

# INTERNAL RULES GOVERNING RELEVANT AS WELL AS RELATED PARTY TRANSACTIONS<sup>1</sup>

## **Introduction**

The purposes of these rules (the “**Rules**”) are to set out the basic principles and define the procedures for the Board of Directors or individuals/bodies delegated by it for taking and executing decisions regarding relevant transactions and related party transactions, and to establish the procedures for complying with the requirements for reporting to the same Board of Directors and to the Board of Statutory Auditors.

These Rules implement the provisions set forth in the Italian Civil Code, as well as the ones provided by CONSOB through Regulation no. 11971 of May 14, 1999, as consequently amended (hereinafter referred to as the “**CONSOB Regulation**”), as well as the provisions set out by Borsa Italiana S.p.A. in the Corporate Governance Code of 2006.

## **1. Definitions**

For the purposes of these Rules, the following terms shall have the specified definitions:

### 1.1. Related Party Transactions

“**Related Party Transactions**” shall include the transactions carried out by the Company or, if included in the category provided under Article 2.1 (d) (i) of these Rules, also by its subsidiaries, with parties that are so defined by the CONSOB Regulation. The transactions must envisage the application of the same terms and conditions applied or applicable to another party, other than a Related Party, or, in any event, fair market conditions, unless particular circumstances evaluated by the Board of Directors of Lottomatica occur.

### 1.2. Unusual or Atypical Transactions

“**Unusual or Atypical Transactions**” shall include any Related Party Transaction that does not form part of the ordinary activities of Lottomatica.

### 1.3. Relevant Transactions

“**Relevant Transactions**” shall include transactions, other than Related Party Transactions, carried out by the Company even through its subsidiaries, that are worth more than Euro 30 million and have a particular strategic, economic or financial relevance for the Company, either singularly considered or at a consolidated level, or transactions that concern the interests of one or more members of the Board of Directors of Lottomatica, or that may have a particular information relevance for the market. In any event, any transaction worth more than Euro 200 million falls under the above definition.

## **2. Principles governing resolutions on Relevant as well as Related Party Transactions**

### 2.1 Limitations of authority and restrictions on the granting of delegated powers

(a) Decisions concerning Relevant Transactions and Related Party Transactions shall normally be the exclusive responsibility of the Board of Directors, while executing and carrying out any such transactions may be delegated except for 2.1(d) below.

(b) In a departure from the provisions of point (a) above:

(i) the Executive Committee may be empowered to resolve, whether in general or in single cases, on Relevant Transactions as well as on Related Party Transactions,

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<sup>1</sup> Approved by the Board of Directors of Lottomatica S.p.A. on March 6, 2008.

provided that in the latter case no member of the Executive Committee is a Related Party;

(ii) one or more Directors may be authorised to severally or jointly decide Related Party Transactions with an individual value of no more than Euro 5 million, save for Unusual or Atypical Transactions whose individual value shall be of no more than Euro 2 million.

(c) Powers granted by the Board of Directors to individuals or bodies shall be defined as to the relevant object, amount and - where possible – duration. Where the Board of Directors granted to the Executive Committee or to one or more Directors the power to decide, execute and/or carry out given categories of transactions, the power to decide, execute and/or carry out Relevant Transactions or Related Party Transactions - included in any such category of transactions - must be expressly provided for, or said Relevant Transactions and Related Party Transactions shall be deemed excluded therefrom.

(d) The Board of Directors may not delegate powers to:

(i) decide Relevant Transactions or Related Party Transactions whose nature, duration, price, method of implementation or time of implementation might affect the financial situation of the Company or the completeness and accuracy of information concerning the Company, including accounting information;

(ii) decide, execute or carry out a Relevant Transaction or a Related Party Transaction to (x) individuals who may have even a potential interest - on their own behalf or on behalf of third parties - in the performance or non-performance of any such transaction, or (y) to bodies that comprise even one of said individuals.

## 2.2 Resolutions of the Board of Directors

(a) When resolving on Relevant Transactions or Related Party Transactions (including when granting powers), the Board of Directors as well as any delegated individual or body shall decide after examining the transactions in the light of adequate information on the nature of the relationships, the way in which the transaction will be carried out, the economic and other terms and conditions of the transaction, the valuation procedure adopted, the reason for the transaction, any underlying interests and any risks to the Company (all of such items hereinafter collectively referred to as “**Significant Information**”).

(b) Where, with reference to Related Party Transactions, the relationship involves a Director or, despite the relationship involves other individuals, the Director is nevertheless aware of its existence, or in any circumstances where a Director has even a potential interest on his or her own behalf or on behalf of third parties with respect to a Relevant or Related Party Transaction, such Director shall report thereon to the Board of Directors specifying the nature, origin, scope and terms of the interest, similarly to what generally provided for by Section 2391 of the Italian Civil Code. At the end of such oral report, which must be preceded by a written report containing analogous information to be submitted to all Directors and to the effective members of Board of Statutory Auditors prior to the Board meeting convened to decide the transaction or, in the event that the Board has been urgently summoned, directly during the Board meeting, the Director, when personally involved, after having answered any questions and provided all necessary clarifications, shall leave the meeting while the Board decides.

(c) Where the nature, value or other characteristics of a certain Relevant or Related Party Transaction requires so, the Board of Directors or the delegated individual or Body, also in order to ensure that the transaction be conducted on appropriate terms, shall (i) seek the prior opinion of the independent Directors, of the *lead independent director* or of the Internal Audit Committee, or (ii) receive advice from one or more independent experts selected from among

persons of acknowledged professionalism and competence in the fields involved by the decision. Such experts shall express a non-binding opinion on the economic terms of the transaction, its legitimacy and/or its technical aspects, as appropriate. In the event of Relevant Transactions, the independent expert(s) may be selected among the independent Directors of the Company, or alternatively it may be engaged the Internal Audit and Compliance Committee.

### 2.3 Obligations of delegated individuals and bodies

(a) The Directors and bodies to whom the Board of Directors has delegated powers to decide, execute and/or carry out Relevant Transactions or Related Party Transactions, as well as the executives responsible for implementing such transactions, shall collect and preserve all Significant Information.

(b) A specific report on Relevant Transactions and on Related Party Transactions decided, executed and carried out on the basis of delegated powers shall be made to the Board of Directors at the first possible meeting.

## **3. Requirements to notify the Board of Statutory Auditors**

3.1 The Board of Directors shall report on a quarterly basis to the Board of Statutory Auditors on Relevant Transactions and Related Party Transactions decided, executed or carried out during the reference quarter (including delegated transactions) as well as on their state of implementation.

3.2 In particular, the Board of Directors in the person of the competent Managing Director or another individual specifically delegated, shall describe to the Board of Statutory Auditors the interests underlying any such transaction, the relevant rationale, nature of the relationship in the event of Related Party Transactions, and the way the concerned transactions are to be implemented (including the economic and other terms and conditions), with special regard to the valuation procedures adopted.