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## Corporate Governance

The Company complies with the Corporate Governance Code for Listed Companies promoted by Borsa Italiana S.p.A., revised in 2006 (hereinafter the “Code”) which incorporates national and international best practices for the corporate governance of listed companies.



The organizational model was adopted in accordance with Legislative Decree 231/01 and draws upon the principles embodied in the “Guidelines for Creating an Organization Management and Control Model, “approved and subsequently updated by Confindustria on 7 March 2002.

The Company issues an annual report on its corporate governance system, as well as its adherence to the Code, which is then made available to shareholders, along with the financial statement documentation. The report is then sent to Borsa Italiana S.p.A., which makes it available to the public, and it is also published on the Company’s website at [www.lottomaticagroup.com](http://www.lottomaticagroup.com).

## Related Party Transactions

The board of directors of Lottomatica Group S.p.A., during its November, 15, 2010 meeting, approved new internal regulations regarding related party transactions, implemented by Consob regulation no. 17221 of March 12, 2010. The new regulations provide different procedures in the case of significant transactions (in terms of quantity) with related parties. These transactions are characterized by different levels of reporting requirements and by a binding preliminary assessment of a committee of independent directors. Transactions are classified as “most significant” when the value of the transaction, assets, liabilities, or business branch surpasses 5% of the Company’s assets or consolidated holdings. It is at the discretion of the Company to determine the threshold for “less significant” transactions.

Transactions with or among significantly influenced entities are exempt from the new regulations if less than the aforementioned 5%. However, the influenced entities of the Company (different from subsidiaries) cannot be significantly active holders of capital of either subsidiaries or influenced entities.

 The Company is organized in accordance with the traditional model, which consists of its shareholders assembly, a Board of Directors and a Board of Statutory Auditors. 

### **Governance model**

This traditional structure also includes the Executive Committee, the Internal Audit Committee, and Remuneration Committee, made up of members of the Board of Directors. In addition there is a manager in charge of drawing up corporate financial documents, a member of the Board of Directors in charge of supervising the operation of the internal control system, a manager in charge of the internal control system and a Surveillance Body, established pursuant to Legislative Decree no. 231 of June 8, 2001.

The members of the governing bodies are mostly male, and 23 out of 24 members of the board are over 50 years of age.

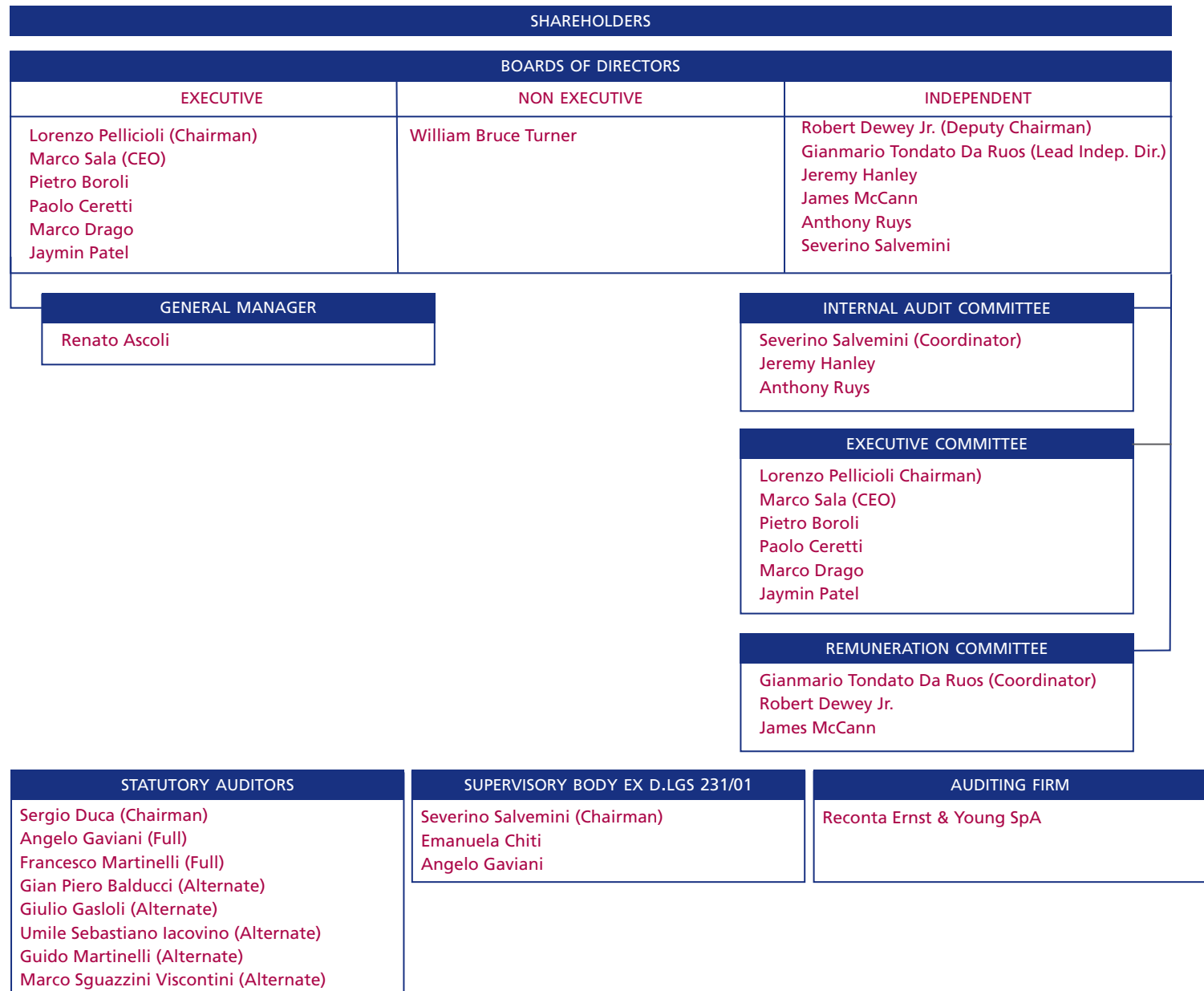
### **The Board of Directors**

Prospective directors, and those that are eventually appointed, are encouraged to determine whether or not they will be able to fulfill their duties diligently. In particular, each candidate is asked to take into account the number of positions they hold on the boards of directors or as auditors of other companies listed on regulated markets, including foreign or large companies. These positions are brought to the attention of the shareholders and the board of directors at the time they are nominated – when asked to periodically determine that its members meet the necessary conditions to diligently perform the tasks assigned – and stated in the annual report on corporate governance.

The Board of Directors is not aware of any activity carried out by any of its members in competition with the Company, nor have the shareholders authorized in advance any such activity pursuant to Article 2390 of the Italian Civil Code.

In addition, parent company De Agostini S.p.A. follows strict procedures in selecting candidates for director, to be approved by the shareholders, or, in the event of co-opted directors, by the Board of Directors. To date, these procedures have ensured a diversified make-up of the Board and a diverse combination of expertise in the areas in which the Company operates.

FIG. 11 - LOTTOMATICA GROUP'S GOVERNANCE STRUCTURE



## Remuneration

The remuneration paid to the managing directors of the Company and its subsidiaries, and to senior management, is normally associated with the Company's financial results and/or the achievement of specific objectives using the "management by objectives" approach. They can also receive remunerations through "stock granting" plans and/or Lottomatica "stock option", with a three-year average vesting period.

The remuneration of executive directors other than managing directors, as well as that of non-executive directors, is determined at a fixed rate that is commensurate with the commitment required, and is not tied to financial results or specific objectives achieved by the Company. Directors also receive a "token" for each board meeting or committee meeting in which they participate.

Directors' remuneration is determined by the shareholders and, with respect to special duties, by the Board of Directors.

## Compliance and governance program

Lottomatica Group S.p.A is a company subject to extensive global gaming laws and regulations, as well as substantial oversight worldwide by lottery authorities and related governmental agencies and bodies. Lottomatica Group S.p.A. is committed to the highest standard of business ethics and integrity as well as compliance with the laws and regulations governing its global business operations. As a result, Lottomatica Group S.p.A. adopted a Compliance and Governance Program (the "Program") that applies to all Group companies and their employees, consultants, distributors, and suppliers.

The elements of the Program include: setting standards (Code of Conduct, internal policies and procedures); communicating the standards (formal training, leadership forums, and periodic notifications); providing mechanisms for reporting potential exceptions and concerns, such as the Integrity Line, a confidential communication channel managed by an independent provider that allows individuals to anonymously report activities that may involve unethical or unlawful conduct; as well as "Ask The Board" and "Ask The Chief Compliance Officer" email addresses.

The Program also maintains an internal organizational structure to support the execution of the Program and to monitor the global business activities of the Group.