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Report on Climate-Related Financial Risks

Report on Climate-Related Financial Risks (TCFD Report)

For the financial year 2023, Viseca is reporting on climate issues for the first time. In doing so, it is guided by the recommendations of the "Task Force on Climate-Related Financial Disclosures" (TCFD) in the version dated June 2017 and the annex thereto in the version dated October 2021. Where possible and appropriate, it also takes into account the supporting document "Guidance on Metrics, Targets, and Transition Plans" in the version dated October 2021.

Corporate responsibility
In 2023, Viseca's Board of Directors decided to formalise the management of non-financial success factors and risks and to integrate it into the existing risk management processes. The work associated with this decision began and was implemented as far as possible in the reporting year.
Sustainable development ensures that current needs are met without making it impossible for future generations to fulfil their own needs. For the future of Viseca and for society as a whole, sustainable development is crucial: Viseca's responsibility as a company does not end with making a profit; it also has to ensure that it acts in an economically, environmentally and socially responsible manner.
Viseca is therefore committed to reviewing and improving its business practices with regard to sustainability. It has set itself targets to conserve resources or utilise them more efficiently, to reduce the impact of its actions on the environment, and to ensure that it acts fairly and ethically at all times.
Sustainable action can help Viseca to retain existing customers, gain new customers, minimise risks, strengthen its reputation, and position itself even better as a responsible company.
In the following, Viseca shows:

- how the governance of climate-related risks and opportunities is regulated,
- which climate-related risks and opportunities it has identified, what impact the risks have on business and how resilient the business strategy is,
- how climate-related risks and opportunities are managed, and
- the goals it has set itself to reduce its negative influence.

1 Governance

1.1 The duties and role of the Board of Directors

The Board of Directors is responsible for the overall management of Viseca and the supervision of its management. The committees of the Board of Directors (Audit & Risk Committee ARC, Nomination & Compensation Committee NCC) support the Board of Directors in its decision-making process by providing preliminary advice.

The Board of Directors is responsible for ensuring that economic, environmental and social sustainability issues are dealt with appropriately, and it is the Board of Directors that defines the sustainability strategy. It also assumes responsibility for the periodic review of the strategy and for monitoring its implementation.

As part of risk management, the topic of sustainability is analysed annually, along with the related strengths and weaknesses as well as opportunities and threats. The risk policy and the framework concept for dealing with the sustainability goals are approved by the Board of Directors.

Climate-related opportunities and risks are implicitly incorporated into strategic considerations and decision-making and are also taken into account as far as possible and necessary in the preparation of the budget and in strategic business planning. Recognising the potentially high relevance of climate-related risks in particular, the Board of Directors has determined that sustainability management as a whole will be integrated into risk governance. In this way, the Board of Directors ensures that the climate-related risk situation is analysed on an ongoing basis and – if necessary – that the risks can be managed using suitable measures. The responsible committee (ARC) of the Board of Directors deals with the overall risk situation, including climate-related risks, at least every six months. In the past, Viseca assessed the latter as acceptable without special measures. The process for measuring effectiveness and assessing target achievement in connection with measures to mitigate climate-related risks corresponds to Viseca's standard procedure. The 2nd Line of Defence reports on the implementation status of measures and the achievement of objectives as part of regular risk reporting.

1.2 The duties and role of the Executive Board

The Board of Directors delegates the implementation of the sustainability strategy to the Executive Board. The Executive Board is responsible for implementing the strategy defined by the Board of Directors and decides on this as a committee. This approach will also be applied to the dedicated climate strategy that is currently being developed.

The Executive Board is fully accountable to the Board of Directors with regard to sustainability management. The Board of Directors receives written reports and/or verbal information about the results to draw appropriate conclusions about the sustainability strategy. Reporting on the delegated responsibility for impact management is carried out by the Risk Management department in the form of ad hoc and standard reporting. Standard reports are submitted to the Audit & Risk Committee every six months and to the Board of Directors annually.

As part of risk reporting, the Executive Board receives a quarterly update on the status of the implementation of measures in the area of sustainability, in particular on climate-related opportunities and risks and the achievement of targets. Risk reporting forms the basis for determining the measures required to manage climate-related opportunities and risks, their specific objectives, implementation and responsibilities.

1.3 The tasks and role of Risk Management

The Risk Management department is conceptually and methodologically responsible for company-wide risk management, the promotion of a solid risk culture with clear responsibilities, the review of key risks, and the evaluation of the effectiveness of Viseca's risk function.

As part of this responsibility, the Risk Management department reviews the risk management approach with regard to climate-related and sustainability-related risks.

2 Strategy

2.1 Climate-related risks and opportunities and their financial impact[1]

The identification of climate-related risks and opportunities is based on Appendix 1: Climate-Related Risks, Opportunities, and Financial Impacts relating to Implementation of the Recommendations of the Task Force on Climate-Related Financial Disclosures. The corresponding catalogue of risks and opportunities was deemed sufficiently comprehensive by Viseca after a few points were clarified. It covers the risks potentially relevant to Viseca.

In accordance with the recommendations of the TCFD, Viseca defines the terms of risks according to the risk profile. A time horizon of three years applies to short-term risks and opportunities, for medium-term risks and opportunities it is ten years, and for long-term it is 25 years.

Viseca has identified the following climate-related risks as potentially relevant in the short, medium and long term:

Physical risks

Risk driver	More extreme weather events
Impact	Interruptions in the supply chain (physical credit cards and IT services in connection with the authorisation, clearing and settlement of card transactions)
Time horizon	Short term
Probability of occurrence[2]	Low
Financial impact	Lost revenue due to reduced supply
Quantified financial impact[3]	Low
Risk strategy	Requirements for business continuity management implemented for key suppliers

1 For the impact of Viseca's business activities on the climate in terms of the double materiality required by CO Article 964b paragraph 1 and paragraph 2(4) (but not by the recommendations of the TCFD), see Chapter 4 of this report ("Metrics and targets")
2 Scale used for probability of occurrence: low – medium – high – very high
3 Scale used for financial impact: low – medium – high – very high

Transition risks

Risk driver	Extended reporting obligations for emissions and/or requirements and regulations for existing products and services
Impact	Increased compliance risks
Time horizon	Medium term
Probability of occurrence	Low
Financial impact	Increased compliance costs
Quantified financial impact	Low
Risk strategy	Implemented compliance management system

Risk driver	Increasing cardholder awareness of the environmental footprint of travelling abroad
Impact	Fewer foreign currency transactions
Time horizon	Medium term
Probability of occurrence	Low to medium
Financial impact	Reduced revenues
Quantified financial impact	Medium to high
Risk strategy	Compensatory cost management

Risk driver	Shortage of energy due to gaps in the power supply
Impact	Increased market risks
Time horizon	Medium term
Probability of occurrence	Low
Financial impact	Increased electricity costs
Quantified financial impact	Low
Risk strategy	Reduction in electricity consumption through the use of innovative, more efficient solutions and behavioural adjustments driven by awareness-raising among employees

Risk driver	Investors' demands for sustainability management, in particular for the management of climate-related risks
Impact	Capital market refinancing risk
Time horizon	Medium to long term
Probability of occurrence	Low
Financial impact	Increased refinancing costs
Quantified financial impact	Low
Risk strategy	Ongoing expansion of sustainability management; further development of sustainability reporting

Risk driver	Customer banks' demands for sustainability management, in particular for the management of climate-related risks
Impact	Reputational risk
Time horizon	Medium to long term
Probability of occurrence	Low
Financial impact	Lost revenue due to reduced demand
Quantified financial impact	Medium to high
Risk strategy	Ongoing expansion of sustainability management; further development of sustainability reporting

Viseca has identified the following climate-related risks as potentially relevant:

Resource efficiency

Opportunity	Renting more energy-efficient premises
Impact	Reduced energy consumption
Time horizon	Short term
Probability of occurrence	High
Financial impact	Reduced operating costs
Quantified financial impact	Low
Opportunity strategy	Initiated evaluation of alternative site to replace Bedano

Energy sources

Opportunity	Use of energy with lower emissions
Impact	1. Reduced greenhouse gas emissions 2. Improved capital market viability with sustainability-sensitive investors 3. Improved sales opportunities with sustainability-sensitive customers
Time horizon	Short term
Probability of occurrence	Medium
Financial impact	1. Reduced CO_2 costs 2. Lower refinancing costs 3. Increased revenues due to increased demand
Quantified financial impact	Low
Opportunity strategy	Evaluation of options for purchasing low-emission energy in the area of electricity and district heating

Products and services

Opportunity	Development and further distribution of services with reduced emissions
Impact	Improved competitive position due to sustainability-sensitive consumers
Time horizon	Short to medium term
Probability of occurrence	High
Financial impact	Increased revenues
Quantified financial impact	Medium
Opportunity strategy	Realisation of a longer useful life for credit and debit cards due to improved technology

2.2 Resilience of the strategy to climate-related risks

Climate change has had no demonstrable impact on Viseca's financial result in recent years. Accordingly, the business model[4], strategy and financial planning did not have to be adjusted due to the climate. Although climate-related risks are not currently considered to be significant, they are reassessed periodically, and for this reason the inventory of climate-related risks was formalised and supplemented in 2023. The climate-related opportunities listed above do not directly affect the business model, but do lead to an improvement in the operating result.

Viseca does not currently have an independent greenhouse gas strategy. In 2024/2025, it will draw up a specific greenhouse gas strategy that is in line with Switzerland's net zero target by 2050 and defines the medium- and long-term targets as part of a transition plan. Based on the IPCC report Global Warming of 1.5 °C, the Swiss Confederation has set the target of "net zero by 2050" in its long-term climate strategy, meaning that by 2050 Switzerland will not emit more greenhouse gases than natural and technical reservoirs can absorb.

To assess strategic resilience with regard to climate-related risks and opportunities, Viseca (qualitatively) analysed the Irena REmap <2 °C scenario[5], which assumes maximum global warming of 1.5 °C for 2050, because this scenario focuses on power supply and is therefore particularly relevant for Viseca. This scenario confirms the "increased compliance risks" and "increased reputational risks" identified above as potentially relevant transition risks for Viseca. At the same time, the scenario assumes an adequate power supply. The opportunities relevant to Viseca are not negatively affected in this scenario.

In addition, Viseca has qualitatively analysed the seven NGFS scenarios, which reflect warming in the range of +1.4 °C to +3.0 °C[6]. These scenarios take into account different policy approaches for dealing with climate change, which result in different development with respect to transition risks and physical risks. In three out of four scenarios with increased risks, the transition risks behave in the opposite direction to the physical risks: scenarios with high physical risks have low transition risks and vice versa. Only in the "Fragmented World" scenario do high transition and physical risks occur simultaneously.

4 Products and services, supply chain, value chain, research and development, operations, acquisitions and divestments, financing.
5 IRENA (2019), Global energy transformation: A roadmap to 2050 (2019 edition), International Renewable Energy Agency, Abu Dhabi.
6 Ngfs.net/ngfs-scenarios-portal

NGFS scenarios at a glance

Unorganised scenarios assume that climate-policy measures differ from country to country or sector to sector.

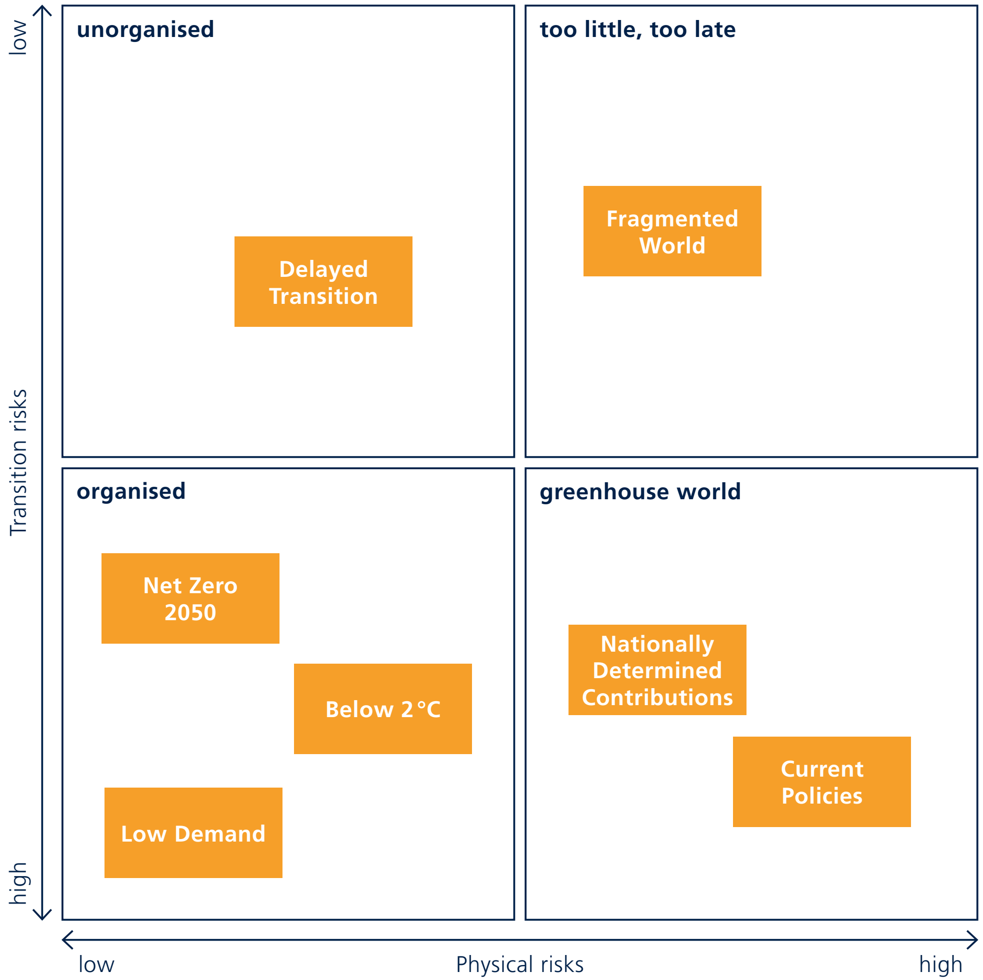
Orderly scenarios assume that climate policy will be introduced early and gradually become stricter.

Too-little, too-late scenarios assume that climate-policy ambitions will diverge between countries and that climate-policy measures will be delayed.

Greenhouse-world scenarios assume that although climate-policy measures will be implemented in some countries, global efforts will not be sufficient to stop significant global warming.

Based on the exposure to risks described under 2.1, Viseca considers its strategy to be resilient in the short to medium term under all scenarios, and the potential impact on the balance sheet and income statement is assessed as low.

Based on the medium- to long-term assessment of the risks, Viseca assumes that its strategy will have to be reviewed if this scenario materialises.



Net Zero 2050 A strict climate policy and innovations will ensure that global warming is limited to 1.5 °C, and net zero CO_2 emissions achieved by 2050.

Low Demand Significant behavioural changes that reduce energy demand will weaken the pressure on the economic system in such a way that net zero CO_2 emissions are achieved globally by 2050.

Below 2 °C Climate policy is gradually becoming stricter, meaning the probability of limiting global warming to below 2 °C is 67%.

Delayed Transition Global annual emissions will not fall until 2030. Strong policy measures are then needed to limit warming to 2 °C.

Nationally Determined Contributions The moderate and heterogeneous climate ambitions continue throughout the 21st century. Although emissions fall, they still lead to warming of 2.6 °C.

Current Policies Only currently implemented policies are retained. Emissions will increase by 2080, leading to warming of around 3 °C and, in some cases, irreversible physical changes.

Fragmented World Globally delayed and differing climate-policy ambitions lead to increased transition risks in some countries and high physical risks everywhere.

3 Risk management

Viseca carries out a three-stage risk assessment across all risk categories, including climate-related risks. Risks are defined as negative deviations from the planned – in financial terms, budgeted – development.

In a first step, the risk owner at Executive Board level assesses the risk situation with regard to the relevant objectives under the methodological guidance of the Risk Management department. Sustainability risks, including climate-related risks, are the responsibility of the CEO. The probability of occurrence and extent of damage are estimated for the identified risks, and along with the financial impact, the extent of damage is also assessed in terms of strategic relevance, compliance, influence on operations and impact on reputation. The risk owner defines risk-mitigating measures, including the associated implementation deadlines and responsibilities.

In a second step, the risk assessment and the defined measures are approved by the Executive Board as a committee. The Executive Board has the authority to override the judgements and decisions of the risk owner, and the 2nd Line of Defence monitors the timely implementation of the measures on behalf of the Executive Board.

In a third step, the Audit & Risk Committee takes note of the risk assessment and the defined risk-mitigating measures as part of risk reporting. The Audit & Risk Committee has the authority to override the risk assessment and the defined measures. Finally, the Board of Directors is informed about the risk assessment and the defined measures. The Board of Directors also has the authority to override the judgement and defined measures of the lower instances.

Viseca's risk situation is reviewed on an ongoing basis, and risk management is adapted to new developments where necessary. The inventory of top risks is reassessed by the Executive Board at least once a quarter, and newly identified risks are assigned to a dedicated risk owner at Executive Board level. The Executive Board jointly approves the necessary measures, the implementation of which is monitored by an independent supervisory body. Climate-related risks (including the risk of regulatory developments) are assessed using the same methodology as for the other risks, namely according to their impact on strategy, EBT, compliance, operations and reputation. Risks are assessed by internal experts according to the extent of damage and probability of occurrence. Depending on the risk assessment (low, medium, high, very high), climate-related risks are accepted or mitigated with appropriate measures. Such measures are scheduled and assigned to a measure owner at Executive Board level, and the 2nd Line of Defence monitors the timely implementation of the measures. The Board of Directors and the Audit & Risk Committee of the Board of Directors are informed at least every six months about the identified risks, their assessment and the measures required to mitigate them and their implementation.

4 Metrics and targets

The following outlines Viseca's emissions resulting from internal operations. The data includes both direct emissions (Scope 1) and indirect emissions from external energy sources (Scope 2), whereby the calculations of Scope 2 emissions are based on the methodology of the Greenhouse Gas Protocol (GHG Protocol). There is currently no separate disclosure for Scope 3 emissions due to challenges in terms of data availability, particularly for this initial reporting. Viseca's commitment to continuous improvement is reflected in the fact that it is actively working to strengthen the data basis and ensure greater compliance with the GHG Protocol guidelines in the future. Viseca is committed to understanding and minimising its environmental impact.

tonnes of CO_2 equivalent	**2021**	**2022**	**2023[7]**
Scope 1			
Vehicles[8]	0.3	0.3	0.3
Scope 2			
District heating ZH	24.2	23.2	21.7
Power consumption ZH	1.6	2.2	1.9
Power consumption TI	2.5	2.9	3.0
Total	**28.6**	**28.6**	**26.9**

The Scope 2 emissions shown above result from the electricity consumption required to operate the two Viseca sites and from the use of district heating, which is required at the Zurich site to heat and cool the office space.

The electricity for both sites is sourced externally, and in the reporting year more than 80% of it came from renewable energy (primarily hydropower), while less than 20% came from non-renewable sources. The district heating mix contains over 40% renewable energy.

Scope 2 emissions were calculated using the location-based method, whereby the energy consumption was multiplied by the average emission factor (according to the provider).

Viseca can directly control the emissions it causes through changes in behaviour. Thanks to initial measures, emissions have already been reduced by 6% compared to 2021. Further information on the reduction measures can be found in the separately published GRI Sustainability Report (GRI 302 – Energy).

In 2024/2025, Viseca will draw up a specific CO_2 strategy with a reduction plan that is in line with Switzerland's net zero target by 2050 and defines the medium- and long-term targets. Irrespective of this, Viseca has set itself short-term environmental targets as part of its first sustainability strategy, which reduce the CO_2 equivalents generated.

7 The CO_2 equivalent for one kJ of electricity consumption will not be available until mid-2024. As a result, the 2022 value was also adopted for 2023.
8 Viseca owns a single vehicle, which is used to travel around 500 kilometres per year.
9 Für rund 91 Prozent der Energiequellen ist der Emissionsfaktor bekannt, während für die restlichen 9 Prozent keine Daten verfügbar sind. Für diese Energiequellen ohne bekannte Emissionsfaktoren wurde proportional das CO2-Äquivalent der bekannten Quellen verwendet.

The following table shows which climate-relevant objectives Viseca is pursuing:

	As at 31.12.2022 (base)	As at 31.12.2023	Target 31.12.2027	KPI
Reduction of internal energy consumption by 10% per transaction within 5 years	8.9 kJ[9]/ transaction	5.7 kJ/ transaction	8.0 kJ/ transaction	kJ/ transaction

Measures:
- Evaluation and implementation of an alternative location to replace the Bedano site
- Evaluation and implementation of energy-saving measures for IT infrastructure
- Internal awareness-raising campaigns

Reduction in paper consumption of 10% per card within 5 years	0.67 kg/card	0.51 kg/ card	0.60 kg/card	kg/ card

Measures:
- Increased communication via the electronic customer channel
- Increased use of recycled paper or use of less environmentally harmful paper

Reduction in the number of newly issued plastic cards in relation to the portfolio by 10%	0.56	0.37	0.50	Newly issued cards/ card portfolio

Measures:
- Longer useful life of plastic cards
- Evaluation and implementation of further measures

9 kJ = kilojoule

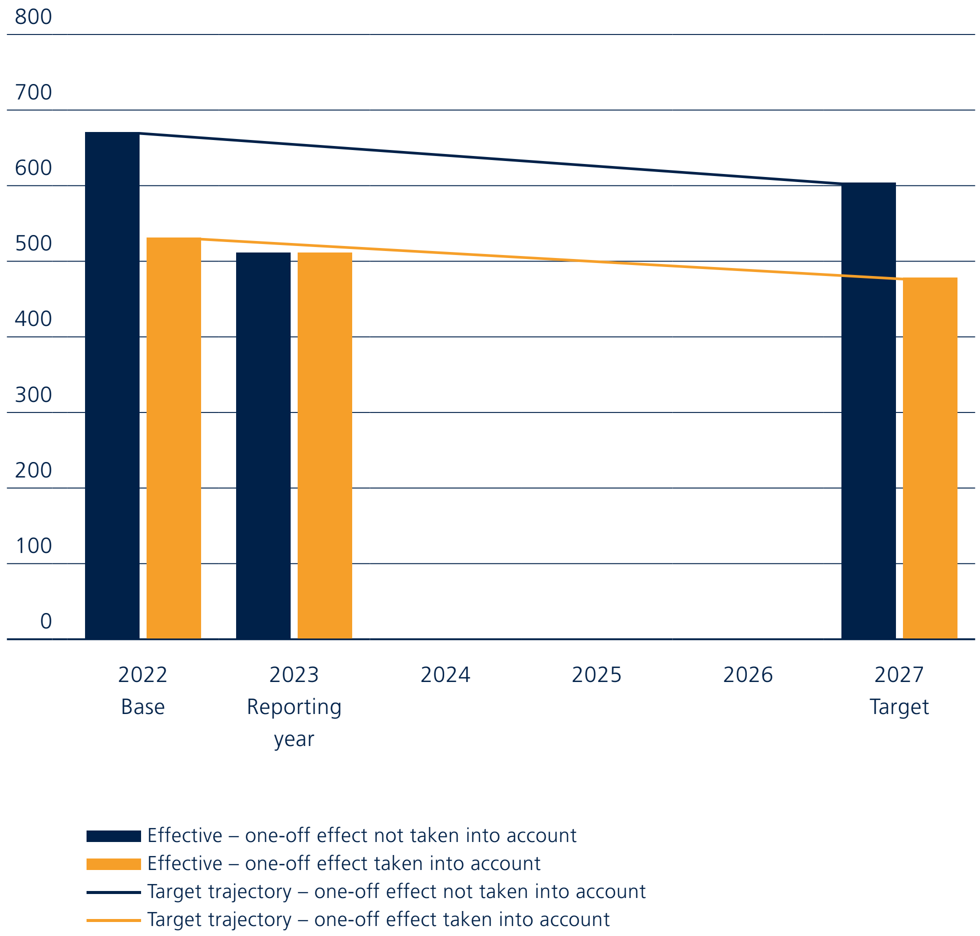
The objectives listed above are related to the fundamental topics that Viseca has identified as part of its sustainability reporting. Since Viseca is a provider of cashless payment products and services, the consumption of energy, paper and plastic cards is central to its business activities. At the same time, this has a negative impact on the environment, which is why these issues are considered relevant. Viseca's aim is to minimise these effects.

At 5.7 kJ for each transaction, energy consumption per transaction in the 2023 reporting year is around a third lower than the 2022 base value. Two effects are responsible for this significant reduction: firstly, the number of transactions increased significantly, and secondly, energy consumption declined. The introduction of home working has made a positive contribution to reducing energy consumption. In addition, investments were made in more energy-efficient devices and control options, and many smaller measures were implemented to reduce energy consumption (e.g. reduction of printers, telephones and vending machines without replacement). The measures mentioned above are currently being implemented. With a more energy-efficient location in Ticino, further energy-saving measures in the IT infrastructure and additional awareness-raising campaigns, it will be possible to achieve further reductions in energy consumption and the associated emissions.

In the development of paper and plastic card consumption, there's a one-off effect to be taken into account: a new product was introduced in 2022, which resulted in a particularly high number of letters and cards being sent in that year.

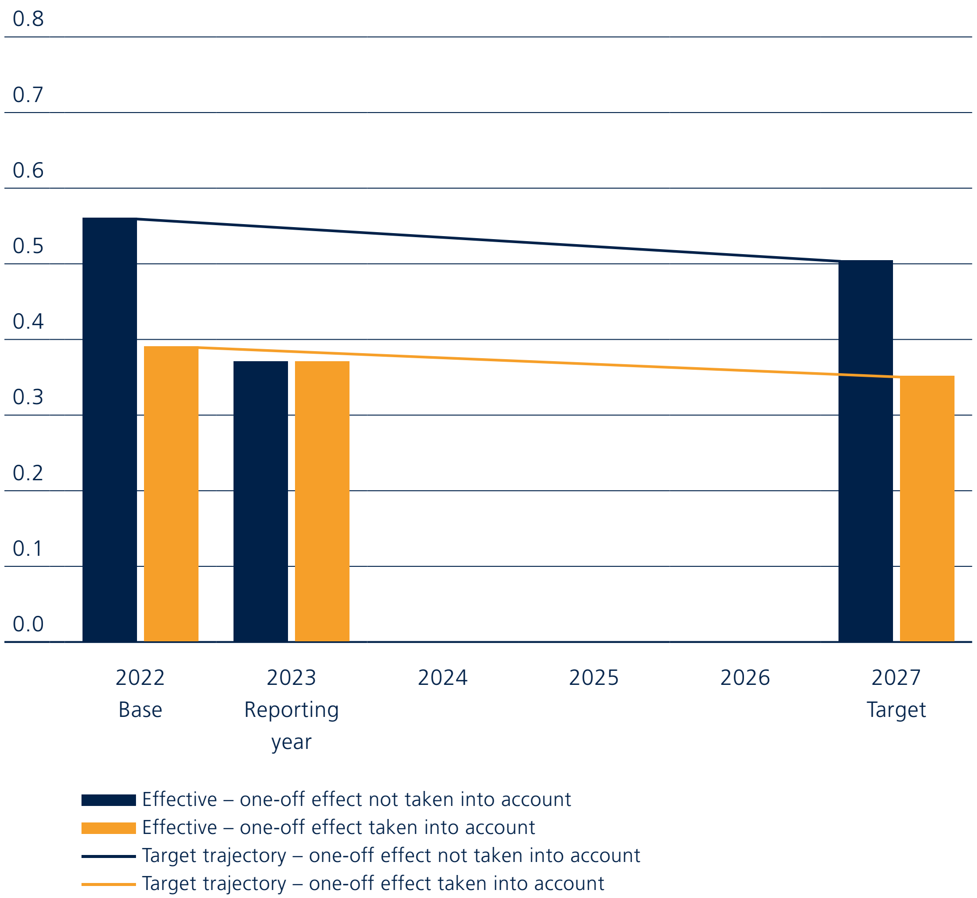
Paper consumption also declined in 2023. Per card, paper consumption has fallen by 24%. Adjusted for the one-off effect mentioned above, paper consumption per card fell by 4%. This is due to several measures: increased use of digital communication, revision of marketing brochures (reduction in the number of pages) and also a reduction in the number of printers available. Communication through electronic media is to be further expanded, and the proportion of environmentally friendly paper likewise further increased. Viseca is thus aiming to reduce its paper consumption to an even greater extent by the end of 2027.

Paper consumption per card in grams



Consumption of plastic cards also decreased in 2023 compared to the base year. In relation to the portfolio, the number of newly issued cards fell from 0.56 to 0.37. Adjusted for the one-off effect mentioned above, consumption fell from 0.39 to 0.37, a decline that is due to the extended useful life of the cards. Other measures are also being evaluated and implemented to further reduce the consumption of plastic cards. The increased use of other card materials (e.g. ocean plastic, recycled PVC) could help to minimise the negative environmental impact of card consumption.

Share of cards issued in relation to card portfolio



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Report on Climate-Related Financial Risks 2023
This report is published in German and English. The German version is authoritative.

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Issuer
Viseca

Concept, design, consulting and realisation
Linkgroup AG
8008 Zurich