermarking technologies for accurate sorting and the business case at scale. In September 2021, Digimarc announced it has entered semi-industrial trials, the next stage of development for intelligent waste sorting as part of HolyGrail 2.0. As the selected digital watermarks technology provider, Digimarc is working with the two machine vendors, Pellenc ST and Tomra, to develop add-on modules for their detection sorting units.

HolyGrail 2.0 is the successor to the HolyGrail 1.0 initiative, a three-year investigation by the Ellen MacArthur Foundation's New Plastics Economy to find a harmonized technology to address the challenges in the sortation of plastics and other materials. Digimarc was proud to be the technology provider to the initiative, with our approach deemed more comprehensive and sustainable than other methodologies.

Our participation in the HolyGrail 2.0 initiative is at the core of how we fulfill our pledge to the [Ellen MacArthur Foundation's New Plastics Economy Global Commitment](#). As a signatory to the Global Commitment, we have pledged to support the plastics packaging industry through collaborative projects for

development of harmonized technology to increase sorting accuracy, obtain higher yields of recyclates, and drive recycling through consumer engagement. Each year, we report on our progress towards this pledge on our website. The next iteration of our New Plastics Economy Global Commitment report will be available in July 2022.

In 2020, the HolyGrail 2.0 initiative was accepted into the Solar Impulse Foundation's database of profitable solutions that protect the environment, receiving the "Solar Impulse Efficient Solution" Label. Considered a recognition for innovators and a credible trademark of quality for governments and companies, the Label enables decision-makers to find efficient solutions to meet their environmental commitments.



The Digimarc and Pellenc ST prototype detection sorting unit (above) and an Open House demonstration at the Amager Resource Center in Copenhagen in 2021.

Key 2021 HolyGrail 2.0 Developments

- A prototype detection sorting unit developed by Pellenc ST and Digimarc, which combines our digital watermarks technology and NIR/VIS infrared for sorting of packaging waste, achieved an average detection rate of **99%** and an average ejection rate of **95%**.
- This successful prototype advanced to the semi-industrial test phase at the Amager Resource Center (ARC) in Copenhagen, Denmark. As part of this phase, around **125,000** pieces of packaging representing up to **260** different stock-keeping units (SKUs) provided by HolyGrail 2.0 member companies were coded with digital watermarks and trialed.
- Three physical and two virtual Open Houses were held in October and November 2021 to showcase the semi-industrial test phase. Around 700 participants attended these Open Houses, which featured demonstrations of the machine prototype and the digital watermarks technology, as well as updates on developments and Q&A sessions.

9%

Of global plastic waste is recycled, according to a 2019 study in the journal *Science Advances*

13.3%

The national U.S. recycling rate for plastic packaging, according to the U.S. Plastics Pact

Customer Privacy

As a technology company, Digimarc recognizes the vital role it plays in protecting the data of customers and end users that it collects and processes. The software solutions we provide to our customers are the main avenue by which we collect and process personal data.

Personal data processing is ancillary to Digimarc's business activities. Digimarc generally does not process personal data that can be characterized as "sensitive" personal data in the ordinary course of business and Digimarc does not sell or otherwise share with third parties other than service providers the personal data it does collect. The same applies for data that we receive through visits to our website or information collected through content downloads from our website. However, Digimarc appreciates the importance of respecting personal data privacy and makes efforts to ensure that personal data we process are afforded appropriate treatment.

Through our privacy policies, license agreements, and other vehicles, we provide users with clarity and address what we will and will not do with their personal data. For any personal data that we do process, we are required to comply with laws for data

protection and security. In this context, Digimarc crafts its privacy policies and procedures with an eye toward compliance with the European Union (EU) General Data Protection Regulation (GDPR) and other data privacy rules and regulations.

Digimarc takes care to educate employees about and advise employees on data privacy issues, and Digimarc's in-house counsel are actively involved in shaping Digimarc's data privacy policies and procedures. Digimarc counsel works with product managers, marketing personnel, and others to vet new software and service offerings, marketing initiatives, and other activities that may entail personal data collection, to ensure that data collection is limited to what is necessary, pursued for lawful purposes, and undertaken and managed appropriately.

Digimarc continues to centralize personal data housed on-site to better manage its retention and use of data and to facilitate response to data subject access. Where customer data is collected through third party services or otherwise shared with third party vendors, Digimarc policies require that only reputable vendors are utilized and that appropriate protections are put in place, including entry of Data Processing Agreements.



Planet

We recognize the urgency of environmental challenges globally and our responsibility to minimize our Planet impacts

Planet Impacts

Managing our Planet ESG impacts means addressing our operational and value-chain effects on the environment, the climate, and resource consumption. Applications of our technology that support environmental sustainability are addressed under the Product pillar of our ESG Framework.

Even though Digimarc has a relatively small environmental footprint, we know that our stakeholders perceive our contribution to planetary challenges like climate change, biodiversity loss, and resource scarcity as a vital part of our ESG profile. We agree. We need to measure and manage our Planet impacts to make sure we are not inadvertently having significant negative effects in our operations or our supply chain, and instead can lead by example and work with our employees, business partners, suppliers, and other stakeholders to minimize our footprint.

Climate Change Management

Climate change management is a key area of focus for Digimarc. Running our facilities emits a limited quantity of greenhouse gases (GHG), but our technology relies on energy- and resource-intensive data centers and computing power, which are owned and operated by our service providers. Therefore, our Scope 3 GHG emissions (i.e. upstream and downstream) are important challenges for our growing business. Recognizing the significance of cloud computing to our full value-chain carbon footprint, Digimarc has worked with our service providers to measure our usage and associated greenhouse gas emissions for 2021. We have encountered challenges in measuring this data due to legacy contracts with these service providers, and therefore are only able to disclose partial Scope 3 cloud computing emissions data for 2021, covering cloud computing usage for one of our business units and internal tools, which emitted an estimated 0.2 tons CO₂e. Looking ahead, we will focus on working with our service providers to improve transparency of our cloud computing-related carbon footprint.

We support the work of the [Taskforce for Climate-related Financial Disclosures \(TCFD\)](#). To help us manage our climate impacts and ensure transparency regarding our climate-related actions, we respond to the four pillars of the TCFD here:



Governance

Digimarc's governance around climate-related risks and opportunities

Climate change management is integrated into the company's governance structures. Recognizing climate risks and opportunities as a material issue for our company, the Board Governance, Nominating, and Sustainability Committee exercises oversight on environmental topics, including climate change.

Through Digimarc's integrated ESG Impact management structure, our Chief Financial Officer has been designated as the Impact Owner for climate change management. Our Senior Facilities Manager is the Impact Manager for our operational climate footprint. In collecting data, setting baselines, and mapping out next steps, we also consult with key individuals throughout the company. This governance structure is monitored and supported by the ESG & Corporate Communications team to ensure effective integration of climate considerations throughout the organization.



Strategy

The actual and potential impacts of climate-related risks and opportunities on Digimarc's business and strategy

Digimarc recognizes the importance of climate change-related topics to our stakeholders. We may face reputational risk from being perceived as lagging on climate progress compared to our peers and industry. This also extends to our employees, who may feel less engaged in pursuing Digimarc's purpose if they perceive our company as not taking steps towards reducing our footprint and taking advantage of climate-related business opportunities. Further, we are closely monitoring climate-related disclosure requirements from regulators, such as the Securities and Exchange Commission (SEC).

The most material strategic impact of climate change on our business is the business opportunities it presents. Climate change mitigation is linked to some of the sustainability-related applications of our products, such as helping to implement a circular economy for plastics, which can reduce resource consumption. Efforts by our customer base and their industry partners, as well as public awareness of circular economy and climate challenges, provide our company with an important opportunity to help solve these problems.



Risk Management

Digimarc's approach to identifying, assessing, and managing climate-related risks

Digimarc's Board Governance, Nominating, and Sustainability Committee considers environmental and climate-related risks as part of its oversight role. This has led to the publication of an [Environmental and Climate Change Policy](#), which outlines our commitment to addressing the various climate-related risks and opportunities we face.

We expect climate risks to become a more central factor in our risk management approach in the future, especially due to the acquisition of EVRYTHNG Ltd in January 2022, as we recognize the energy-intensive upstream nature of the cloud-based solutions we offer to our clients.

Digimarc minimizes its operational impact on the climate to mitigate risks related to our own operational footprint. Even more importantly, we are dedicated to taking advantage of the climate-related opportunities that our products provide. Through industry collaborations, such as HolyGrail 2.0, we seek to develop climate-positive applications of our products. The previous chapter – Product – elaborates on our efforts to make use of these unique opportunities.



Metrics and Targets

How Digimarc assesses and manages relevant climate-related risks and opportunities

Digimarc is at an early stage of measuring its performance on climate-related risks and opportunities. Having worked towards an integrated management structure that assigns formal responsibility for climate change management, Digimarc is committed to conducting a comprehensive GHG inventory exercise based on our rapidly expanding global footprint. Establishing a baseline of our climate-related performance globally will enable robust target setting in the future.

GHG Emissions	2021 (tons CO ₂ e)	% Change vs 2020	% Change vs 2019
Scope 1	13.5	+118.9%	+224.9%
Scope 2	0	-100%	-100%
Scope 3 ²	122.1	+50%	-76.7%
Total	135.6	+3.2%	-86.3%

² Scope 3 greenhouse gas emissions data covers emissions from business travel and employee commuting, but does not include emissions linked to cloud computing services purchased from third-party providers. Please see the discussion on Climate Change Management in this chapter for more information.

Resource Consumption

We believe that managing our operational resource consumption in terms of energy, water, and waste is a cornerstone of being a responsible company. Our employee-driven Green Team has helped Digimarc make gradual improvements over several years to manage our resources more efficiently. As we move forward, we emphasize structural measurement and management with the goal of minimizing our impact on the environment, avoiding the risk of exasperating resource stresses, and respecting our communities' resources.

Energy

We have taken important steps to reduce our operational energy consumption, and have placed significant focus on the role of our electricity consumption in our operational carbon footprint. Our actions over the past several years have included procuring 100% renewable wind energy to power our headquarters³ and reducing our energy consumption by installing sensor lights in conference rooms. Our new headquarters as of March 2022 has sensor switches throughout the entire building to reduce energy consumption. We procure Renewable Energy Certificates (RECs) from our local energy provider covering 100% of our electricity consumption each year. The RECs are Green-e Energy certified, ensuring that the certificates are not claimed by more than one party and only sold once. We have begun structural measurement and monitoring of our energy usage, with the aim of setting reduction targets for our operational energy footprint. We intend to expand this measurement approach to the energy usage and profile of our suppliers' data centers to incorporate this important factor into our target setting.

Water

Digimarc maintains a small water footprint. Nonetheless, we have taken incremental steps to reduce our water use further, for example, by installing low-flush toilets in our headquarters in Beaverton, Oregon in 2017. We recognize that an important area of water use in our value chain is the cooling of third-party data centers. We intend to measure, monitor, and work towards reducing this water use, especially where third-party data centers or servers are withdrawing water in high baseline water stress regions.

Waste

Having developed plastics recycling applications of our digital watermarking technology means that waste is a topic that our business takes very seriously. We take a similarly keen interest in waste reduction and recycling in our operations.

Our employee-organized Green Team has implemented several efforts since 2019, including the removal of plastic cups and single-use condiments from our offices and the installation of a waste-management center on-site to facilitate waste separation, composting, and recycling. We work with specialist recycling partners at our headquarters to facilitate recycling of electronic equipment in adherence to international recycling standards, such as R2:2013 and ISO14001. We recognize that we have room for improvement in measuring our waste generation and operational recycling rates, and will work with our waste management partners to facilitate next steps in this area.

1,528 MWh

Of electricity purchased at our Beaverton, OR Headquarters

5% decrease vs 2020

10% decrease vs 2019

100%

Renewable electricity procured at our Headquarters via the purchase of RECs

3129 m³

Water withdrawn for use at HQ in 2021

21% increase vs 2020

20% decrease vs 2019

³ As of March 2022, our new headquarters' utilities are controlled by the landlord for approximately the first two years of our tenancy. We cannot guarantee that our landlord will procure solely renewable energy during this time. We will engage our landlord to encourage 100% renewable energy procurement and seek solutions to reduce our carbon footprint from electricity use.

SASB Index

The Sustainability Accounting Standards Board (SASB) provides a collection of industry-specific standards to help measure and communicate performance on ESG topics. We have included the following Index based on the SASB standards for the Software & IT Services sector. All data presented here is for the fiscal year ended December 31, 2021 unless otherwise noted. Inclusion of information in this Index should not be construed as a characterization of the materiality or financial impact of that information.

Dimension	Metric	2019	2020	2021	SASB Indicator	More information in this report
Environment	The total amount of energy consumed as an aggregate figure, in gigajoules (GJ)	6,120.14	5,816.02	5,502.38	TC-SI-130a.1	Resource Consumption
	The percentage of energy consumed that was supplied from grid electricity	100%	100%	100%	TC-SI-130a.1	Resource Consumption
	The percentage of energy consumed that is renewable energy	17%	92%	100%	TC-SI-130a.1	Resource Consumption
	The amount of water that was withdrawn from all sources, in thousands of cubic meters	3.89	2.57	3.13	TC-SI-130a.2	Resource Consumption
	The amount of water that was consumed in operations in thousands of cubic meters	We do not track this information at this time.			TC-SI-130a.2	
	Water withdrawn in locations with High or Extremely High Baseline Water Stress as a percentage of the total water withdrawn	0%	0%	0%	TC-SI-130a.2	Resource Consumption
	Water consumed in locations with High or Extremely High Baseline Water Stress as a percentage of the total water consumed	We do not track this information at this time.			TC-SI-130a.2	

Environment	Discussion of the integration of environmental considerations into strategic planning for data center needs	Digimarc does not have a formal policy in place to govern our ecological impacts or other environmental considerations in the siting of third-party data centers and servers. However, our Environmental and Climate Change Policy outlines our commitment to protecting the environment in our operations and through our products and services. We intend to review our existing relationships with third-party data center and server providers to gather data on our full value chain ecological and biodiversity impacts, in addition to climate impacts and water management practices. This will guide next steps in the development of a comprehensive biodiversity and ecological impact policy.			TC-SI-130a.3	Climate Change Management Resource Consumption
Social Capital	Description of policies and practices relating to behavioral advertising and user privacy	As a technology company, Digimarc recognizes the vital role it plays in protecting the data of customers and end-users that it collects and processes. The solutions we provide to our customers are the main avenue through which we come into contact with personal data. Personal data processing is ancillary to Digimarc's business activities, and our Privacy Policy provides users with clarity and addresses what we will and will not do with user data that we process. See Customer Privacy section of this report for more information.			TC-SI-220a.1	Customer Privacy
	Number of users whose information is used for secondary purposes	We do not track this information at this time. All users' information is used in accordance with Digimarc's published Privacy Policy , which is available on our website.			TC-SI-220a.2	Customer Privacy
	Total amount of monetary losses as a result of legal proceedings associated with user privacy, in USD	0	0	0	TC-SI-220a.3	Customer Privacy
	Number of law enforcement requests for user information	0	0	0	TC-SI-220a.4	Customer Privacy
	Number of users whose information was requested by law enforcement	N/a	N/a	N/a	TC-SI-220a.4	
	Percentage of law enforcement requests for user information resulting in disclosure	N/a	N/a	N/a	TC-SI-220a.4	
	List of countries where core products or services are subject to government-required monitoring, blocking, content filtering, or censoring	No Digimarc products or services in particular are subject to monitoring, blocking, content filtering, or censoring, to our knowledge. Digimarc is subject to federal laws prohibiting provision of goods and services to embargoed and sanctioned countries, i.e., Cuba, Iran, Syria, Crimea Region of Ukraine, Iraq, North Korea, and the Russian industry sector.			TC-SI-220a.5	

Social Capital	Total number of data breaches identified during the reporting period	0	0	0	TC-SI-230a.1	The Foundation - Governance
	The percentage of data breaches in which personally identifiable information (PII) was subject to the data breach	N/a	N/a	N/a	TC-SI-230a.1	
	The total number of unique users who were affected by data breaches, which includes all those whose personal data was compromised in a data breach	N/a	N/a	N/a	TC-SI-230a.1	
	Description of approach to identifying and addressing data security risks, including use of third-party cybersecurity standards, behavioral training, technical programs	Data and information security represent key risks to our business. As a technology company, we take these extremely seriously and have instated a variety of systems and controls to manage these risks. These include, besides technical safeguards and security controls, employee training and policies governing data handling, use of company equipment, information management, as well as escalation and response policies. Digimarc also engages external service providers to validate our data security performance and approaches.			TC-SI-230a.2	The Foundation - Governance
Human Capital	The percentage of employees that are foreign nationals	We do not disclose this information at this time.			TC-SI-330a.1	Human Capital Management
	The percentage of employees that are located offshore from the entity's country of domicile, by region	No comparable data available.	EU: 2% Asia: 0.5% Total: 2.5%	EU: 1.8% UK: 0.4% Asia: 0.4% Other regions: 0.4% Total: 3.1%	TC-SI-330a.1	Human Capital Management
	Employee engagement as a percentage*	No comparable data available.	No comparable data available.	74%	TC-SI-330a.2	Human Capital Management

*This figure represents the participation rate in an Employee Survey from November 2021, where 96% of respondents answered "Yes" or "Somewhat" to four engagement- and satisfaction-related questions. This survey was conducted prior to the acquisition of EVRYTHNG Ltd., and we will continue to prioritize employee engagement and the integration of our globally distributed employee base post-acquisition.

Human Capital	Percentage of gender and racial/ethnic group representation for management, technical staff, and other employees	<p>Diversity, equity, and inclusion are material to our business because strong DEI practices can help us attract and retain quality talent by, for example, benefiting from previously underrepresented talent pools. Ensuring the representation of diverse backgrounds and perspectives can help us avoid siloed thinking and enhance our ability to innovate. The benefits of DEI also intersect with our employee engagement efforts and their outcomes. As a result, improving our performance on DEI is critical to our long-term business success. The tables below provide a summary of our workforce demographics as of December 31, 2021. Please see the Diversity, Equity, and Inclusion section of this report for more information.</p> <table border="1" data-bbox="886 415 1745 525"> <thead> <tr> <th colspan="5">Gender Identity of Global Employees</th> </tr> <tr> <th></th> <th>Female</th> <th>Male</th> <th>Non-binary</th> <th>N/A</th> </tr> </thead> <tbody> <tr> <td>All employees</td> <td>29.8%</td> <td>70.2%</td> <td>0%</td> <td>0%</td> </tr> </tbody> </table> <table border="1" data-bbox="886 561 1745 696"> <thead> <tr> <th colspan="7">Demographic Background of U.S. Employees</th> </tr> <tr> <th></th> <th>Asian</th> <th>Black or African American</th> <th>Hispanic or Latino</th> <th>White</th> <th>Other</th> <th>N/A</th> </tr> </thead> <tbody> <tr> <td>All employees</td> <td>12.2%</td> <td>1.8%</td> <td>2.7%</td> <td>79.2%</td> <td>3.6%</td> <td>0.5%</td> </tr> </tbody> </table>			Gender Identity of Global Employees						Female	Male	Non-binary	N/A	All employees	29.8%	70.2%	0%	0%	Demographic Background of U.S. Employees								Asian	Black or African American	Hispanic or Latino	White	Other	N/A	All employees	12.2%	1.8%	2.7%	79.2%	3.6%	0.5%	TC-SI-330a.3	Diversity, Equity, and Inclusion
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Leadership & Governance	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations, in USD	0	0	0	TC-SI-520a.1																																					
	The number of performance issues in software and information technology (IT) services provided to customers	No comparable data available.	No comparable data available.	2	TC-SI-550a.1																																					
	The number of service disruptions in software and IT services provided to customers	No comparable data available.	No comparable data available.	0	TC-SI-550a.1																																					
	The total customer downtime related to performance issues and service disruptions in software and IT services provided to customers	We do not disclose this information at this time.			TC-SI-550a.1																																					
	Description of business continuity risks related to disruptions of operations	We may experience outages and disruptions of our infrastructure that may harm our business, prospects, financial condition, and results of operations. We may be subject to outages or disruptions of our infrastructure, including information technology system failures and network disruptions. We use third-party cloud service providers, which are also susceptible to outages and disruptions. System redundancy may be ineffective or inadequate, and our disaster recovery planning may not be sufficient for all eventualities. For more information, please refer to Digimarc's Annual Report on Form 10-K.			TC-SI-550a.2																																					



DIGIMARC

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Digimarc Corporation (NASDAQ: DMRC)
Digimarc is a global leader in product digitization, delivering business value across industries through unique identifiers and cloud-based solutions. A trusted partner in deterring digital counterfeiting of global currency for more than 20 years, Digimarc illuminates a product's journey to provide intelligence and promote a prosperous, safer, and more sustainable world. With Digimarc, you can finally see everything. And when you see everything, you can achieve anything.

