



TIPICO SUPPLY CHAIN POLICY

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TIPICO GROUP LTD.

Tipico Tower
Vjal Portomaso
St. Julian's STJ 4011
Malta

Kiran Menghnani, Director of Procurement
kiran.menghnani@tipico.com

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2. OUR COMMITMENT TO AN ACTIVE MANAGEMENT OF RISKS IN OUR SUPPLY CHAIN

As a leading operator in its field Tipico group of companies is committed to take responsibility in all its actions. Seeking excellence in every aspect of our business made us the market leader for sports betting in Germany. Sustainability in our business operations is therefore key, and both, continuous development as well as close monitoring, play a pivotal role for our success going forward.

Being a market leader is not just an achievement, but also an assignment and so we see it as our obligation to screen for, and to mitigate any potential risks within our supply chain and – most importantly – to sit down together with our partners, to jointly improve sustainability in all our processes.

Even though one might think that Tipico as a digital company has a quite limited range of suppliers, with most of them being located within the EU, it is still of utmost importance for us to be aware of any potential risk – be it environmental, or social – as early as possible, to be able to transparently report, and to take the necessary actions to avert these.

We believe that adhering to our outlined guidelines consequently, investigating every single report and – if a case substantiates – taking the necessary and sustainable actions together with our partners, is the right way to respond to the duties that come with this responsibility.

That's the reason why a comprehensive and continuous monitoring of potential environmental and social risks does not only apply to us, but has been extended to all our suppliers, their employees and all the relevant stakeholders within our supply chain.

Stefan Eck, CFO
Tipico Group Ltd.

3. TRAINING

Having a high degree of awareness about environmental and social risks in our supply chain is an invaluable skill for our Procurement team. This allows them to detect potential risks in the supply chain at an early stage and enables them to propose more sustainable alternatives to the business, where they are available.

Therefore, all Procurement team members undergo training on sustainability and sustainable supply chain management. Refreshers and training updates are scheduled on a biannual basis for the Procurement team.

4. SUPPLIER CODE OF CONDUCT

Tipico's approach to business is based upon a core set of values. Trust, progress, and passion are the core values that embody our commitment to society, our shareholders, our business partners and our colleagues. They guide us as individuals and collectively as a company. Our Supplier Code of Conduct sets up the high standards that we require from all our suppliers, business partners and/or external contractors (hereinafter "suppliers") to uphold our business integrity. No financial objective, marketing target or effort to outperform the competition is more important than our commitment to integrity.

We expect the same from our business partners and suppliers.

This Code is also the foundation of all contractual relationships with Tipico, since it outlines the requirements needed to protect human rights and ensure sustainable development. By having a business partnership with Tipico, we expect that our suppliers have acknowledged and accepted the measures within this Code.

Prior to entering into a business relationship with Tipico, we expect our suppliers to acknowledge their adherence to this Code of Conduct, or to provide us with a copy of their own code of conduct which demonstrates equal or similar requirements to the ones found in this Code.

5. SUPPLIER SELECTION

Supplier selection plays an important role in promoting a holistic ESG framework throughout Tipico, since it directly impacts our ability to align with sustainable and responsible business practices. Selecting vendors with strong ESG practices ensures that we reduce risks related to environmental and social issues within our supply chain and contribute to long-term sustainability goals.

Tipico has implemented processes and guidelines that are aligned with the requirements of the Supply Chain Due Diligence Act as well as meet the principles and rules defined in all Tipico procedures in terms of protection and preservation of Tipico's assets and interests.

5.1. Vendor Selection Process (VSP)

The VSP outlines the process to be adopted by the business areas within Tipico who need to engage with vendors for the purchase of goods or services. The VSP prioritizes fair treatment by incorporating environmental, social, and governmental considerations, in addition to the technical and economic criteria used during vendor selection.

In addition to implementing transparent evaluation criteria, Tipico conducts due diligence on its vendors to ensure the selected vendor aligns with ESG principles and so as to mitigate any risks associated when engaging with a new vendor.

5.2. Vendor Due Diligence

Vendor due diligence helps to assess the impact of a vendor's operations on ESG factors and on any adverse media of the supplier. It also ensures that our vendors align with our requirements and incentivizes them to do the same with their own vendors.

Besides assessing commercial, security and legal risks, Tipico assesses its vendors' sustainability practices, ethical labor standards, and compliance with regulations. This part of the due diligence process includes a more detailed risk assessment which focuses specifically on social and environmental issues. Tipico will also conduct due diligence with any sub-suppliers as required by the business.

During the selection process, should more than one supplier be equally suitable, Tipico promotes the engagement of local suppliers.

6. SUPPLIER RISK MANAGEMENT

6.1. Risk Assessment

Tipico conducts a risk assessment with all suppliers using internal resources, publicly available information, and 3rd party tools. It is initially conducted before contract signing and re-assessed upon significant changes to the contract or the situation of the supplier or annually, whichever happens earlier.

The risk assessment is conducted twofold for environmental risks and for social risks.

In a first step of the risk assessment, every supplier is rated based on a geographic risk matrix and a risk matrix by industry. The geographic risk matrix is derived from the United Nations' country ratings regarding the Sustainable Development Goals¹. The industry risk matrix is derived from S&P Global Industry Risk Atlas².

The environmental risk of a supplier is calculated as a combination of its geographic environmental risk score and its industry risk score. The social risk score of a supplier is calculated as a combination of its geographical social risk score and its industry risk score.

¹<https://dashboards.sdgindex.org/map/goals/sdg1>

²https://www.spglobal.com/marketintelligence/en/documents/theesgriskatlassectorandregionalrationalesandscores_july-22-2020.pdf

An annual process reviews the underlying data on risks (environmental risks by country and industry, social risks by country and industry) and updates them, where necessary.

6.2. Risk Mitigation

The unmitigated and mitigated risks for each supplier are included as part of the supplier score card and are thereby considered in the business decision, whether to onboard, keep or offboard a supplier. If the supplier is being kept, a risk mitigation process is started. This process aims at achieving more awareness over the suppliers' processes to actively address risks with the supplier and propose adequate measures. The schema for mitigation is displayed in table 1.

In any case we request suppliers to accept our code of conduct or to assure that their standards meet the requirements of our code of conduct.

In case of perceived risks, we additionally request suppliers to conduct a self-assessment regarding environmental or social risks or both. The self-assessment will be reviewed by us.

In case of high perceived risks, we additionally request the supplier to conduct a desk audit at least every 2 years. The report will be reviewed by us.

If during the risk mitigation findings are made that would exacerbate the perceived risks, an incident management process will be launched, based upon the identified issues.

	Env. risks low	Env. risks moderate	Env. risks medium	Env. risks high
Social risks low	Code of Conduct acceptance	Code of Conduct acceptance	Environmental self-assessment	Desk audit
Social risks moderate	Code of Conduct acceptance	Code of Conduct acceptance	Environmental self-assessment	Desk audit
Social risks medium	Social risks self-assessment	Social risks self-assessment	Full self-assessment	Desk audit
Social risks high	Desk audit	Desk audit	Desk audit	Desk audit

Table 1. Risk mitigation schema for suppliers.

6.3. Risk Reporting

The risk matrices for material and other suppliers as well as all individual mitigations that have been rolled out are reported to the Board at least on an annual basis.

7. SUPPLIER INCIDENT MANAGEMENT

7.1. Incident Monitoring

Tipico uses active and passive channels to monitor potential incidents. Tipico employs an adverse media screening for all suppliers. For material suppliers (a supplier who is considered by the company as non-substitutable and/or provides critical components to the company and/or crosses an annual spending threshold as defined by Tipico's Vendor Selection Process), the monitoring will be on an ongoing basis. For all other suppliers, the monitoring will be on a minimum annual update rate.

In order to also passively monitor our suppliers against potential environmental or social incidents, the Tipico whistleblower portal is accessible for suppliers, their employees as well as other stakeholders of our suppliers. We are thankful for all substantiated observations that will help us to learn faster about potential incidents.

7.2. Incident Management

If we learn about material environmental or social incidents that would lead to regulatory sanctions, we follow a defined process to investigate the occurrence. For the purpose of the investigation, a case file is compiled and communicated to the Board. During the process of the investigation the supplier is treated as high risk for all purposes.

As part of the investigation, the supplier will cooperate with Tipico and provide the following:

- » Description of the incident including analysis of the root causes
- » Remediation plan including description of the measures to be implemented and timeline for roll-out
- » Regular, quarterly updates about the progress of the remediation plan

Latest after one year after the start of the investigation, a decision whether to continue working with the supplier or whether to end cooperation is tabled with the Board.

8. ANNUAL REPORTING AND PUBLIC DISCLOSURE

Tipico compiles and publishes an annual report on our risk management in the supply chain. The report is published within H1 of the subsequent calendar year. The report discloses information on the following topics:

- » Supplier risk assessment: How are risks distributed in our supply chain by number of suppliers and by financial relevance
- » Supplier risk mitigations: Number and type of risk mitigations applied
- » Whistleblower report: Number, type and outcome of third-party reports related to suppliers
- » Incident monitoring: Number, type and assessment results of adverse media findings against suppliers
- » Incident management: Detailed description of all material incidents, the related investigation, outcomes, remediation plans and their follow-ups
- » Changes and outlook