

TCFD REPORT



```
#define ASM_VMX_VMREAD_RDX_RAX ".byte 0x07, 0x00, 0x00, 0x00"
static __always_inline unsigned long vmcs_read32(unsigned long va)
{
    unsigned long va;
    asm volatile (":=r" __ex_clear(ASM_VMX_VMREAD_RDX_RDX)
                 : "r" (value) : "d" (value) : "cc");
    return value;
}
#include <stdint.h>
int main(int argc, char **argv) {
    intb4_t src = argc;
    intb4_t dst;
    volatile
}
```


Executive Summary	4
Governance	5
Strategy	6
Climate-related risks and opportunities	7
Metrics and targets	12

TCFD REPORT

Executive Summary

Through the following report, Nexi Group is committed to reporting on what it has done to contribute to the fight against climate change: the document is structured into four areas of detail, which correspond to the disclosure areas defined by the *Task Force on Climate-related Financial Disclosures* (TCFD), concerning the approach to climate change in terms of governance, strategy, risk and opportunity analysis, metrics used and objectives.

The Group has a Control and Risk and Sustainability Committee to support the Board of Directors in assessing risks and opportunities arising from climate change, and an ESG strategy that identifies decarbonization as one of the main pillars. During 2022, the Nexi Group continued to work diligently quantifying its emissions impacts more accurately and comprehensively considering the overall scope following the acquisitions of SIA and Nets, and undertook the updating of its GHG emission reduction targets already approved by the Science-Based Targets Initiative, which are still pending.

The targets have the ambition to reach Net Zero by 2040, ten years ahead of 2050 (the target set by the European Union in response to the Paris Agreement) and concern the reduction of absolute GHG emissions of Scope 1 and 2 in Italy by 42% by 2030, starting from the 2020 baseline, and the commitment for 78% of capital goods suppliers in Italy to adhere to SBTi by 2025.

In addition, the Group has started to neutralize its emissions from 2022 onwards on the 2021 carbon footprint through the purchase of carbon credits, in particular through a water quality improvement project in Rwanda and a forest protection project in Zimbabwe.

Finally, during the last two years, an initial analysis was conducted to identify and assess the risks and opportunities arising from climate change, quantifying their economic impacts through the construction of future scenarios along the entire value chain.

Governance

In 2022, in accordance with the previous year, Nexi Group identifies “**climate change**” as a **material topic**.

The Board of Directors (BoD) represents the highest governing body for **climate-related issues and for overseeing the definition of the Group’s response to climate change**.

The BoD is the body responsible for developing strategies and policies, setting sustainability objectives and commitments, overseeing the application of the Sustainability Policy, and assessing the results and the adequacy of sustainability guidelines. The Board defines the path of progressive integration of the Top Management and Executive Directors’ strategic objectives with sustainability aspects, for climate change. In addition, the Board approves and supervises the involvement in external initiatives and formalises reporting obligations and action plans.

The **Control and Risk and Sustainability Committee** supports the Board in promoting activities related to climate impacts on the Group, including the process of risks and opportunities arising from climate change. The Committee is established within Nexi Spa’s Board of Directors and is assigned consultative, propositional, and preparatory functions to assist the Board with climate-related activities.

Climate-related topics are scheduled in the agenda of the Control and Risk and Sustainability Committee as part of the periodic updates of the Corporate and Social Responsibility function to the Committee itself. The Committee examines and evaluates the issues related to the conduct of business and the dynamics of interaction with stakeholders, but also monitors the Group’s positioning on sustainability issues, aiming for constant alignment with current and emerging regulations and market best practices.

Within the next two years, the Group plans to have one or more board members with **competencies in climate-related issues**. The Board of Directors has launched a series of reflections to further enhance expertise on ESG issues, including climate-related issues, useful to support and undertake further initiatives in this area by the Group in the medium-long term. In this regard, in 2022 the Group began planning specific training activities to be carried out during 2023.

Furthermore, in terms of the **highest management-level position(s) or committee(s) with responsibility for climate-related issues**:

- the **Chief Risks Officer (CRO)** is responsible for risk management activities and oversees the implementation of the ERM Framework, including ESG assessment. The CRO reports quarterly to the Risk Control and Sustainability Committee and directly to the CEO;
- the **Chief Information Officer (CIO)** is responsible for ensuring business continuity, including initiatives taken against acute physical risks and improving the energy efficiency of the Group’s data centres, and reports directly to the Chief Executive Officer;
- the **director of the Global Real Estate and Facility Management** function reports on a regular basis to the Chief Administrative Officer and oversees all activities related to creating a green and more energy efficient workplace by identifying and implementing energy efficiency improvement initiatives in all office buildings and production facilities;
- the **director of the Group Procurement function** reports to the CFO and is responsible for managing procurement actions, including climate-related aspects. He is also responsible for qualifying suppliers in terms of environmental issues;

- the **director of the Group Corporate & External Affairs and ESG function** oversees the implementation of Group decarbonization targets and reports periodically to the Board of Directors and the internal Board committees.

Moreover, within the path of progressive integration of sustainability goals into the strategic objectives of Top Management and Executive Directors, as well as in the **variable incentive systems**, the Nexi Group plans to include incentives for management linked to climate goals already by the next fiscal year.

Strategy

The Group is constantly striving to reduce its impact on the environment, and the Group's ESG strategy considers decarbonization one of the pillars to be pursued and, to this end, identifies best practices and initiatives to be undertaken for climate neutrality.

The targets identified by the Group are:

- SBTi-approved targets for zero emissions in 2040;
- 100% use of renewable energy;
- climate neutrality starting in 2022.

Initiatives identified and implemented to align with emission reduction targets include:

- updating and extending the short-term targets to include SIA and Nets, and obtaining SBTi approval for such target extension;
- setting long-term decarbonization targets to include the entire Group to achieve zero emissions by 2040, and obtaining SBTi approval for such targets;
- Scope 1 and Scope 2 reduction actions through: the electric fleet, use of renewable energy, phasing out combustion heating;
- identification of actions for Scope 3 categories, such as low-carbon travel for employees, supplier engagement programs, low-carbon POS alternatives.

Regarding these initiatives, it is worth noting that as early as 2021, the Board of Directors had approved direct and indirect emissions reduction targets for the Group's Italian perimeter, which were submitted to and then approved by the Science Based Target initiative (SBTi), a prestigious international network created by WRI, CDP, WWF, and the UN Global Compact.

During the last four months of 2022, the CO₂ emission reduction targets were extended to the entire Group and shared with SBTi. As of the date of publication of this report, these targets are under review and approval is expected in the second half of 2023.

In addition, in parallel with the gradual reduction of its impacts, the Group has begun to neutralize its emissions from 2022 on the 2021 carbon footprint. This activity was done through the purchase of credits for reforestation projects.

Second, the targets identified for using 100% renewable energy are:

- achieving the target of 100% renewable electricity by 2024 at the Group level;
- the purchase of quality European Guarantees of Origin;
- the assessment of on-site generation potential.

While in terms of climate neutrality from 2022 onward, the targets include:

- offsetting gross carbon emissions through the purchase of certified carbon credits;
- the reporting of a climate neutrality declaration;
- the construction of a diversified, long-term carbon offset portfolio.

Climate neutrality initiatives required an extra-budget for 2022, and from now on, an annual recurring budget will be allocated.

In 2021, Nexi Italia conducted a first specific analysis to identify the risks and opportunities arising from climate change and quantify the related economic impacts through the construction of future scenarios (with a time horizon of 10 to 20 years). In 2022, this analysis was also extended to the perimeter of the acquired companies Nets and SIA, the results of which will be discussed in more detail in the next section of the report.

Climate-related risks and opportunities

Identification and monitoring of climate-related risks and opportunities

In line with the recommendations of the Corporate Governance Code for Listed Companies (Corporate Governance Code), Enterprise Risk Management (ERM) focuses on the management of relevant risks in relation to value creation through the integration of risk management culture and practices into strategy setting and performance management processes.

Each event identified is evaluated for impact, likelihood, and maturity of the management system according to four-level risk scales. In light of the risk assessment, which is suitable for prioritizing identified events based on residual risk exposure, risks considered to have substantial impact are those that could have an economic impact of more than 5% of corporate EBITDA.

The Enterprise Risk Assessment process also integrates the identification and monitoring of climate-related risks. No major risks related to climate change have been identified for the period 2023-2025 with substantial impacts on the Nexi Group. However, given their strategic and reputational importance, these types of risks are monitored and assessed periodically in order to understand their potential implications and define a path for mitigation and adaptation. To this end, the Group conducted an analysis to identify potential risks and opportunities arising from climate change. The methodology and approach take into account quantitative and qualitative elements to arrive at a comprehensive mapping of events that could affect the Nexi Group's value chain and assess the related financial impacts.

In fact, there are several aspects analyzed with respect to which climate change-related risks and/or opportunities could arise, and many actions taken to mitigate and/or incentivize these effects:

- (a) current regulations: the Group implements constant monitoring designed to minimize the risk of incurring penalties, financial losses or reputational damage;
- (b) emerging regulations: the Group implements continuous adjustment actions to avoid sudden changes in the operating environment;
- (c) technology: risks and opportunities related to the technological climate and development have been monitored, particularly in terms of technologies used and prevention of obsolescence;
- (d) legal: actions are carried out to mitigate the risk of incurring judicial or administrative sanctions, significant financial losses, or reputational damage due to violations of applicable regulations or self-regulation;
- (e) market: risks and opportunities related to customer and stakeholder expectations, such as cost increases related to greener supplies, are analyzed;
- (f) reputation: the risk of suffering reputational damage is analyzed and, to this end, the Group monitors its reputation through the Reputational Institute's RepTrack® index, which also considers environmental aspects;

- (g) acute physical risks: physical risks can impact assets (data centers, offices and credit card establishments), suppliers and/or customers, affecting business continuity and/or revenues. To mitigate this risk, Business Continuity and Disaster Recovery plans are in place to ensure the continuity of the Group's strategic assets;
- (h) chronic Physical Risks: structural increases in temperature could result in increased energy costs required to cool data centers and facilities used for credit card personalization.

The analysis of climate scenarios

The Group has implemented several climate scenario analyses as a tool to identify potential climate-related risks and opportunities, considering both 1.5°C and 4°C temperature increases over a time horizon of 2030 and 2050, including:

1. the risk analysis on Nexi Group facilities, with a focus on physical climate risks and transition risks and opportunities;
2. risk analysis on customers and suppliers, with a focus on physical climate risks and transition risks.

The risk analysis on Nexi Group's facilities

Focus on physical weather risks

The organization may be exposed to extreme weather events that could directly and indirectly impact the continuity of business operations.

The perimeter selected consists of the data centers and credit card production facilities considered strategic for the Group (those being divested were excluded) located in the EU 27.

Denmark, Italy and Finland are the countries where the largest number of facilities in the perimeter are located, of which facilities located in Italy contribute 55% of the Total Asset Value analyzed.

Among the most significant physical risks, potential impacts from flash floods, extreme wind, and earthquakes were considered through the following factors:

- the probability of an event occurring considering the high spatial resolution geographic assessment;
- the impacts related to earthquake events based on the location of structures and the evolution of climate change phenomena;
- estimated losses.

To analyze the extreme risk of wind and flood on facilities in terms of direct damage to buildings, machinery, and assets and indirect damage to business, the key economic variables considered are the Cost in terms of Revenue per day of Facility shutdown to estimate the losses resulting from business interruption, and the Estimated Value of Facility and, in particular, the analysis considers:

- the probability of the event based on the geographical assessment made by leveraging the most up-to-date analysis methodologies (e.g., integrating satellite data, 3D physical models, etc.) to capture the local scale of the phenomena. This assessment highlights structures that are not located in areas exposed to coastal and fluvial flood risk such as landfall risk and are therefore not considered. As for pluvial flooding, which has a greater impact on farm structures, the following factors were considered: soil type, land slope, and rainfall intensity;

- scenario-based impact: risk maps are available both on the time horizon and in the future perspective, based on projecting the frequency and intensity of the phenomena as a function of RCP climate scenarios. The two physical scenarios chosen are RCP 2.6 (mitigation scenario) and RCP 4.5 (stabilization scenario);
- vulnerability assessment is done by estimating vulnerability curves based on business type, architectural features, hazards, sectors, and asset type to estimate direct damage to property, assets, and machinery and indirect damage related to business interruption. The curves also consider the business sector for which the facility is used and the Ateco code. For facilities with ongoing operations as of the second floor, losses from flood risk to machinery and goods are estimated to be zero. Therefore, flood risk is a significant factor in quantifying the loss for all facilities with ground floor activities and business interruption loss;
- expected losses are quantified for three decades and for two chosen scenarios.

To analyze seismic risk on structures, the analysis was done following the same extreme risk methodology used for wind and flood risks, without considering scenarios.

The countries most exposed to seismic risk are Croatia, Slovenia, and Italy even though the structures within the analysis boundary are mainly located in areas not exposed to seismic risk.

From the overall analysis, no locations were found to be highly exposed to extreme wind and earthquakes, while the main natural event to which Nexi Group facilities could be exposed in terms of estimated losses is flooding. However, it should be noted that the Group has insurance policies in place to mitigate any losses from this type of event.

In addition, to manage potential risks of business continuity and unavailability of locations, also due to natural disasters, a Business Continuity Management System (BCMS) has been implemented with the aim of increasing the resilience of processes and services provided, paying particular attention to the satisfaction of its customers.

Focus on risks and opportunities related to transitional climate risks

With regard to transition risks, the Group has identified the risk arising from the emergence of new regulations and emission reporting requirements that cause an increase in indirect (operational) costs and the opportunity to use more efficient modes of transportation in order to reduce indirect (operational) costs.

Regarding the identified risk, the Group is not affected by carbon pricing mechanisms, but has conducted an analysis with a medium- and long-term perspective regarding the increase in future costs of GHG emissions by considering two alternative scenarios: New Development Scenario (1.5°C temperature increase) and Stated Policies Scenarios- STEPS (4°C temperature increase) in the medium (2030) and long (2050) term.

The Group estimated the financial impact based on 2019 emission levels as a baseline and global emission reduction targets (i.e. SBTi -42%) in 2030.

The response to this risk is based on an emission reduction strategy, defined in line with science-based targets. To achieve the targets, the Group is pursuing several emission reduction initiatives. The cost of responding to the risk considers investments currently underway with reference to the renewal of the corporate fleet (e.g., investment in charging stations) with hybrid cars and building efficiency initiatives (e.g., renovation of thermo-cooling systems).

Second, the Group estimated the opportunity from using more efficient means of transportation and reducing operating costs by switching to hybrid or electric vehicles. This initiative would reduce Scope 1 emissions and align with the defined scientific target.

Nexi Group plans to gradually replace its fleet with hybrid or electric vehicles by 2024. The impact of the opportunity was estimated by considering the emissions, consumption levels, leasing costs, maintenance, other ancillary costs, and incentives of the hybrid corporate fleet compared to the conventional fleet.

The risk analysis on customers and suppliers

In addition to the analysis on facilities, the Group's suppliers and customers may also be exposed to physical and transition risks that could directly and indirectly impact the continuity of operations and expected revenues. More specifically, the Nexi Group assessed how a representative perimeter of suppliers and customers are positioned with respect to nine climate change events associated with chronic physical risk (temperature change, heat stress, change in wind patterns, change in precipitation patterns and types, thawing permafrost, sea level rise, water stress, soil and coastal erosion, and land degradation), eight climate change events associated with acute physical risk (heat waves, fires, windstorms, droughts, heavy rainfall, floods, landslides, and subsidence), and earthquake risk.

In addition, taking into consideration two Transition Scenarios (Ordinary Scenario and Hot House world scenario), for transition risk Nexi assessed how the revenues, investments, and EBITDA of each supplier and customer in the selected perimeter would be impacted by the requirements and regulatory changes that a transition to the Net Zero 2050 goal entails.

The customer portfolio taken into analysis consists of about 20,000 customers, selected based on transacted volumes and/or revenues.

On the other hand, as far as suppliers are concerned, the scope of analysis is composed of about 2,000 suppliers of the Nexi Group, prioritized based on total spending towards each supplier.

Focus on physical risk

The methodology used to estimate the physical risk exposure of the customers and suppliers under analysis is as follows:

- a list of locations with their coordinates was prepared for each company, and a joint assessment of geographic hazard and expected impact was made for each location based on its sector. A summary risk score is assigned for each individual company by aggregating the assessments for each local unit, with criteria that may consider the importance of each (e.g., number of employees);
- hazard maps have been defined for each business location and local unit, highlighting the degree to which the area is exposed to a specific natural or climatic hazard. Specifically, the maps used to construct the physical hazard scores detect exposure to 18 physical and natural hazards, distinguishing between:
 - chronic risk events: which refer to climatic phenomena that generate progressive changes that can cause indirect damage (e.g., increased labor costs, production, cooling...);
 - acute risk events: pertaining to extreme phenomena that can cause direct damage to assets (e.g., loss of goods in inventory, damage to machinery...);
 - earthquake risk: not related to weather-climate phenomena, this risk is similar to the acute risk indicator in that it concerns extreme phenomena that can cause material damage to assets.

Finally, a summary measure of future physical risk (2040) is provided for each counterparty with details of its determinants (flood, landslide, wind, drought) considering all corporate locations (headquarters and local units). The summary scores are intended to summarize the overall hazard and guide the organization's choices in terms of monitoring, risk mitigation, and credit policy.

The result of the analysis is that 6% of customers in scope, with a transaction volume of 2% of the total in scope, have a very high exposure to physical risks, determined mainly by acute risk (mainly cold spells, frost, and floods). In contrast, no significant risk is associated with chronic risk. While, as far as suppliers are concerned, it is reported that most of them are not affected by climate change events related to physical risks.

Focus on transition risk

The same perimeter considered for physical risk was analyzed in terms of transition risk. Transition risk represents the possible financial impact suffered by the company due to the transition to an environmentally sustainable economy (e.g., low carbon).

The methodology used to estimate the transition risk exposure of customers and suppliers in scope of analysis is as follows:

- the scenarios used as inputs are the "hot house world" scenarios, which assume the continuation of only the policies already implemented, and the "net zero 2050" scenario, which represents the most favorable scenario by which climate policies limit global warming to 1.5°C, reaching net CO₂ emissions globally in 2050;
- the macro determinants represent three main variables related to the transition: policies and regulation, technology, and market demand. The effects on these macrofactors, depending on the scenarios considered, are summarized through macroeconomic variables made available by the NGFS (Network for greening the financial system), similar to what the European Banking Authority did for transition risk assessment and estimation;
- the model estimates the impact on revenues, investments, and costs by integrating a top-down approach, based on sectoral assessments, and a bottom-up approach, which is based on estimating models on individual counterparties' balance sheets;
- for each counterparty, a summary measure of Future Transition Risk (2050) is provided, detailing the relevant determinants (Revenues, EBITDA, and Investments). The output is summarized in scores from 1 to 5 indicating the impact of a 30-year horizon due to the transition to a low-carbon economy.

The results show that 0.2% of customers and 3% of perimeter suppliers have very high exposure to transition risks. The exposure is mainly determined by the efforts in terms of investment expenditure expected to be incurred to keep up with the transition regulations.

Metrics and targets

Carbon footprint

Within the framework of the Climate Strategy in 2023, the Nexi Group has continued to work in this direction, primarily by quantifying the impacts in terms of emissions in an increasingly accurate and complete manner. In fact, the Nexi Group has calculated the direct and indirect GHG emissions for 2022 considering the Group's complete perimeter, following the acquisitions of SIA and Nets. While preserving the methodological approach in line with the one used for 2021, there have been some updates to improve the completeness of the inventory:

- in line with the group's ongoing commitment to improve the mapping of its environmental impacts, the results for 2022 include the Capital Goods category in Scope 3, corresponding to emissions generated by the purchase of terminals (POS and ATMs);
- reporting of 9 Scope 3 categories for SIA for the first time³¹;
- increased granularity of activity data in favour of a better level of detail for individual legal entities of the group and, at the same time, improved quality of the data used. This improvement, in line with the group's decarbonisation objectives, allows more precise identification of emission hotspots and possible reduction actions³²;
- use of increasingly accurate and specific emission factors, based on the latest available databases, while preserving data comparability³³.

During 2022, the Nexi Group has also calculated its direct and indirect GHG emissions for the full year 2021 considering the complete Group perimeter, after SIA and Nets acquisitions. In line with international best-practices, the update of SBT near-term targets and the development of Net Zero targets, the GHG Protocol requires the baseline to include the companies that, at the moment of developing the targets, were included in the perimeter of the Group, regardless of their presence in the perimeter in the base year. This should be done independently of the date of entry of these companies in the group. This practice allows the comparison of like-for-like perimeters. The value of the 2021 base year emissions will be included in the CDP Climate change questionnaire.

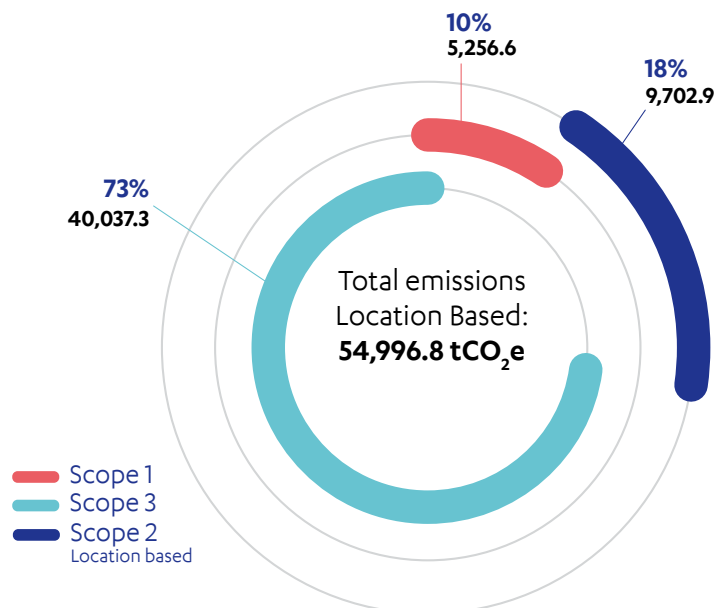
³¹ In SIA's last non-financial reporting, the company only reported emissions related to business trips.

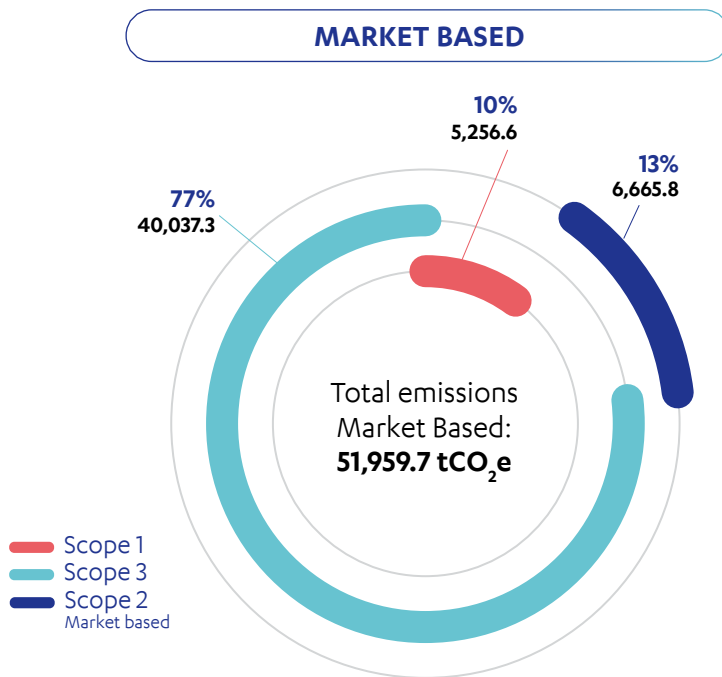
³² Inclusion of emissions related to overnight stays in hotels for business trips and more detailed estimation of business trips by public transport. Emissions related to the consumption of hybrid cars (Scope 1 and 2) were calculated more accurately due to improved data collection. For data centers owned (buildings), emissions referring to waste, refrigerant gas leakages and diesel used to back-up generators were included. Different cases were also identified for data center ownership, e.g. owned buildings with leased racks.

³³ Categories with the biggest change in emission factors: Fuel and Energy Related activities not included in Scope 1 and 2, Scope 1, district cooling and district heating.

CARBON FOOTPRINT NEXI GROUP 2022

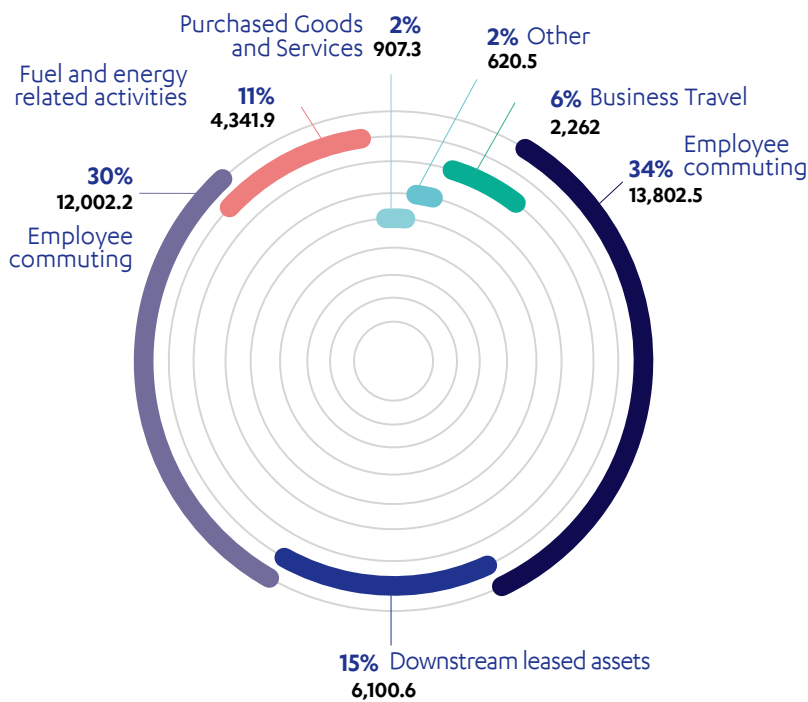
LOCATION BASED





CARBON FOOTPRINT NEXI GROUP 2022

SCOPE 3 CATEGORIES



Decarbonization targets

During 2022, the Nexi Group worked on the update of its direct and indirect science-based targets already approved by the Science-Based Targets Initiative. As for now, these targets are pending the approval process.

The targets approved by SBTi during 2021 contribute to limiting global warming to 1.5°C above pre-industrial levels and cover:

- the reduction of absolute greenhouse gas (GHG) emissions of Scope 1 and 2 in Italy by 42% by 2030, from the 2020 baseline;
- the commitment for 78% of capital goods suppliers in Italy to adhere to SBTi by 2025.

The updated targets were resubmitted for validation by the Science-Based Targets Initiative in December 2022 and are currently in the approval process. These short-term targets update responds to the need to broaden the perimeter of the target, in line with the commitment made to extend the emission reduction targets to the entire Group perimeter by 2022.

Net zero targets

Giving continuity to the commitment to achieve net zero emissions by 2040, the Nexi Group has developed science-based **Net Zero** targets. These targets were submitted to the Science-Based Targets Initiative in December 2022 and are currently in the approval process. Such targets have the ambition to reach Net Zero emissions by 2040, ten years before 2050, which is the target set by the European Union in the European Green Deal in response to the Paris Agreement.

The update of the short-term targets and the development of the Net Zero targets made it necessary to also recalculate the baseline of direct and indirect emissions, in line with target-setting guidelines. The baseline has been updated to 2021 and covers the entire perimeter of the Group (including SIA and Nets) to facilitate like-for-like comparison.

Offsetting initiatives

The Nexi Group purchased project-based carbon credits during the reporting period:

- Safe Water Access Project in Rwanda: currently, the low quality of water in the country does not allow families to consume it without first boiling it in inefficient ways. This project will improve the efficiency of these boilers and reduce consumption, allowing the reduction in CO₂e emissions and the access to drinking water for local communities. The Nexi Group purchased 6,365 certificates, equivalent to 6,365 metric tonnes of CO₂e. This project follows the Gold Standard methodology.
- Forest protection project in Zimbabwe: REDD+ project with the aim of avoiding the release of carbon emissions into the atmosphere when trees are burnt. The Nexi Group purchased 25,462 certificates, equivalent to an amount of 25,462 metric tonnes of CO₂e. This project is a Verified Carbon Standard (VCS) certified project.

Supplier engagement

As previously mentioned, the Group works with its value chain on climate change risks and opportunities. As far as the relationship with suppliers is concerned, the Group's commitment is to collect up-to-date information on their behaviour in this regard and their awareness of the issue.

To enable this, a self-assessment questionnaire on labour, human rights, environmental management and governance issues was shared with particular categories of suppliers operating in the most critical product categories in terms of possible ESG risks, namely ATM, POS (terminals) and facility area.

Based on the results of the self-assessment questionnaires and internal analyses, a plan was defined to conduct on-site audits, where necessary, to verify ESG issues in the field.

The success of the initiative is represented by the response rate to the questionnaire, which corresponds to the totality.

Furthermore, it is worth noting that more than 25% of the Group's suppliers (in terms of expenditure) are ISO14001 certified.

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