

This is an excerpt from Tipico's financial statements 2022.

## Principal Risks

During the year, risks which are recorded and managed within the Group's risk management system, have been monitored and reviewed.

The principal risks and uncertainties which are considered to have a potentially material impact on the Group's long-term performance and achievement of strategy are set out on the following pages. External and internal risk factors are considered. This is not intended to be an exhaustive and extensive analysis of all risks which may affect the Group. Additional risks and uncertainties not presently known to management, or currently deemed to be less material, may also have an adverse effect on the business.

### Compliance with existing and changing regulation, licensing and laws.

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#### Potential impact and need for risk management

Our German license achieved sustainable revenue, however ongoing changes to and compliance with Federal, State and local laws and licensing may continue to be detrimental to user experience. This could restrict our ability to innovate and market to new and existing customers, result in greater scrutiny by the authorities and may not be enforced by the regulator concurrently for all licensed operators. It may also reduce in particular our retail presence and a reduction of products that we can offer.

Ensuring full compliance with the requirements, including ESG, is challenging and uncertain, although all efforts are made to comply.

Non-compliance and/or a significant breach may lead to investigations and fines, loss of license(s) and reputational damage to the brand, limiting growth and reducing shareholder value.

Authorities may continue to lack expertise and knowledge of the industry and continue to impose changes which reduce our product offering.

The authorities may not fully enforce the regulations against non-compliant operators in the online and/or retail businesses, which will be detrimental to licensed operators and could lead to market distortions.

#### Group's actions to manage and mitigate the risk

The Group has dedicated internal and external legal, compliance, GDPR, privacy, tax and public affairs resources to monitor and interpret regulatory developments and to assess their implementation, including ESG. We analyse regulatory changes and engage in constructive dialogue with authorities and others in the sector on these changes.

We engage with the business and other internal/external stakeholders/lawmakers and authorities. Our oversight and assurance functions set appropriate policies, procedures and controls that operational management must apply. Training and communication strategies focus on the key risks to ensure awareness of the requirements and consequences of breaches.

Communications with and reporting to the authorities is centralised, supervised and approved by the legal and compliance teams.

The implementation of requirements and its prioritisation is supervised and approved by senior management and the Board, who are continuously informed on the Group's implementation and compliance status.

## Information management/ security & cyber resilience

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### Potential impact and need for risk management

The integrity of the business depends on secure, fair and reputable products, protection of data and 24/7 availability.

The Group is exposed to increased scrutiny with regulation, GDPR and privacy laws. A security breach into the gaming systems or confidentiality of data, or a cyber-attack/ransom could result in loss of the business for a significant period.

This could damage the reputation and long-term viability of the business, if customers in particular, lose trust. This could lead to financial and other penalties and regulatory action.

### Group's actions to manage and mitigate the risk

The Group's approach to managing security risk is embedded in the information security management programme and designed to protect the information assets of the business. The Information Security Officer ensures that effective policies and procedures are in place to support the programme objectives.

Information security risks resulting from the threat of cyber-attacks are monitored closely by the information security team while controls have been further strengthened to mitigate them.

The established technical and organisational security measures to ensure information confidentiality and integrity and system availability and resilience are reviewed continuously and defences are tested against the threats on a regular basis using in-house and external specialist cyber security companies.

The Group's Security Risk Committee oversees management and mitigation.

## Anti-money laundering (AML)

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### Potential impact and need for risk management

Policymakers, regulators, the industry, ESG, charities and politicians in the EU and at national levels have taken steps to strengthen AML legislation, prevention of the facilitation of tax evasion and Anti-Bribery and Corruption.

German licensing has imposed stricter AML requirements continuing to increase the responsibility to manage these risks, to keep out crime and provide a safe environment for the customers. This regulation, political discussions plus increased scrutiny by the authorities may further impact our operations.

Non-compliance could result in investigations, prosecutions, loss of license(s) and reputational damage to our brand.

We are subject to multiple licenses, diverging interpretations by each authority may increase the risk of breaches and makes compliance more complex.

### Group's actions to manage and mitigate the risk

The Group takes a zero-tolerance approach to money laundering, tax evasion and bribery and corruption. AML / Combating the Financing of Terrorism (CFT) training, compliance programmes and Customer Risk Assessments are in place and continue to be developed to enhance our compliance.

We are committed to follow gaming operators' AML requirements in our licenced markets.

Customer Operations as well as Compliance policies and procedures and mandatory staff training cover all aspects of AML, CFT, KYC/EDD and transaction monitoring for all our business.

The onboarding of retail franchise partners in Germany includes EDD and the appointment of a MLRO for each franchise partner.

A Group AML/CFT Business Risk Assessment is performed on a yearly basis and relevant KPIs are reported monthly.

## Responsible & safer betting & gaming (RG)

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### Potential impact and need for risk management

German regulation introduced strict player protection measures. Failure to sufficiently protect customers can lead to investigations, sanctions up to loss of licence(s) and reputational damage to our brand.

This could impact our product offering, and our ability to achieve our strategic targets.

### Group's actions to manage and mitigate the risk

We have implemented the German regulation RG requirements or continue dialogue to challenge the license conditions. Our Player Protection concept for responsible and safer betting and gaming, addresses these issues and has been approved by the regulator for sports betting and gaming.

We offer customers a comprehensive suite of features for RG in our online and retail businesses which prevent underage use of our products at initial account registration and verification. We identify and interact with those who may be at risk of negative problem gambling behaviour through behavioural prediction.

We carefully track affordability and allow increased deposits according to the regulation to customers who have passed the affordability checks.

Customer Operations and other employees who interact with our customers follow RG policies and procedures and undergo frequent mandatory training.

We are committed to safer gambling, relevant KPI's are tracked and reported monthly, and this supports our ESG approach.

## Technology strategy, infrastructure, scalability, reliability & availability

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### Potential impact and need for risk management

We are dependent on the 24/7 high availability of advanced interconnected technology and software, both bespoke and third-party integrations, to effectively and efficiently run and grow the business.

Incidents, depending on severity, could damage the reputation and ongoing success of the business. Customers may move to competitors and not return when operations are restored.

Failure to ensure that efficient and effective technology is in place and to support product development could lead to less competitive products and loss of customers.

### Group's actions to manage and mitigate the risk

The Group invests in cost effective improvements to its technology, software and third-party integrations to make it scalable and reliable with the highest availability achievable. Interconnectivity of technology and software is managed to reduce dependency on single elements which we seek to eliminate or provide fail-safe alternatives. Maintenance and downtime are managed to achieve and maintain high availability.

Key metrics are in place and real time monitoring of performance is undertaken. Incident management processes and reporting is in place. Robust development, SDLC and release/change management processes are in place to reduce the risk of unplanned outages.

The Group's Product & Technology Risk Committee oversees management and mitigation.

## Business continuity planning (BCP) & IT disaster recovery (ITDR)

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### Potential impact and need for risk management

The Group continues to invest in the protection of its business and the ability to recover from any incident.

Availability of the product is crucial to ongoing success. Any significant outage could damage our reputation, permanently lose customers and threaten the future viability of the business.

Being ready to deal with incidents increases the ability of the business to quickly recover from any severe disruption to either the data centres/cloud operations, technology platforms or business operations/buildings.

### Group's actions to manage and mitigate the risk

The Group invests in and regularly reviews its BCP and ITDR capabilities. Despite simulated exercises providing high levels of assurance, the execution of a BCP and ITDR will depend on the actual circumstances of any incident.

We continue to pursue our work-from-everywhere and cloud-only strategies to further reduce dependencies on physical premises and sustain high a level of resilience, which has been successfully tested and enhanced during COVID. We continue to improve our ITDR capabilities. During the year, we completed automated failover for most of our production systems. We perform a formal review our ITDR annually.

The Group has service level agreements in place with 3rd parties that are relied on. Where possible, there are failover solutions in place. We seek to identify and limit single points of failure.

The Group's Security and Product & Technology Risk Committees oversee progress on policies, procedures, and the regular control of BCP and ITDR recovery capabilities.

## Retail – Franchise Partners & Tipico-Owned Shops (including reputational risk)

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### Potential impact and need for risk management

The Group relies on our own retail shops and the franchise partner network to efficiently and effectively operate retail betting shops in compliance with our regulatory, licensing and other obligations.

COVID-19 impact ended during the year and no further restrictions for retail shops are anticipated.

German license and other federal, state and local requirements have impacted and amended our product offering and may result in more regular and frequent enforcement visits to our own retail shops and franchise partner network.

### Group's actions to manage and mitigate the risk

The Group has dedicated internal and external compliance, quality control, training, AML/KYC and GDPR and data privacy resources to engage with our own retail shops and the franchise partner network on how to operate its business model. Oversight and assurance functions set appropriate policies, procedures and controls that our own retail shops and franchise partner network must apply. Training and communication strategies focus on the key risks to ensure awareness of the requirements and consequences of breaches.

We have enhanced our operational structure and controls to increase compliance with regulatory requirements.

## Reliance on third-parties and key supplier relationships

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### Potential impact and need for risk management

All the Group's products and operations are dependent in some form on third-party relationships with some potential single points of failure.

We are reliant on effective management of these relationships whilst reviewing backups in the event of any failures in supply. Regulation has mandated some supplier relationships.

### Group's actions to manage and mitigate the risk

The Group manages supplier relationships and endeavours to limit reliance on single suppliers to reduce potential single points of failure. Contracts and service level agreements are in place with key suppliers and regular cost and service reviews are provided. Contracts are reviewed with regards to changes that regulation may require.

All new contracts pass through a standardized IT Supplier and procurement processes to ensure appropriate selection criteria (including ESG compliance as required), alternative suppliers and prior budget approval. We find synergies across business units and take advantage of the group purchases to improve supplier costs and quality.

We continue monitoring the impact of international sanctions emerging from the Ukraine/Russia crisis on our suppliers as well as other developing laws and regulations relevant to the Company.

## Trading, bookmaking liability risk management & pricing

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### Potential impact and need for risk management

To remain competitive and manage this risk, the Group actively monitors its performance. This also includes the monitoring of the impact of any future gaming taxes or changes to the permitted betting offer that may apply due to regulatory updates.

The business needs to offer competitive odds and products to attract and retain a loyal customer base and reduce churn. The ability to remain competitive and grow the business is dependent on the trading and risk management capabilities and the ability to react quickly to changes.

### Group's actions to manage and mitigate the risk

The Group has an experienced in-house trading team and is using third-party technology to set prices and manage the risk. Key trading and risk management processes are being automated to ensure scalability and efficiency.

There are risk management policies to control exposure and an extensive training programme for the bookmaking team. Key customer performance is reviewed, and risk managed accordingly.

The Group's Bookmaking Risk Committee is overseeing the risk procedures in place and suggesting changes when required.

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# Competition, growth, execution in the US & market behaviour

## Potential impact and need for risk management

The competitive nature of the industry continues to grow, business consolidations are creating larger competitors, product innovation continues at pace and successful execution in the key growth market in the US is challenging.

The impact of the German regulation and application of license conditions to the regulated and unregulated operators has mainly been implemented.

## Group's actions to manage and mitigate the risk

The Group manages this risk through monitoring and focus on acquisition and retention, continuous innovation in the development of existing and new products and features to retain and gain advantage. We monitor competitor activity and promotions. We invest in the brand, marketing tools and enhance the customer experience to use products with stable, reliable and scalable technology.

We are in continuous dialogue with the licensing authorities in Germany to review and adapt to license requirements.

In the US, our experienced management team in conjunction with advisors continue to develop our products, pursue additional license opportunities and monitor compliance with our licenses.

## Environmental Risks

As an operator of digital betting offers on the internet and retail shops, our climate-related impacts arise mainly from CO2 emissions from energy consumption. We are aware of the importance of the European green deal and the objective to be climate-neutral by 2050.

Increased pricing in carbon emissions could affect our operating costs either due to changing input prices (e.g., energy, water) and output requirements (e.g., waste treatment).

We strive to become climate-neutral. As part of our climate strategy, our focus lies on collaborations to pioneer practical solutions and the tracking and reduction of emissions. We are working on a scenario analysis to evaluate our exposure to physical and transition risks and use this information to build mitigation strategies.

There are three main areas of potential improvement regarding climate-related business impacts:

- Sourcing of renewable energy to run our retail betting shops.
- Reduction in business travel and increased use of virtual online meetings.
- Scalability of processing power particularly in the data centres.