

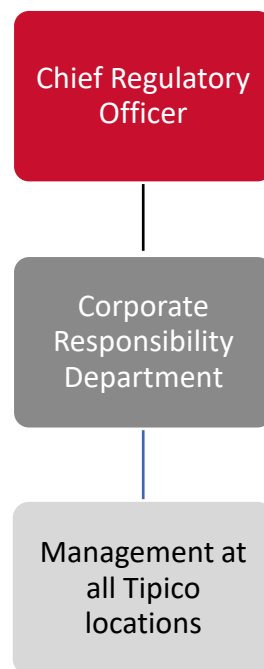
# Tipico Climate Risk Management

## Background

In 2015, the Financial Stability Board established the Task Force on Climate-related Financial Disclosures (TCFD). It was developed to implement recommendations for voluntary but still efficient climate-related disclosures. The Task Force's recommendations are structured around four thematic areas of how organizations operate: governance, strategy, risk management, and metrics and targets. The TCFD recommendations provide a framework intended to help investors and stakeholders in the financial community to understand and assess climate-related risks and opportunities. These are relevant for informed investment, credit and insurance underwriting decisions. Tipico uses the TCFD recommendations to increase transparency regarding climate-related risks and opportunities with the help of a globally accepted and supported framework.

## Governance

Operational responsibility for implementing the environmental strategy:



The members of the Tipico Board oversee our overall strategy, including our management of climate-related topics. In fulfilling this responsibility, the Board observes our Group-wide approach to major risks facing the company, and in collaboration with the CR team and the Risk Committee identifies strategic opportunities.

To ensure that the Board has knowledge of all relevant information, the CR team, accountable for the management of climate-related topics and the implementation of according measures directly reports to the Chief Regulatory Officer (CRO). As part of monthly Board and shareholders meetings, prospective environmental challenges, opportunities and impacts are discussed, proposals are presented, and strategic guidance is received. Thus, the active commitment of the Board and all

business units can be guaranteed. Through this framework, we can assure that all impacts are taken into consideration and coordinated centrally within the Tipico Group.

## Climate Strategy

At Tipico, the relevance of Corporate Responsibility, the focus on this topic and our performance in this area have constantly increased over the last years. Around 90% of Tipico employees consider it important to work for a responsible company and 90% of our employees believe that Tipico is a responsible and trustworthy operator<sup>1</sup>. These results show that CR is ranked as one of the most important attributes by our employees<sup>1</sup>.

This attitude mirrors our company values. At Tipico we are convinced that economic success goes along with responsible, trustworthy business practices. For that purpose, Tipico conducted its second formal materiality analysis in 2020 to prioritize fields that have the highest impact on its ESG performance, based on a consultation of internal and external stakeholders. The relevance and performance regarding environmental aspects such as climate change is therefore reviewed every second year as part of this analysis.

As a sports betting operator, our climate-related impacts are comparably low and arise mainly from carbon emissions as result of energy consumption. Nevertheless, we are aware of the importance of the European green deal and science-based targets of UNGC Business Ambition Pledge and their objective to be climate-neutral by 2050. Being a member of the UN Global Compact since 2018, Tipico strives to become climate-neutral by 2030 and help limit global temperature rise to 1.5 °C.

Tipico identified the following areas of improvement regarding its climate-related business impacts:

- Switching to hybrid cars with lower fuel consumption: The management of the retail offer leads to considerable business travel, mainly by cars. While travel is necessary, we will gradually replace company cars with hybrid models that have lower consumption achieving 100% replacement rate by 2028.
- Sourcing of renewable energy: Tipico has several offices around the world as well as around 230 shops (number slightly varies each year). The Tipico shop concept combines innovative technology with a sporty stadium design and brings retail and online experience even closer together. It incorporates numerous highlights, such as the video cube attached to the ceiling paired with a strong integration of our campaign, which rounds off the Tipico brand experience. As a result, the electricity consumption of Tipico shops is relatively high. In order to keep the customer experience at the highest level while reducing environmental impacts, the sourcing of renewable energy in all Tipico shops was identified as major opportunity. We plan to source 100% of renewable energy by 2023.
- Storing our data responsible: As a result of the huge customer base and its extensive online offers, Tipico's data servers do have an impact. As there are dedicated servers for our digital services, the number of servers must be adjusted to the highest demand and load (e.g. around big sports events). During times of lower demand, unused servers become redundant, while still running. Tipico therefore decided to shut down own servers in order to reach a higher scalability. At the same time, Tipico chose an operator with a high share of renewable energy, thus emissions resulting from Tipico's use of data servers has already

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<sup>1</sup> Tipico Engagement Survey 2022

decreased dramatically to one metric tonne in 2022 (363 metric tonnes were saved due to high level of renewable energy) and are expected to reach zero prior to 2030.

- Carbon offsetting for the remaining carbon emissions. Starting in 2023, we will offset a certain, annually increasing, percentage of our remaining emissions with carbon certificates. In 2030, this percentage will be 100% of the remaining emissions as we aim to become carbon neutral.

## Climate-related Risks and Opportunities

In order to discover potential climate-related business impacts, Tipico is working on a scenario analysis to evaluate its exposure to physical and transition risks in its operations and use this information to build mitigation strategies. In terms of physical risks, Tipico uses the different Representative Concentration Pathway (RCP) scenarios, to investigate several plausible future scenarios from RCP 2.6 which consider stringent actions and prompt declining of emissions to the 8.5 scenario with comparatively high greenhouse gas emissions, to understand several potential business impacts. Tipico further uses the International Energy Agency World Energy Outlook Sustainable Development Scenario (SDS) in order to explore transition risks and opportunities.

### TRANSITION RISKS

#### 1) Tipico operations

	Risk	Timeline	Impact	Description of the Impact
Policy and legal	Increased pricing of GHG emissions	Short-term (based on using offsets as part of our strategy)	Low	Increased pricing in GHG emissions could affect Tipico's operating costs.
	Enhanced emissions reporting obligations	Mid-term	Very low	Enhanced emissions reporting obligations could affect Tipico's operating costs. These could affect the workload of the compliance team and thus be a cost factor as well.
	Mandates on and regulation of existing products and services	Mid-term	Very low	Regulation of energy consumption of existing products and services could lead to asset impairment, and early retirement of existing assets. Nevertheless, due to state-of-the-art technology, and

				modern energy-efficient office spaces, impacts of such mandates are expected to be low.
Technology	Costs to transition to lower emissions technology	Mid-term	Very low	As a service provider, costs for research and development expenditures in alternative technologies are negligible to Tipico, yet minor costs for adopting new processes might occur.
Market	Increased cost of energy	Short-term	Very low	Increased operating costs due to changing energy prices are to be considered.
Reputation	Increased stakeholder concern or negative stakeholder feedback	Long-term	Very low	If climate - related aspects would be disregarded, it could lead to reduction in capital availability due to the high expectations of banks and shareholders. Further negative impacts on workforce management and planning (e.g., employee attraction and retention) could occur.

## 2) Customers

	Risk	Timeline	Impact	Description of the Impact
Market	Increased cost of energy	Short-term	Low	Less available funds for entertainment activities such as gambling.

### 3) Material suppliers

	Risk	Timeline	Impact	Description of the Impact
Market	Increased cost of energy	Short-term	Very low	Increased price of the services provided to Tipico.
Reputation	Increased stakeholder concern or negative stakeholder feedback	Mid-term	Very low	Reputational damage to material suppliers might affect Tipico's reputation with possible consequences such as lost revenue, increased operating, capital or regulatory costs.

## PHYSICAL RISKS

### 1) Tipico operations

	Risk	Timeline	Impact	Description of the impact
Acute	Increased severity of extreme weather events such as cyclones and floods	Long-term	Negligible	Severe weather conditions might lead to increased capital costs (e.g., damage to facilities) and increased insurance premiums and potential for reduced availability of insurance on assets in "high-risk" locations.
Chronic	Changes in precipitation patterns and extreme variability in weather patterns	Mid-term	Negligible	Chronic changes such as rising temperatures leading to higher operating costs from negative impacts on workforce (e.g.,

	Rising mean temperatures			health, safety, absenteeism) in some of Tipico's business locations.
	Rising sea levels	Long-term	Negligible	

## 2) Customers

	Risk	Timeline	Impact	Description of the Impact
Chronic	Changes in precipitation patterns and extreme variability in weather patterns	Mid-term	Very low	Lower revenue during hotter summer months due to reduced frequency of shops' visiting by the customers.
	Rising mean temperatures			

## 3) Material suppliers

	Risk	Timeline	Impact	Description of the Impact
Chronic	Changes in precipitation patterns and extreme variability in weather patterns	Mid-term	Low	Changes to sports events organization due to hotter temperatures which might affect revenue and operational costs for the suppliers affecting Tipico.
	Rising mean temperatures			

As a technology company, climate-related risks have not been proven to be material for Tipico's business operations. Nevertheless, they are an essential part of Tipico's CR strategy as they influence investment decisions of internal and external stakeholders and are likely to have steadily growing operational and financial impacts. Main possible transitional risks are seen in the potential increase of energy costs and costs for GHG emissions, due to the high number of well-equipped Tipico offices and shops and well as reputational risks if standards would be ignored.

With our headquarter on Malta, an isle in the Mediterranean sea, in accordance with the UN's International Panel on Climate Change Sixth Assessment Report<sup>2</sup> our operations might further be vulnerable to an increase of temperatures, related health issues due to heat waves, intense and

<sup>2</sup> Sixth Assessment Report <https://www.ipcc.ch/assessment-report/ar6/>

frequent droughts and flash floods. More extreme weather conditions could make Malta a less attractive environment for our diverse workforce. Extreme weather conditions could further lead to damages and temporary closure of the office as well as increased operating costs due to a higher level of energy usage (e.g. for air conditioning or heating). All findings from the risk assessment are taken into consideration and influence our climate strategy.

## **Metrics and Targets**

Tipico is committed to reporting its emissions in its ESG report on an annual base since 2018. Over the years, strategies have been implemented to expand the scope of entities included in the reporting of emissions. In 2020, we further adjusted our tracking systems to meet reporting requirements suggested by the GRI standards. That means, we did not stop at focusing on impacts of the company operations such as Scope 1 emissions caused by company vehicles and energy generation onsite or Scope 2 purchased energy but further included the Scope 3 data, which could be traced back to the business activities of Tipico. All metrics and targets in connection to material climate topics for Tipico such as energy, water, waste and paper can be reviewed in [ESG reports](#).