

## Suppliers

The Group's guiding principles, concerning relations with its suppliers, are based on respect, trust, integrity and excellence. The Company is aware that, in the pursuit of its mission, the purchase of intermediate goods and services (needed for production activities) supports aggregate demand. The purchase of these goods and services also contributes to the welfare of economies in which the Group operates.

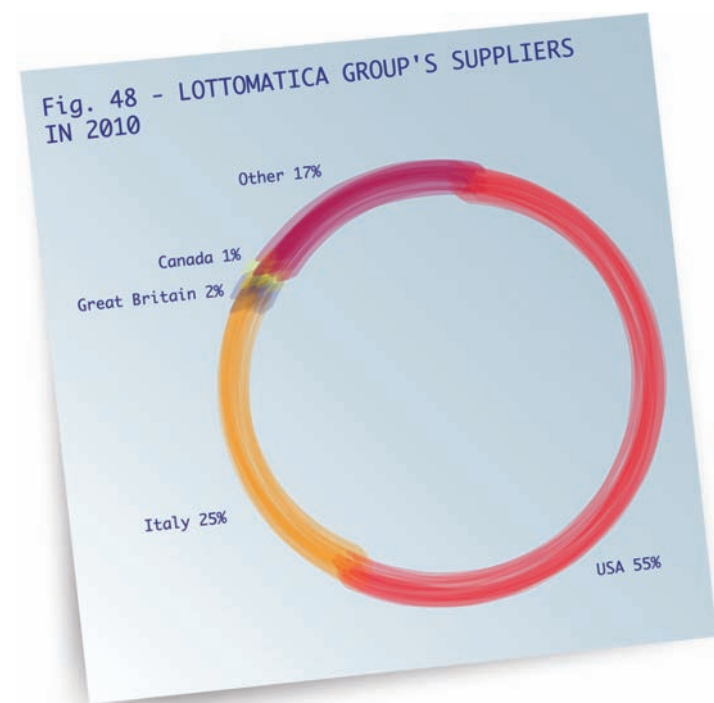
All suppliers and independent contractors are asked to sign the Company's Code of Conduct. By signing the Code of Conduct, each supplier agrees to comply with, and ensure that any person acting on its behalf complies with the principles and rules of the Code. Any conduct that is intended to cause, instigate, or facilitate the violation of any rule or principle contained in the Code, constitutes grounds for express termination of any agreement between the parties.

**In 2010, Lottomatica Group incurred intermediate production costs of € 985.9 million, which was a 8.9% increase compared to the previous period.**

The beneficiaries of the € 985.9 million cash flow which was spent for intermediate production costs, were 5,934<sup>(6)</sup> suppliers worldwide representing 73 different countries. All of the beneficiaries were qualified, and were divided into the main

purchasing types: general and personal services, advertising, various services/consultancy, consumables/logistics, hardware and software.

In particular, there were 3,271 suppliers based in the United States, or 55% of the total number. There were also 1,484 suppliers based in Italy, or 25% of the total number. Other major suppliers were located in Canada, Great Britain, Australia and Germany. There were 934 other suppliers, based in 67 other countries. This demonstrate the global presence of the Group, concerning supplies it sourced.



(6) This data represents those who supplied to Italian operations. For the rest of the world the relevant entities involved were GTECH Corporation and GTECH Global Services.

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## Supplier management and qualification

The Company does not discriminate on the basis of race, colour, belief, religion, ethnic origin, age, disability, handicap, sex, sexual orientation, civil status, marital status, military status or any other condition protected by law. The Company's policy complies with applicable statutory and regulatory provisions.

Qualification is recorded using a dedicated website. A supplier may remain on the list for three years. At the end of this period, the supplier will be re-qualified.

The Purchasing Office invites suppliers that wish to be qualified to submit registered and general information. They must submit information about the size and organization of their company, to indicate they have a documented quality control system or some type of certification. They must also include a thorough description of their working methodologies. The Purchasing Office verifies the information provided and, if it complies with the relevant requirements, qualifies the supplier and adds it to the List.

A supplier is considered compliant and qualified when it holds a "quality management system certification", issued by a recognized national or international organization. A supplier is also considered qualified when it is already a qualified supplier to leading national or international companies; when it has obtained a score of 60 or more on the qualification score card, or when its turnover for the previous year has exceeded € 50 thousand.

Should it be deemed necessary, the Purchasing Office may conduct an audit at the supplier's premises, making arrangements with the supplier about the time and the procedures for conducting the audit.

Only "critical" supplies are subjected to the assessment procedure twice a year.

Lottomatica Group selects its suppliers on the basis of specific qualification procedures and requires that they sign the Code of Conduct. By signing the Code of Conduct, each supplier agrees to comply with, and ensure that any person acting on its behalf complies with the principles and rules of the Code. Beneficiaries who don't comply with the civil Code norms (e.g. regarding human rights), will be subject to specific sanctions. The sanctions will be as reported in agreements stipulated with the Company or in specific documents which regulate the charges assigned.

**The supplier quality index**

is expressed on the supplier's score card by means of a score that indicates :  $\geq 80$  = very good ,  $\geq 70 < 80$  = good,  $\geq 60 < 70$  = adequate ,  $< 60$  = 1 = should be monitored, 0 = qualification revoked.

When the score indicates that monitoring is required, the supplier is not considered completely satisfactory, yet, it is kept on the list pending an improvement in the assessment. For these suppliers, careful monitoring is performed and a particular level of caution is used when issuing further orders.

In the course of the operating period, a procedure was adopted to increase the scores of card for suppliers with OHSAS 18001 certification in relation to workplace safety and health.

A substantial portion of supply contracts are subject to European Community regulations and are therefore awarded by means of public tender. During the operating period the Company issued 6 European public tenders. In the same period, six tenders were awarded, one of which was issued in 2009.

The Company does not adopt any policies or practices that are intended to give preference to local suppliers, either by the Organization as a whole, or by the individual operations.