



S U S T A I N A B I L I T Y
R E P O R T

2016



CONTENTS

4	Letter to stakeholders Emilio Petrone
6	Sisal in numbers
7	Our values
8	Snapshots from the world around us
9	Our stakeholders
13	Materiality analysis
14	1. DIALOGUE
15	The importance of good management Nando Pagnoncelli, Chairman of Ipsos – Public Affairs Division
16	Governance Sisal Group Our organisation The internal control and risk management system
22	Financial responsibility Markets Financial results Contribution to Italian tax revenue Value creation and distribution
28	The community A passion for sport Support for culture Support for education Contributing to research
34	Our people Career and training Culture, values and diversity Welfare
42	Environmental education Energy Paper Waste Emissions
46	Sisal, bringing people together through gaming

48	2. RESPONSIBLE GAMING
49	Gaming industry prospects in Italy Pier Paolo Baretta, Italian Undersecretary of The Economy and Finance
50	The rule of law in gaming Prevention of and the fight against illegal gaming The fight against match-fixing
54	Consumer protection Our gaming offering The Responsible Gaming Programme
58	The long road to transparency Vincenzo Guggino, General Secretary, Istituto di Autodisciplina Pubblicitaria - IAP (Italian Advertising Self-Regulatory Institute)
64	Our certifications
66	3. INNOVATION AT THE SERVICE OF VALUE CREATION
67	Diversify for growth The full SisalPay offering Sisalpay: the relationship with consumers Our role in the digital evolution of Italy
71	The retail network
73	Our suppliers
74	The central role played by the digital channel
77	A note on methodology
78	Gri Content Index



[G4-1]

Letter to stakeholders

Emilio Petrone,
Sisal Group CEO

Since the first play slip back in 1946, Sisal has never stopped working to achieve a balance between economic and social responsibility, combining its business mission with the ability to create value for all stakeholders and managing business activities transparently and responsibly as part of an ongoing dialogue with all interested parties.

The company has grown apace with Italian society, interweaving its own story with the narrative of a country that over the last seventy years has faced both challenges - including the difficult process of post war reconstruction - and opportunities - most recently the digitalisation of the country. As it did at the outset, Sisal intends to continue to play a role in society, generating not only business opportunities, but also collective value and well-being.

For this reason, we have decided to include contributions by several stakeholder representatives in the 2016 Sustainability Report. Their comments give us a better understanding of which major global transformations we need to monitor closely today, so that we can operate effectively according to our guiding principles of innovation, valuing people, dialogue and transparency.

The promotion of a balanced and aware gaming model continues to be one of our top priorities. We want to satisfy our consumers' needs, offering products that are secure and also taking account of their impact in terms of sustainability. Which is why support for the Responsible Gaming programme is a priority for us, with a special focus on entertainment, the prohibition of underage gaming, special care for the most vulnerable categories of consumer, prevention and the fight against illegal gaming. These efforts have been recognised with the renewal of our prestigious Responsible Gaming certifications by EL - European Lotteries and WLA - World Lottery Association, at the highest level, based on International Responsible Gaming Standards.

In the era of digital transformation, we use innovation as a lever to drive development and diversification.

The evolutionary process underway is changing the nature of consumers and the public, creating new needs and expectations that make it essential for businesses and the public administration to evolve and embrace digital business models. We have seized the opportunity and challenge offered by change to implement a carefully planned strategy that has driven our SisalPay brand to become Italy's leading Payment Services provider. Our model is underpinned by an innovative "digital-hybrid" approach that makes Sisal a preferred point of contact for businesses, the public administration and members of the public, based on a nationwide network of retailers and digital solutions. Working in this direction with Agenzia per l'Italia Digitale [Agency for Digital Italy], in 2016 we introduced electronic payments to Regional, Municipal and Public Administrations using the so-called NodoPA system, available at over 40,000 SisalPay points. This agreement, which gives the public an easy and secure way to settle taxes, fines, healthcare charges, road tax and school fees and make other payments to the Public Administration, has created the country's most extensive network for sending physical payments to public institutions.

The value of responsibility, dialogue and sharing has become increasingly strategic for us, with a view to ensuring lasting growth by fostering an ability to generate value for the business, for employees, for the community and for all our stakeholders.

One of various employee-related initiatives developed in 2016 was the "Volta" project, a smart working initiative aimed at encouraging a good work-life balance that won the Smart Working Award 2016 from the Politecnico di Milano School of Management's Monitoring Unit. In 2016, Sisal's community relations were enriched by the "We all football" project, which aims to raise awareness about gender equality and equal opportunities in sport, as well as to promote the social values of playing sport. Our commitment to responsible and transparent reporting has been recognised this year once again, with Sisal ranking among the top ten companies in Italy for the quality of the information it publishes on the web, in the unlisted company category of the special Webanking table drawn up by Lundquist. These important results and acknowledgements will encourage us to work even harder to maintain our standards of excellence and confirm our leadership in corporate social responsibility.

Enjoy the report.

SISAL IN NUMBERS



13 MILLION CUSTOMERS
IN GAMING AND SERVICES

€16.6BN
TURNOVER (+10% ON 2015)



[G4-9]
44.870 POINTS OF SALE

**+400 ONLINE
GAMES**



**500 SISALPAY
SERVICES**

200 MILLION
TRANSACTIONS PER YEAR



[G4-9]
1.787 EMPLOYEES
41% WOMEN

**9,000 TONNES
OF CO2 AVOIDED**



**1.180.000
FACEBOOK FANS**

OVER 19.000
FOLLOWERS ON **LINKEDIN**



OVER 42.300
FOLLOWERS ON **TWITTER**

OUR VALUES

For over 70 years

We have been driven by a strong sense of responsibility.

We have put people at the heart of our business.

We have worked with awareness and sensitivity in the pursuit of sustainable development.

Innovation, promoting the value of people, dialogue and transparency are the principles that underpin our business culture, and that we take into account in every project and initiative to encourage the growth and development of our people and all our stakeholders.

OUR VISION

To make people's lives easier and more enjoyable.

OUR MISSION

To provide the best offering of entertainment and services products, responsibly and sustainably over time

[G4-56]

CHARTER OF VALUES

We play as a team

Each one of us gives his or her best, so that we all win together.

We respect and care for our customers

Our customers' satisfaction and trust are our best reward.

We believe in people and their diversity

The value of our people and their rich diversity are a winning combination.

We are responsible and excellent

Sustainability and respect for the rules define the framework in which we aim to achieve excellence.

We innovate to grow

Our focus is on innovation and growth.

A Group that truly believes in research invests in its future.

SNAPSHOTS FROM THE WORLD AROUND US



"We are at the start of a process and the legislator plays a key role in the introduction of a new approach that reconciles local needs, the expectations of national institutions, and the requirements of operators who have to be able to plan for the future.

The future of the industry depends on successful reform to restore the element of play in gaming and to fight excess and abuse. This is a new approach for the Government too, a 'change of direction' if you like, one which takes account of the contributions of civil society, voluntary organisations, the political system and a sizeable number of industry operators."

Pierpaolo Baretta

Undersecretary of the Italian Ministry of Economy and Finance

(for the full interview, see page 49) da capire se è ancora alla stessa pagina dell'italiano



"In a setting dominated by individual experience and our own circle of relations with people and products, brands play an important role, one that can be defined as 'political'. Brands inspire trust because they make credible promises and keep them. In a world that is usually disappointing, just as politics and ideology have been disappointing, consumers seek out entities that have an interest in them and take care of them, and that try to enter into a conversation with them and improve their offering on a daily basis. Brands generate two benefits for the consumer: they simplify complexity and, if they have an important story to tell, reactivate and reference a positive, shared memory."

Nando Pagnoncelli,

Chairman, Ipsos - Public Affairs Division

(for the full interview, see page 15)



"Effective communication must in the first place be fair. A lasting relationship of trust between the brand and its public can only be based on the ability to communicate in a fair and responsible way. The gaming industry, as we all know, is often at the centre of social debate and opinions about it are frequently at opposite poles of the spectrum. Over and above individual positions, the industry has to accept the fact that it is overcharged with social responsibility when it advertises."

Vincenzo Guggino,

General Secretary, Istituto di Autodisciplina Pubblicitaria - IAP (Italian Advertising Self-Regulatory Institute)

(for the full interview, see page 58)

OUR STAKEHOLDERS

Our sense of responsibility and our sustainability policy are based on an ongoing dialogue with our stakeholders, who we regard as central to the sustainable development of our business. By listening to them and sharing their expectations, we have been able to identify the key areas to work on and the initiatives to invest in, to ensure that the dialogue with them is an effective and lasting one. Based on a survey of corporate counterparties and current conversations, we have drawn up a map of the stakeholders involved on an ongoing basis in the company’s initiatives throughout the year.

CUSTOMERS	
GAMING AREA	
OUR COMMITMENTS	INITIATIVES
<ul style="list-style-type: none"> • Work in synergy with the Regulatory Authorities to ensure security and transparency • Promote and enforce secure and balanced gaming, the prohibition of underage gaming and the use of monitoring tools • Ensure compliance with the highest international standards by maintaining Responsible Gaming Programme certifications 	<ul style="list-style-type: none"> • Studies and research on problem gaming • Development of tools to assess and monitor the risk level of games • Training about the Responsible Gaming Programme for human resources • Development of responsible commercial communications, with guarantees provided by internal review procedures • Web projects to raise players’ awareness about Responsible Gaming • Assistance and support for problem players through the Gioca Responsabile service (Play Responsibly)
SERVICES AREA	
OUR COMMITMENTS	INITIATIVES
<ul style="list-style-type: none"> • Simplify payment management for the public • Guarantee maximum service delivery transparency • Innovate technology infrastructure for the benefit of customers • Encourage discussion about new development opportunities for businesses and the Institutions 	<ul style="list-style-type: none"> • Development of the Cashless Project for payments using e-money • Development of the Stand Alone Project to develop the network dedicated exclusively to payment services • Development of technology infrastructure and an omnichannel approach (point of sale network, Sisalplay.it web portal, SisalPay Mobile app) • Activation of electronic payments to the NodoPA (public administration payment hub), contributing to the development of the national project to digitize the Public Administration (Crescita Digitale - Digital Growth) managed by AgID, the Italian Agency for Digital Italy • Organisation of opportunities for discussion and collaboration between businesses and the public administration

EMPLOYEES

OUR COMMITMENTS	INITIATIVES
<ul style="list-style-type: none"> • Create training, socialisation and integration opportunities, with a special focus on: sport, education and talent, art and culture • Partnerships with qualified scientific research associations, also through involvement in the point of sale network • Support for initiatives addressed to employees 	<ul style="list-style-type: none"> • Promotion of the corporate identity through the MEIC project • Support for diversity management through the Co-Generation project, the Mentorship Program, and WiSe - Women in Sisal Experience • Promotion of flexible working and a good Work-Life Balance through the Volta smart working project • Diffusion of the integrated corporate welfare model, which includes People Care and Mobility Management services • Development of training courses (Opencafé, Academy Manageriale, Skill Lab) • Ongoing performance assessment through the Performance Dialogue process

COMUNITÀ ED ENTI NO-PROFIT

OUR COMMITMENTS	INITIATIVES
<ul style="list-style-type: none"> • Creare opportunità di formazione, socializzazione e integrazione, con particolare focus su: sport, educazione e talenti, arte e cultura • Partnership con associazioni qualificate nell'ambito della ricerca scientifica anche attraverso il coinvolgimento della Rete di punti vendita • Sostegno ad iniziative dedicate ai dipendenti 	<ul style="list-style-type: none"> • Sport Area: activities that promote the positive values of sport: We All Football, Rebibbia Project and Amatrice • Education and Talent Area: projects to support the education, training and development of talent, including ItaliaCamp and Color Your Life • Art and Culture Area: projects and events regarded as opportunities for relational growth and positive socialisation, including partnerships with the Piccolo Teatro in Milan and the Teatro Olimpico in Rome • Fund-Raising Area to support scientific research: AIRC, Telethon, Umberto Veronesi Foundation, Associazione Italiana Lotta al Neuroblastoma [Italian Association for the Fight against Neuroblastoma] • Social Initiatives Area: support for non-profits and local area projects

RETAIL NETWORK

OUR COMMITMENTS	INITIATIVES
<ul style="list-style-type: none"> • Update and train the Sisal Network on an ongoing basis • Innovate point of sale technology infrastructure • Promote the Responsible Gaming Programme at points of sale • Provide retailers with support and assistance for effective point of sale management • Establish partnerships based on excellence and integrity • Monitor the Sales Force on an ongoing basis 	<ul style="list-style-type: none"> • A Contact Center with controlled access dedicated to Retailer Services • Development of the Retail Web Portal for Sisal Retailers (www.rivenditorisital.it) to provide information about the network and qualified training courses • Constant updating of points of sale, using terminal and pop-up messages for immediate communications • Training via the e-learning platform and the training catalogue

REGULATORY AUTHORITY AND INSTITUTIONS

OUR COMMITMENTS	INITIATIVES
<ul style="list-style-type: none"> • Ongoing collaboration with the Italian Ministry of the Economy and Finance, the Customs and Monopolies Agency, and the Institutions to guarantee security, lawfulness and transparency in the gaming sector • The fight against illegal gaming • Promote Player protection initiatives jointly with the Institutions, Local Authorities, and Italian and international trade associations • Develop Partnerships with the Public Administration and the Bank of Italy to develop payment services 	<ul style="list-style-type: none"> • Contribute with the Institutions to the fight against match-fixing • Projects to fight illegal gaming on a joint basis with Italian and international trade associations • Projects to fight problem gaming on a joint basis with the State and Local Authorities, in such a way as to protect potentially vulnerable segments of the population and to promote research into the industry's social and healthcare impacts • Partnerships with the Public Administration to develop the payment infrastructure (Nodo dei Pagamenti - Payments Hub) and the implementation of the Italian Digital Agenda

SHAREHOLDERS AND INVESTORS

OUR COMMITMENTS	INITIATIVES
<ul style="list-style-type: none"> • Comprehensive, transparent and timely reporting • Annual Sustainability Report • Equal information treatment for all categories of shareholder and investor • Guarantees that Corporate Governance 	<ul style="list-style-type: none"> • Annual publication of the calendar of corporate events • Publication on the Group website of communications about the approval and publication of financial statements, quarterly reports, business plans and significant transactions • Publication of the Sustainability Report

TRADE ASSOCIATIONS

OUR COMMITMENTS	INITIATIVES
<ul style="list-style-type: none"> • Promote the values of lawfulness, security and professional ethics at national and international level • Consolidate and share an approach based on the principles of sustainability, control, transparency and responsibility • Annually renew international Responsible Gaming certifications • Contribute to improving the operating conditions of companies working in the industry 	<ul style="list-style-type: none"> • Active participation in the drafting of shared proposals and strategies (against match-fixing and illegal gaming in particular) • Analysis and in-depth studies to support the Regulatory Authority (ADM), on a joint basis with other industry players • Invention of tools and mechanisms to guarantee secure and responsible gaming • Raising awareness about the Italian public gaming industry

BUSINESS PARTNER	
OUR COMMITMENTS	INITIATIVES
<ul style="list-style-type: none"> • Establish relationships inspired by the principles of integrity, trust and respect • Enter into partnerships addressed to innovation and value creation • Monitor and constantly assess the quality of supplies, services and performance 	<ul style="list-style-type: none"> • Development of supplier analysis tools • Service Level Agreement (SLA) monitoring activities • Sharing the principles of the Sisal Code of Ethics

BANKS AND THE FINANCIAL COMMUNITY	
OUR COMMITMENTS	INITIATIVES
<ul style="list-style-type: none"> • Guarantee ongoing engagement with banks and the financial community • Maintain long term financial strength 	<ul style="list-style-type: none"> • Monthly report sent on Group performance

MATERIALITY ANALYSIS

Our Sustainability Report confirms the approach set out in previous years, with the aim of presenting in more detail the social, environmental and economic aspects of the business and its ability to create sustainable value.

[G4-18a] [G4-18b] The “materiality analysis” process complies with the G4 guidelines published by the Global Reporting Initiative, for which the principle of “materiality” represents an essential and qualifying aspect of reporting.

The process is monitored by the Sustainability Committee, which supervises the preparation of the Sustainability Report each year.

The materiality analysis process began during 2015, based on the identification of subjects of interest, i.e. those with the potential to influence business objectives, stakeholder vision and challenges for the future. This activity was performed after analysing various sources of information, both inside and outside the Company. The sources analysed are periodically monitored to keep the map of issues of interest up-to-date.

After this stage, the subjects identified were further analysed by the Sustainability Committee and the management representatives responsible for each of them. This analysis provided the basis for selecting potentially material subjects, which were then grouped into macro areas around which the report was developed.

Finally, a qualitative assessment was given for each macro area, on a scale of three values (“high”, “medium”, “low”), resulting in the identification of the seven material areas for Sisal, followed by the identification of the set of indicators to include in the report.

The material areas and indicators are subject to periodic monitoring by the Sustainability Committee, to ensure they remain up-to-date and that the Sustainability Report provides a true picture of them.

[G4-19] The seven material areas for Sisal are:

- Responsible gaming
- People
- Supply chain
- Environment
- Innovation, research and development
- Stakeholder engagement
- Governance and regulatory compliance

The theme areas identified have different repercussions inside and outside the company, based on where the effects of the business are greatest and the stakeholders involved.

[G4-20] These areas have the biggest repercussions inside the organisation:

People

- Innovation, research and development
- Governance and regulatory compliance

[G4-21] Whereas these areas have the biggest repercussions outside the organisation:

- Responsible gaming
- Supply chain
- Stakeholder engagement.

For 2016, the Sustainability Committee confirmed the material areas identified based on the analysis described above.



1.

DIALOGUE



THE IMPORTANCE OF GOOD MANAGEMENT



Nando Pagnoncelli

Chairman of Ipsos – Public Affairs Division

“The entropy in society is now a fairly broadly recognised fact: for some years now there has been talk of a society that is ‘fluid’, testifying to its being multi-form and changeable, and in which all situations are represented. With the end of the ideological blocks and great cultures, and given the critical state of the historical accounts that conditioned the 1800s and 1900s, the individual is increasingly without points of outside reference.

Add to this the explosion of connection possibilities and easy access to information of any type, and the result is that the individual builds their own vision of the world based on their own experience and opinions, identifying with whatever suits them, is like them and tranquilises them, and without worrying too much about problems of consistency and logic. This attitude, when adopted at social level, results in a multi-faceted and individualised world. Members of the public find and lose their way on their own. And at the end of the day, they no longer believe in anything and start doubting things they thought were certainties before: democracy, science, family, progress, medicine.

In a setting dominated by individual experience and our own circle of relations with people and products, brands play an important role, one that can be defined as ‘political’. Brands inspire trust because they make credible promises and keep them. In a world that is usually disappointing, just as politics and ideology have been disappointing, consumers seek out entities that have an interest in them and take care of them, and that try to enter into a conversation with them and improve their offering on a daily basis. Brands generate two benefits for the consumer: they simplify complexity and, if they have an important story to tell, reactivate and reference a positive, shared memory.

But this is only one aspect: in this lack of trust, which opens up a space to fill, many companies can contribute to issues that aren’t necessarily their own, but which they have the credibility to talk about. As a result, CSR initiatives have changed too: if once they

were regarded as a way to take care of the world and return something to society, now they are the practical and tangible way for a company to assert its own perspective on the world, on what has to be improved, and on the challenges that need our attention. In doing so, they generate awareness and social movement, and so play an extremely political role, in the true sense of the word.

It is however essential to remember that there are no blank cheques: consumers feel the need to trust, but their attitude continues to be wary and suspicious, ready to violently attack those who, rightly or wrongly, betray their trust. In this sense, it is very useful to have a transparent attitude and a governance perceived as qualified and reliable from the perspective of both the public and the company’s internal and external stakeholders.

Consumers hold a range of fairly vague and contradictory positions on the subject of sustainable development. On one hand, they are generally interested in and prepared to reward sustainable companies, but on the other they are unable to recognise them, don’t make much effort to find out how to, and demonstrate behaviour that isn’t always consistent. Notwithstanding this, awareness is rising and the truly attentive consumers are slowly winning over general opinion. Being regarded as a sustainable company with good management is an important asset in relations with all stakeholders and one that it is good to cultivate over time.



GOVERNANCE

Good business management starts with effective governance that can transform the dialogue with stakeholders into concrete initiatives that bring long term, sustainable value.

Transparency and collaboration are the underlying principles on which we build our future, each and every day.



[G4-3]

SISAL GROUP

[G4-13]

The most important event in 2016 was the acquisition by CVC Capital Partners of 100% of the share capital of Sisal Group, through investment vehicle Schumann S.p.A. CVC Capital Partners is one of the world's leading private equity and consulting firms and has consolidated experience in the gaming industry.

[G4-8]

Sisal Group S.p.A. and its subsidiaries are active mainly in:

- the gaming sector, primarily on the basis of state concessions granted by the Italian Customs and Monopolies Agency;
- the payment services sector, on the basis of a special license from the Bank of Italy.

Specific responsibilities are as follows:

SISAL GROUP S.P.A.

- Direction and coordination of subsidiary companies
- Management of internal audit, management planning & control, strategy & security, and anti-money laundering activities

SISAL S.P.A.

- Management of games
- Marketing of goods and services through the retail network

SISAL POINT S.P.A.

- Sales network support services

SISAL ENTERTAINMENT S.P.A.

- Revenue from gaming
- Implementation and management of the ICT network concession dedicated to authorised electronic gaming machines
- Leasing of gaming machines

FRIULGAMES S.R.L.

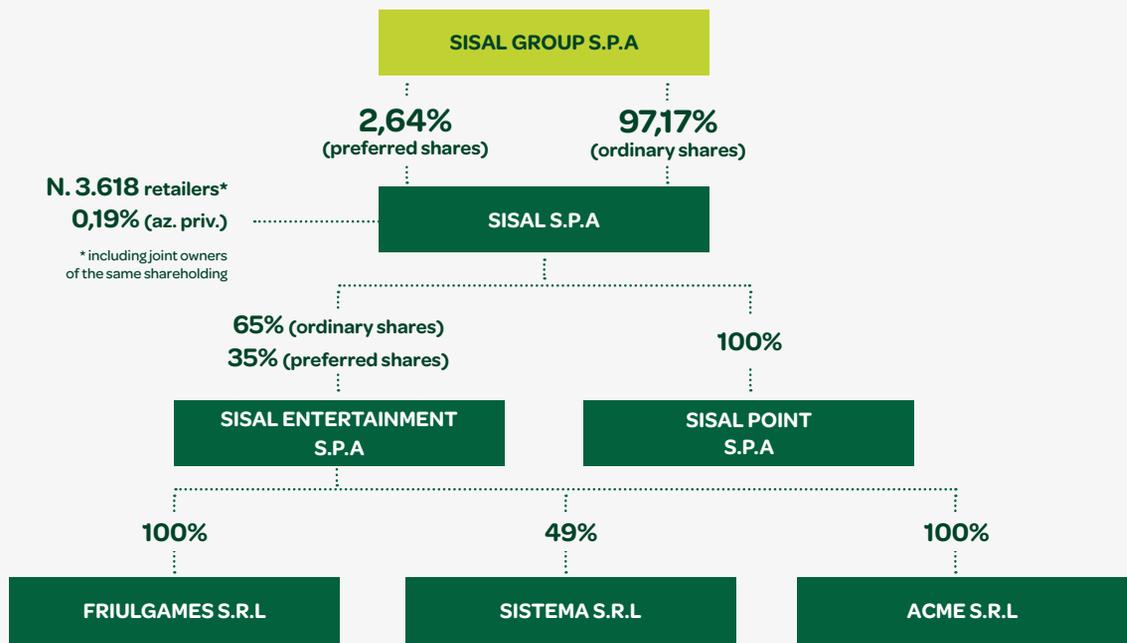
- Leasing and maintenance of electronic gaming machines

ACME S.R.L.

- Manufacture of electronic gaming machines

[G4-7]

ORGANISATION CHART AS OF DECEMBER 31, 2016



[G4-13]

THE FIRST STEPS OF THE NEW OWNERSHIP STRUCTURE

Following the change in the ownership structure of Sisal Group, both the new shareholder and the holding company have taken a series of initiatives.

Specifically, CVC Capital Partners has recapitalised the group with about €300m equity to repay existing debt and finance long term growth plans.

Schumann S.p.A., on the other hand, decided to issue two bonds worth a total €725m, on the market reserved for institutional and professional investors (ExtraMot). This means that the Group is subject to solvency analysis based on the assessment of leading ratings agencies. The most recent was B+ from Standard & Poor's, with a negative outlook in view of future challenges relating to the renewal of concession agreements.

Finally, the Group signed a revolving financing contract with a pool of Italian and foreign banks for a total amount of €125m, for the purpose of managing working capital.

OUR ORGANISATION

[G4-34]

THE BOARD OF DIRECTORS

The organisation of Sisal Group S.p.A. is based on a traditional administration and organisational control model, involving the Board of Directors, the General Shareholders' Meeting, the Board of Statutory Auditors and an Independent Auditor.

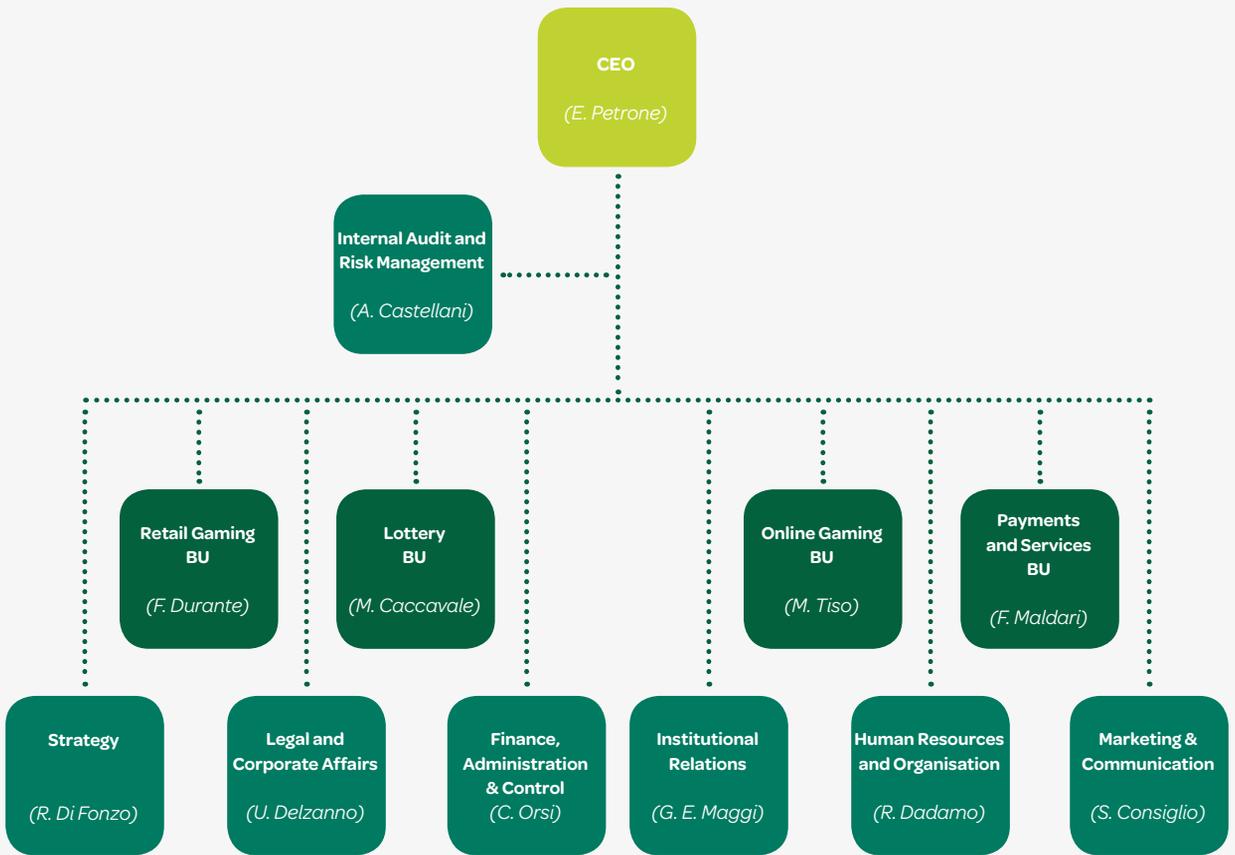
[G4-LA12]

BoD		COMMITTEES	
Director	Office	Appointments and remuneration	Control
Augusto Fantozzi	Chairman		
Emilio Petrone	CEO and General Manager		
Giampiero Mazza	Managing Director		
Paola Bonomo	Board Director	Chairman	Board Member
Matteo Caroli	Board Director		Chairman
Umberto Delzanno	Board Director		
Giorgio De Palma	Board Director		
Andrea Ferrante	Board Director		
Lucia Morselli	Board Director	Board Member	Board Member
Federico Quitadamo	Board Director		
Aurelio Regina	Board Director	Board Member	

[G4-34]

OUR INTERNAL STRUCTURE

Our internal structure comprises both central functions to provide operating consistency and efficiency, and four Business Units focused on specific Sisal products.



Retail Gaming Business Unit

Manages gaming machines, fixed-odds betting, traditional horse racing and sports prediction competitions, and Bingo. The Retail Gaming Business Unit also manages the branded channel and some points of sale in the Affiliated Channel.

Lottery Business Unit

Manages the Italian national lottery concessions through Branded and Affiliated Channel Points of Sale, as well as through the Group’s online web portals and through web portals operated by third parties that are connected to the Group’s lottery platform.

Online Gaming Business Unit

Manages activities in the online gaming and betting segment through the Sisal.it portal and the mobile channel.

Payments & Services Business Unit

Manages all activities relating to payment services.

[G4-14]

THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

An effective internal control and risk management system is an integral part of our concept of sustainable enterprise. The good operation of internal management processes encourages aware decision-making and allows medium and long-term Group strategy to be defined consistently with its mission and vision.

Specifically, the internal control system we have introduced makes it possible for the Group to identify, analyse, monitor and assess the risks associated with corporate activities and objectives, and to take any countermeasures needed to ensure that corporate processes are efficient and effective and that business is conducted correctly and fairly.

[G4-14]

RISK MANAGEMENT

The Enterprise Risk Management (ERM) system was introduced in 2008. The process, inspired by the risk management model defined by the Committee of Sponsoring Organizations of the Treadway Commission (C.O.S.O.), plays a strategic role in the Group, because it was designed to engage with and establish collaboration between various corporate levels and areas, delivering an integrated and comprehensive response to the risks identified.

The risk management process is managed by a Risks Committee, on which the CEO, Business Unit directors and other Sisal function managers, which periodically presents the BoD with a summary of the risk management activities performed. In 2016, the Committee met twice.

Risks Committee

- Emilio Petrone
- Ruggero Dadamo
- Corrado Orsi
- Giovanni Emilio Maggi
- Roberto Di Fonzo
- Umberto Delzanno
- Francesco Durante
- Francesco Maldari
- Marco Tiso
- Marco Caccavale
- Andrea Castellani

ORGANISATIONAL MODEL

Pursuant to Legislative Decree 231/01

Following the introduction of administrative responsibility for entities as a result of the entry into force of Legislative Decree 231/2001, we decided to strengthen our internal control system by adopting an Organisation, Management and Control Model.

The purpose of the Model is to define the set of organisational rules and procedures introduced to prevent the commission of the crimes set out in the Decree.

The model, which is distributed to all employees and other interested parties using the intranet and dedicated channels, consists of the following elements:

- Code of Ethics
- Set of internal protocols, procedures and countermeasures to prevent the risk of crime
- Supervisory Board
- Map of powers conferred
- Penalty system.

The Supervisory Board is responsible for monitoring the suitability and effective implementation of the Organisational Model, and reports directly to the Board of Directors, ensuring that the company's business is conducted in compliance with the provisions of the law.

The various tasks assigned to the Supervisory Board include keeping up an ongoing dialogue with all employees, who are required to promptly report all irregularities, information or news relating to the suspicion of crimes. To this end, the Supervisory Board

advertises the principles and content of the control system, and of the Organisational Model in particular, using the corporate intranet, training activities and special channels, based on the covered parties involved and the level of risk of the area in which they work.

The areas of application of Legislative Decree 231 are constantly being reviewed and new types of crime added, for which reason our Organisational Model is designed to be quick to update. The latest changes were made and approved by the Board of Directors in the last quarter of 2015.

[G4-56]

CODE OF ETHICS AND CONDUCT

The Code of Ethics is a document defining the rules of conduct that must be observed by employees, directors, statutory auditors, collaborators and commercial partners in the course of their work.

Compliance with the Code plays a key role in ensuring the Group's good operation and trustworthiness, as well as in protecting its image and know-how. Indeed, the document deals with topics relating to employee relationships, accounting transparency, health, safety, security and the environment, all factors which represent key assets for Sisal's success.

FINANCIAL RESPONSIBILITY

[G4-DMA Economic Performance]

The rapid development of technology is transforming the world we live in, making it ever faster and more dynamic, and in continuous evolution from the viewpoint of both market interactions and of customers' needs and requirements.

Knowing how to find the right path forward has therefore become an absolute necessity for businesses that want to continue to grow. We have chosen the path of innovation and digitalisation. By investing in leading edge technology infrastructure, we have been able not only to improve our gaming offering, but also to diversify our business by entering the payments segment and integrating our digital and physical channels.



[G4-8]

MARKETS

The Group operates in two markets, games with cash prizes and the “addressable” segment of payment services, which taken together reported a value of over €220 million in 2016.

[G4-8]

GAMING

In 2016, the games market grew 8.8% against 2015, with an average increase of 4.3% (CAGR) in the period 2013-2016. This growth is due primarily to three factors:

- the positive trend reported by sport betting and virtual races (+29.3% CAGR), as a result of more unregulated operators signing up for the offer of official recognition extended by the Italian Customs and Monopolies Agency;
- the popularity of online gaming, which represented 22.1% of the market in 2016, up from 2.5% in 2007;
- the highly successful (+60% on 2015) relaunch of SuperEnalotto, with a new formula and the introduction of new game variants that were greatly appreciated by consumers.

The payout, or the amount returned to players in the form of winnings, totalled €76.9bn in 2016, a rise of 8% on 2015. The real level of spending by the public, defined as the difference between total turnover and payout, reported a CAGR of 4.1% in the period 2013-2016).

GAMING TURNOVER (€m)	2013	2014	2015	2016	CAGR* 2013/2016
Lotteries	17.321	17.258	17.195	18.654	2,5%
Betting and Sport pools**	4.651	6.285	7.836	10.063	29,3%
Electronic Gaming machines***	47.391	46.744	48.161	49.440	1,4%
Bingo	1.664	1.624	1.598	1.602	-1,3%
Skill, Card & Casinò Games	13.281	12.318	13.229	15.986	6,4%
Total gaming market	84.308	84.229	88.019	95.744	4,3%

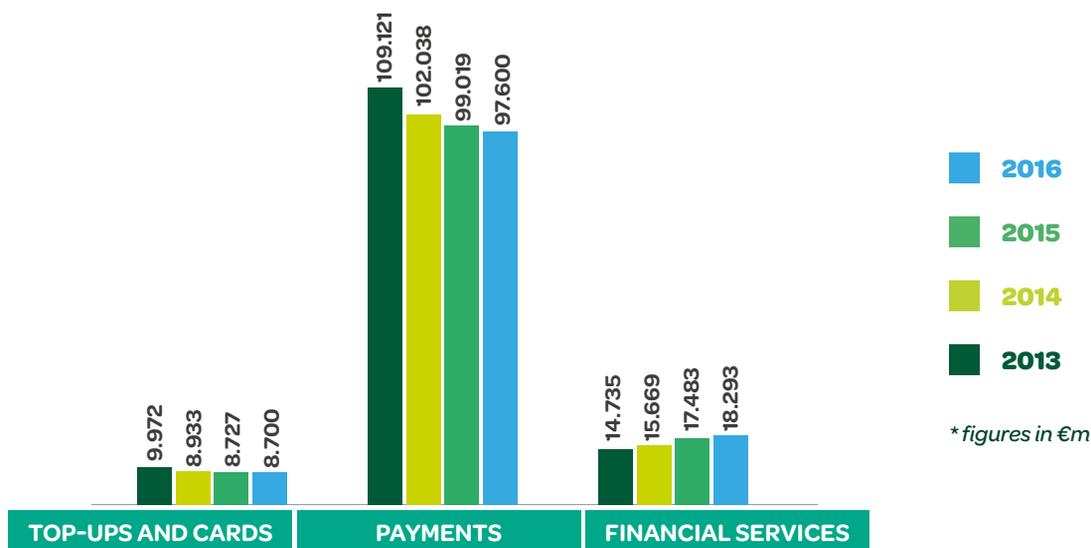
*CAGR (Compounded Average Growth Rate)

[G4-8]

PAYMENT SERVICES

The payment services market comprises three distinct segments: top-ups and cards, payments, and financial services.

Financial services was the only segment to make a positive contribution, confirming its growing importance and reporting over €18bn in turnover, with a CAGR of 7.5% in the period 2013-2016. The top-up and payments segments, however, continued their downward trend, the former due to a radical change in the offering from the main TLC players, and the second as a result of the increase in direct debit transactions, the shift towards banking channels and a slight fall in the average bill amount.



[G4-9]

FINANCIAL RESULTS

In 2016, Sisal Group turnover totalled €16.6bn (+9.8% on 2015) as a result of good performance in both the services segment (about €8.7bn, +7.3%) and in gaming (about €7.9bn, +12.8%).

Consolidated Group revenues in 2016 felt the effects of the entry into force of the 2016 Legge di Stabilità (Stability Law), with revenues falling by 0.8% on 2015 due to an increase in the level of taxation applied to electronic gaming machines, partially offset by a reduction in the share of revenues returned to players in the form of winnings (pay-out).

During 2016, the Group was acquired by Schumann S.p.A. The transaction was closed in December 2016, when the aforementioned company took control of 100% of the share capital of Sisal Group S.p.A. For this reason, the consolidated financial statements of Schumann S.p.A. include the results of the Group only for the month of December 2016.

SCHUMANN GROUP PRO FORMA FINANCIAL HIGHLIGHTS IN 2016 (€k)

	2016	2015	CHANGE	% CHANGE
Total Revenues and Income	780.844	787.077	(6.233)	-0,8%
Adjusted EBITDA	187.327	182.332	4.995	2,7%
Adjusted Operating Profit	86.700	71.609	15.091	21,1%
Profit (loss) for the year	(37.438)	(39.711)	2.273	5,7%

*Full-year Group figures for 2016 have been calculated as the algebraic sum of the income statements of the Group acquired on 1 January 2016 and the acquiring holding company from the date of incorporation (March 2016). They are presented in comparison with the 2015 highlights reported by the acquired Group.

The evolution of the legislative framework has encouraged us to perform an internal review, with the identification of several lines of action for future business development:

- the expansion and diversification of the offering, enriched with payment services;
- the intensification of the control and optimisation policy applied to cost structures;
- the relaunch of various products, not least SuperEnalotto in the gaming segment.

The effect obtained by these initiatives is reflected not only at economic and financial level, driving growing levels of EBITDA and Adjusted Operating Profit (+2.7% and +21.1% respectively on the same figures in 2015), but also at investment level, with about €45bn set aside for the renewal, modernisation and upgrading of system and technology infrastructure, as well as to meet Group financial obligations.

[G4-9]

THE EFFECT OBTAINED BY THESE INITIATIVES IS REFLECTED NOT ONLY AT ECONOMIC AND FINANCIAL LEVEL, DRIVING GROWING LEVELS OF EBITDA AND ADJUSTED OPERATING PROFIT (+2.7% AND +21.1% RESPECTIVELY ON THE SAME FIGURES IN 2015), BUT ALSO AT INVESTMENT LEVEL, WITH ABOUT €45BN SET ASIDE FOR THE RENEWAL, MODERNISATION AND UPGRADING OF SYSTEM AND TECHNOLOGY INFRASTRUCTURE, AS WELL AS TO MEET GROUP FINANCIAL OBLIGATIONS.

CONTRIBUTION TO ITALIAN TAX REVENUE

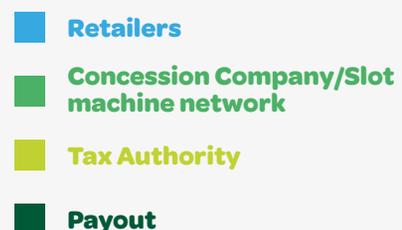
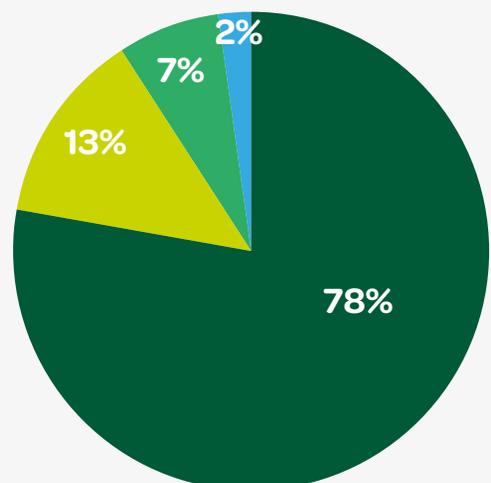
The gaming market in Italy makes a substantial contribution to the country's public finances through taxation.

In line with the upward trend of taxation in recent years, resulting from macroeconomic and industry trends, in 2016 total tax revenue from gaming stood at about €10bn, with an average growth rate over the last four years of about 5.3%.

Our contribution in terms of gaming receipts stands at about €1bn, half of which is generated by products in the lottery family (SuperEnalotto, Vinci per la vita – Win for Life, SiVinceTutto, Eurojackpot and, as of 2014, VinciCasa), which are among the most popular and best known by the public, but also some of the most profitable in terms of tax revenue. Our payments to the tax authorities and commercial partners are made on a weekly basis, as stipulated in the relevant regulations and agreements. In 2016, cash flows deriving from gaming break down as follows:

- turnover: about €7.9bn;
- about €6.2bn (78% of turnover) are paid out in total winnings (+1% on 2015);
- about €0.1bn are fees paid to retail networks;
- about €0.5bn are fees paid to Group concession companies (including, with regard to revenues from electronic gaming machines, remuneration remitted to the relative supply chain);
- about €1bn paid in taxes (about 13% of turnover, compared to around 10% for the market as a whole).

Breakdown of 2016 gaming turnover



RELATIONS WITH BANKS

We have been building direct and transparent relations with leading credit institutions for years, at both national and international level.

All turnover managed by Sisal Group is channelled through the banking system. Lines of credit and the relative financial activities are distributed uniformly among various banks, in such a way as to diversify risk and split operations based on loans granted.

[G4-EC1]

VALUE CREATION AND DISTRIBUTION

Total Gross Value Added, or in other words the wealth generated by the Group during the year and then distributed to stakeholders, amounted to about €176 million in 2016.

VALUE ADDED (€k)	
A. Value of production	780.844
Revenue from sales and services	780.844
B. Intermediate costs of production	504.438
Materials, auxiliaries and consumables	12.826
Service costs	435.633
Leases and rentals	22.598
Provision for risks	2.993
Other operating expenses	30.388
GROSS SPECIFIC VALUE ADDED	276.406
Financial income	298
TOTAL GROSS VALUE ADDED	276.704
Depreciation/amortisation, impairment and revaluations	100.750
TOTAL NET VALUE ADDED	175.954

[G4-EC1]

The value created by the enterprise was used mainly to remunerate employees and borrowed capital, followed by the Public Administration and local communities.

DISTRIBUTION OF VALUE ADDED (€K)		
	2016	%
Staff Remuneration	86.943	49,4%
Staff Costs	82.073	
TFR (Staff severance indemnities)	4.870	
Transfers to the Authorities	10.357	5,9%
Direct taxation	6.539	
Indirect taxation	3.818	
Repayment of borrowed capital	109.212	62,1%
Charges on short term capital	1.038	
Charges on long term capital	108.174	
Return on risk capital	0	0,0%
Profits distributed to third parties	0	
Return for the company	(37.438)	-21,3%
Retained earnings	(37.438)	
Community support	6.880	3,9%
Local taxes and duties	3.904	
Donations	304	
Sponsorships	2.672	
TOTAL NET VALUE ADDED	175.954	100,0%

THE COMMUNITY

Our company was born of three journalists' desire to give back hope and a care-free spirit to a population battered by the war, of their wish to re-establish relations between people, and of the conviction that Italy would rise up again.

That is why our relationship with Italians, and with local communities in particular, represents one of the cornerstones of who we are, and why we have an ongoing commitment to keep this conversation alive, breathing life into mutual enrichment.



AREE DI INTERVENTO



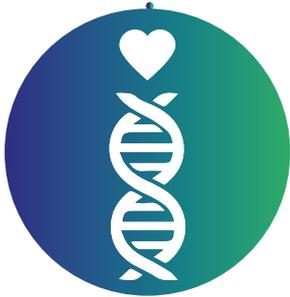
A PASSION
FOR SPORT



SUPPORT
FOR EDUCATION



SUPPORT
FOR CULTURE



CONTRIBUTING
TO RESEARCH

A PASSION FOR SPORT

In Sisal, sport means primarily fun, competition and fair play. The positive values associated with sport, which were the driving force behind the creation of the Sisal play slip in 1946, are the same values on which Sisal has built its development programme for local initiatives in recent years.



Liberi Nantes

Sisal and AS Roma football club support the Liberi Nantes association, which promotes the values of friendship, sharing and debate among refugees and asylum-seekers. The Liberi Nantes football team was established in 2007 and is the only Italian amateur sports club to be recognised by the UNHCR. It offers refugees and asylum-seekers a unique opportunity to make friends, exchange views and socialise by playing sports. In 2010, the Association was assigned the storied XXV Aprile sports centre built in the 1960s in the Pietralata district of Rome, which Liberi Nantes is committed to returning to the local community.

We all football

The “We all football” project involves a battle of banners between the male and female worlds, with the aim of demonstrating that passion and expertise have no prejudices and that sport cannot be reduced to a question of gender. The aim of the project is to raise awareness about equal opportunities in sport. Through this project we also support Rebibbia Prison, contributing to the construction of a sports facility to promote women’s football behind bars.



SUPPORT FOR CULTURE

Culture and sport speak the same language and share the same goal: to encourage the personal growth and education of young people based on the values of equality, respect and socialisation.

Piccolo Teatro

Since 2009, we have been offering the Piccolo Teatro di Milano our support in initiatives that provide opportunities for young people to meet cultural leaders. In particular, sharing with the Piccolo Teatro a desire to support positive socialisation, Sisal is Special Partner to Chiostro Nina Vinchi di via Rovello, Milan, a favourite meeting point for young people, students and theatre lovers that hosts presentations of the works staged at the Piccolo Teatro, workshops, readings, cycles of theme sessions and cultural exhibitions.

A Teatro con Sisal

In the framework of our partnership with the Piccolo Teatro and as an integral part of our corporate welfare offering, we are also promoting the "A teatro con Sisal" initiative. This project has the goal of spreading the culture of theatre and sharing a love of it among employees, as well as of giving budding actors the chance to explore their passion in more depth and to share it with their co-workers, with a view to mutual enrichment.



Did you know that...

We have also offered our support to the Teatro Olimpico in Rome and the Istituto Garuzzo per le Arti Visive (IGAV), which has the goal of promoting Italian contemporary art in the world.

SUPPORT FOR EDUCATION

Promoting talent and educating the new generations to build tomorrow's world is a very important commitment for us. We believe in young people, in their talent and in their abilities, because they hold the key to fair and sustainable development.



Fondazione ItaliaCamp

In 2011, we and other leading companies decided to set up ItaliaCamp to promote social innovation initiatives that offer new answers to real questions raised by the community.

The main objectives are:

- to make an active contribution to the development of a different participatory consciousness through an innovative engagement model;
- to identify and support the training of new leaders who work in the real world for the good of the country;
- to promote ideas that focus on the public, based on the principles of social, environmental and economic sustainability.



Color Your Life

We support the Color Your Life Foundation in its mission to promote the value of young talents in the fields of art, science and the professions, because it is through their growth that a more robust society open to change can be built.

Together with the foundation, we promote COLORBandi, or competition announcements aimed at gathering original ideas about various macro-issues (including Italian traditions, the sea, dreams, tourism, etc.) that promote the value of candidates' aspirations, dreams and capabilities. The winners will be given the chance to take part in COLORCampus, a talent enrichment training initiative.

We also believe that young people aren't the only ones whose value needs to be recognised and promoted: with the "Prof. 10 e lode" ("Top of the class teachers") initiative, Color Your Life also rewards the teachers and school administrators who provide outstanding support to students during the preparation of their projects and who have contributed to promoting the Foundation's work.



FIABA

For the seventh year running, we have partnered with FIABA for the "National Fiaba-day to eliminate architectural barriers". This year's event, which has the slogan "We teach diversity... we train our future", promoted innovative initiatives to remove all barriers (physical, psychological and cultural) and spread a culture of accessibility, with a positive knock-on effect on the social and economic system of the whole country.

Did you know that...



In 2016, we also offered our support to the **Media Relations Master's course at Cattolica University in Milan and at Bari University.**

We are supporting partners of the "**Arte nel cuore**" ["Art in the heart"] Association, the first European art education project with the goal of overcoming cultural and mental barriers between differently and ordinarily abled people, through shared training experiences.

We have also contributed to the national "**Giovani uniti contro il bullismo**" ["**Young people united against bullying**"] association and the **Italian national Health Monitoring Unit.**

CONTRIBUTING TO RESEARCH

The sheer reach of our network gives us the opportunity to launch effective awareness and fundraising campaigns addressed to the public, primarily in support of scientific research to fight serious illnesses.



AIRC | The fight against cancer in women

As a long-term partner of AIRC (17 years in 2016), we have decided once again this year to offer AIRC access to our retail network, in order to collect donations to support research in the fight against cancer in women. A total of €26,950 was raised.



**Fondazione
Umberto Veronesi**
– per il progresso
delle scienze

Veronesi Foundation

For the fifth year running, we promoted the “Pink is good” initiative across our network to support scientific research in the fight against breast cancer. A total of €11,675 was raised in 2016.



Telethon

Now in the 12th year of our partnership with Telethon, we continued in 2016 to support the Foundation’s #presente initiative to raise funds for scientific research in the fight against rare genetic illnesses. A total of €13,950 was raised in 2016.

Finally, our employees also made their own contribution to scientific research and at Easter set up a stand to sell fair trade chocolate Easter eggs and so raise funds for the **Italian association for the Fight Against Neuroblastoma** and childhood cancer, with a special focus on brain tumours.

SPECIAL INITIATIVES: CONTRIBUTION FOR THE EARTHQUAKE IN CENTRAL ITALY

Faced with the earthquake emergency that struck central Italy in August 2016, we joined forces with the Italian Red Cross to set up a fundraising initiative for the people affected. The initiative supported by Sisal raised a total €76,395 in the period September to November 2016. In addition, a €200,000 contribution was made to the local community in Amatrice.

OUR PEOPLE

[G4-DMA Employment]

[G4-DMA Training and Education]

To fully realise the value of our human capital as a precious resource in achieving the company's goals: this is the mission of our Group.

The period immediately after the Second World War was permeated by a sense of belonging to the same community, of people bound together by strong ties and shared goals.

These were the values that inspired our founders when they coined the term "Sisalisti" or "Sisalers", personifying the sentiment shared by the people who joined the cause promoted by Sisal of rebuilding the sports stadiums destroyed during the war and, more in general, of reviving Italian sport. With their daily efforts, employees, retailers and collaborators put gaming at the service of sport and the Italian state.

Today, Sisal's people continue to work with a passion to ensure that the company sets an excellent example of how to return value to the community, not least by empowering new approaches, including digital transformation, by building a sharing community and by focusing on personal employability.



CAREER AND TRAINING



OPENCAFÈ | Training in Sisal [G4-DMA Training and Education]

In line with the process of digital transformation and people's needs, training in Sisal is designed to be open, smart and responsive. The company's OpenCafé platform offers all Sisal employees and collaborators training courses in Italian and English about management and professional topics. It is a tool designed to let everyone decide independently, in complete freedom, when and how to learn new skills and improve existing ones. A total of over 350 paper and digital volumes have been uploaded to the platform (they can also be consulted using tablets provided by the company and available for booking on our intranet), as well as 7 learning paths, 30 micro programmes, and various blended courses that combine different channels and didactic methods.



Performance assessment

In the framework of the integrated management and development programme we apply to our people, we believe that ongoing performance assessment is the right lever to align personal values, goals and skills with company strategy. The ongoing conversation between managers and collaborators results in the professional and personal development of all employees, helping them enhance their best skills and surpass their limits.

[G4-LA11] All our employees receive an annual assessment of their performance.



Skill lab | Skill development center

[G4-LA10]

Skill Lab was created to promote self-learning within the company based on blended training programmes. Skill Lab is a skill development center that:

- encourages self-development as a professional effectiveness strategy;
- produces a report on personal behavioural skills;
- helps identify learning priorities and improve skills on an ongoing basis, aligning individual and organisational needs;
- involves various corporate targets in the process of learning soft skills, delegating training plan timing and management decisions to individual



Job Posting

On the Job Posting platform, all our people can find out about vacant positions in the company and are free to apply directly for those of interest, before they are advertised outside the company.



Mentorship Program

[G4-LA10]

The project was initiated to encourage individual professional growth by facilitating the exchange of views and experiences between people with different levels of seniority. We believe that people can develop their professionalism and cross-visibility through a process of reciprocal contamination, creating value both for themselves and the company.



Did you know that...



Managerial Academy

Being a manager in Sisal means having advanced skills in project and resource administration and in managing change and complexity, with a view to the development of innovative services and products that are aligned with the needs of a constantly evolving market.

[G4-LA10]

The Academy project has the aim of assisting managers in the development of hard and soft skills regarded as priority, in line with corporate strategy. New managers are also offered ad hoc people management programs.

CULTURE, VALUES AND DIVERSITY



MEIC | Memoria, Evoluzione e Identità Condivisa

(Memory, Evolution and Shared Identity)

This project is born of the desire to recover, promote and share our company's important historical legacy with everyone, for a better understanding of our past, present and future. MEIC consists of a section of the company's intranet site, containing a broad selection of photographs, documents, videos and analysis about the history of Sisal, and a dedicated website, which acts as a historical showcase for the public.

Promoting the value of our history allows us to look ahead to the future without ever losing sight of our traditions and origins.



WeSisal | Our intranet

With a mission to publish collaborative work and create corporate communities, our WeSisal intranet 2.0 site is designed to be a full-fledged information hub, with news from across the company presented in dedicated sections (new product launches, initiatives at Group and business unit level, messages from the CEO, organisational news releases, corporate project launches, etc.).

But there's more than just news. The MySisalSpace provides employees with a series of services, including tools to manage their pay slips, report attendance and holidays, and gain access to special rates agreements.



WOW team 2.0

An acronym for Working on Work, the WoW team is an interfunctional work group set up to identify ideas for improvements in the company and put them into practice. The key to the success of this team lies in its members: we want a team of proactive, enthusiastic and creative people who are committed to making their co-workers' lives simpler and to promoting the spread of know-how by devising innovative solutions. To join the team, which is renewed every two years, simply follow the self-candidacy process available on the corporate intranet (WeSisal).

Diversity management

[G4-DMA Diversity and Equal Opportunity]

In light of the profound social, demographic and technological changes in recent years, developing an integrated approach to the diversities present in the company represents a challenge for every enterprise that wants to be in the vanguard.



WiSe | Women in Sisal Experience

This is our project to promote the role of and the contribution made by women to our company, with the development of a leadership style that is personal, effective and aligned with personal values. The project is inspired by the belief that gender diversity, by generating an inclusive atmosphere in the organisation system, represents an important development and growth factor for the company as a whole.

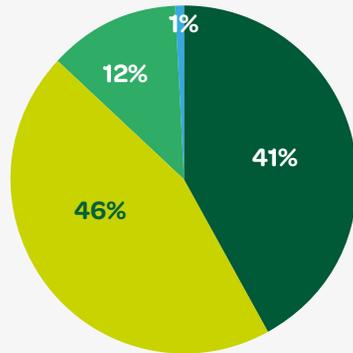


Co-Generation

The aim of the project is to integrate the generational lever into our corporate people strategy. Based on in-depth internal mapping, we were able to build an employment overview of Sisal and so plan lines of action to introduce a dynamic people management process that is better aligned with new social and value scenarios

The generations in Sisal

- Boomers '46 -'64
- X-generation '65 -'79
- Millennials '80 -'94
- Z-generation '95 -'10



WELFARE



VOLTA | Smart Working in Sisal

With the rapid development of new technology, work is becoming increasingly flexible, in the sense that it is more streamlined, quicker to perform, and can be managed at times and in places other than the ones we normally think of in companies. Trust, responsibility, promoting a good work-life balance, engagement and motivation: these are the pillars underpinning the project to improve corporate effectiveness and flexibility. Sisal has about **400 smart workers** today and intends to extend this approach to an even larger section of the corporate population. The Smart Working Monitoring Unit at the Politecnico di Milano School of Management presented Sisal with its Smart Working Award 2016 for the project.



People care

Three main projects are developed in the People Care area:

- **Flexibility** - flexibility management (time off, leave, flexible start and end of work times, part time, etc.);
- **EasyLife** - management platform for special rates agreements and services;
- **Facilitations** - extra-professional accident insurance policy, meal vouchers, agreements for personal services, cultural opportunities such as free theatre admission, etc.



Mobility Management

The Mobility Management area is dedicated to the management and optimisation of employee movements, with the aim of reducing the use of cars in favour of alternative transport solutions that have less environmental impact.

OUR PEOPLE

Workforce

[G4-9]

Workforce by gender

The total number of employees is 1,787, a slight fall on 2015 (-0.6%), of which 41% are women.

GENERE	2015	2016	Var. 2015-2016
Women	743	726	-2%
Men	1.055	1.061	1%
Total	1.798	1.787	-0,6%

[G4-LA12]

Workforce by category

White collars are the biggest category in the workforce and represent 87% of the total. [G4-LA12] 47 employees are in protected categories.

CATEGORY	2015		2016	
	Men	Women	Men	Women
Apprentices	69	80	21	23
Blue collars	53	11	55	10
White collars	809	606	861	642
Line managers	85	39	89	44
Managers	39	7	35	7
Total	1.055	743	1.061	726

[G4-LA12]

Workforce by age

The most populous age band in Sisal is 30-50 years old, covering 68% of our employees.

AGE BAND	2016
< 30	290
30 - 50	1.213
> 50	284
Total	1.787

[G4-10]

Workforce by type of contract

Out of 1,660 employees with open-ended contracts (93% of the total), 78% work full time.

CONTRACT	2015		2016	
	Men	Women	Men	Women
Full-time	903	476	914	485
Part-time	95	229	67	194
Total	998	705	981	679

Turnover

In 2016, outgoing turnover stood at 4.8%.

[G4-LA1]

New recruits by gender

GENDER	2015		2016	
	N.	%	N.	%
Women	67	40%	42	33%
Men	103	60%	85	67%

[G4-LA1]

New recruits by age band

AGE BAND	2015	2016
< 30	68	62
30 - 50	91	57
> 50	11	8
Total	170	127

[G4-LA1]

Turnover by gender

GENDER	2015	2016
Women	49%	52%
Men	51%	48%

[G4-LA1]

Turnover by age band

AGE BAND	2015	2016
< 30	27%	37%
30 - 50	61%	57%
> 50	12%	6%

[G4-LA9]

Training

[G4-LA9]

Average hours of training by gender

GENDER	2015	2016
Women	22	28
Men	19	42

[G4-LA9]

Average hours of training by category

CATEGORIA	2015	2016
Apprendisti	16	3
Operai	13	10
Impiegati	16	11
Quadri	39	14
Dirigenti	10	16

Health and Safety

[G4-DMA Occupational Health and Safety]

Although this isn't a particularly critical issue, given the nature of our business, we are serious about our commitment to ensuring health and safety in the workplace and we work on a daily basis so that all our people operate in a safe and comfortable environment. The culture and the values we have promoted over the years have resulted in the consolidation of virtuous behaviours, in line with the provisions of the law, which are enforced through strict controls.

[G4-LA6]

Rate of absenteeism

	2015	2016
Rate of absenteeism	6,50%	5,80%

[G4-LA8]

Trade union agreements on health and safety issues (HSE)

	2015	2016
Total number of agreements with the trade unions	1	1
Total number of agreements with the trade unions that cover/include health and safety issues	1	1
Percentage of agreements that cover/include health and safety issues	100%	100%

The trade union agreement covers all Sisal employees

ENVIRONMENTAL EDUCATION

[G4-DMA Energy]

[G4-DMA Products and Services]

[G4-DMA Emissions]

[G4-DMA Water]

Although environmental impact is not a critical area for our sustainability, we believe everyone must make their own contribution to the conservation of our natural capital.

We ask all our employees and suppliers to act in ways that aspire to the correct and balanced use of resources. We are committed to monitoring and improving our activities on an ongoing basis, with a special focus on initiatives to save energy, cut paper consumption, and reduce pollution and emissions. We also think it is important to use water efficiently.

In 2001, Sisal introduced a quality management system certified in compliance with ISO 9001, with the aim of keeping the company's standards of sustainable management high and of promoting a broader concept of quality, in which the environment too plays a crucial role.



ENERGY

ELECTRIC POWER

[G4-DMA Energy]

The consumption of electric power produces the Group's most significant environmental impact, which is why we work constantly to implement effective and efficient environmental initiatives.

After installing devices to switch lights on/off automatically and LED ceiling units for corridor lighting in our Milan headquarters, we have decided to embark on a wider-ranging project to optimise consumption at the sites that have the biggest impact in terms of electric power. In light of the results of the energy assessment performed in 2016, in 2017 we will monitor consumption on an ongoing basis in order to identify energy saving initiatives.

[G4-DMA Emissions]

Our commitment to a greener organisation can be seen not only in our structural investments, but also in our decision to use energy generated from renewable sources and to promote this approach with our suppliers too.

[G4-EN19]

In 2016, our use of renewable energy avoided the emission of about 9,000 tonnes of CO₂ into the atmosphere, based on total energy consumption of about 22 gigawatts.

HEATING AND COOLING SYSTEMS

We have launched three types of initiative to upgrade the heating and cooling systems at our sites:

- **Equipment replacement:** in 2015, work began on replacing the heating and cooling systems at our Milan site;
- **Plant optimisation:** at our Rome site, work will get under way in 2017 to upgrade the heating/cooling system so that the temperature can be regulated in specific areas, depending on whether or not there are any people in them. This will make it possible to turn off (or reduce the consumption in) sections of the system that would otherwise continue to operate for no purpose when no one is working in these areas.
- **Use of fuels with less environmental impact:** the new equipment will use natural gas and geothermal resources, contributing to energy saving and the reduction of our environmental impact.

PAPER

Promoting the sustainable use of resources is given special attention in Sisal. Paper is the material we use most of and the one with the greatest risk of wastage.

IN THE OFFICE

[G4-DMA Products and Services]

[G4-EN27]

We continue to encourage responsible behaviour among our employees and also to choose sustainable suppliers of paper and multifunction printing services. Our commitment to reducing paper consumption is put into practice on two main fronts:

- the installation of a central server to optimise printing;
- the introduction of new, more efficient printers.

IN THE SISAL NETWORK

[G4-DMA Products and Services]

[G4-EN27]

We also continue to develop initiatives across our entire network to reduce paper consumption-related impacts:

- **FSC® certification***: the consumption of thermal paper across our retail network is high and, for this reason, all our suppliers of gaming materials are certified.
- **Printers**: in 2016, new latest generation printers were installed in our betting shops.
- **Stock Store Programme**: this programme, introduced in 2013, manages stock control and materials reordering at retail points, as well as monitoring paper consumption.
- **Digital signature**: the implementation of digital signature technology for contracts referring both to the retail network and gaming terminals reduces the need to print documents and therefore paper consumption.

WASTE

[G4-DMA Effluents and waste]

Adopting an environment-friendly attitude is perhaps more difficult where the impact and risks of not doing so cannot be seen immediately. For waste to be collected correctly from retail points and offices, employees must be involved in the process on a cultural rather than a merely practical basis. That is why Sisal implements accountability initiatives at all levels. Separate recycling containers for glass, plastic, aluminium and paper are provided in all eating areas and near printers, in the latter case with a special container for toner and other used consumables. To maximise results, in a joint initiative with waste collection operator AMA S.p.A., the Rome office has organised special training sessions for staff and the company's office cleaners.

EMISSIONS

[G4-DMA Emissions]

Our pollution emissions are mainly attributable to power consumption, logistics processes and employee transport. In each of these areas we have launched initiatives to reduce the impact on the atmosphere.

- **[G4-EN 19] Electric vehicle fleet renewal**: in 2016, we upgraded our fleet of electric vehicles with newer models that have a longer range and better performance. The use of these vehicles avoided the emission of 3.5 tonnes of CO₂.
- **Car fleet modernisation**: in 2016, we replaced over 100 vehicles in our corporate fleet with more recent models offering lower consumption, in part through the selection of suppliers able to provide vehicles with better performance and reduced pollutant emissions.
- **Logistics process optimisation**: in 2016, our Logistics division reviewed and reorganised its processes to eliminate excess consumption when delivering and collecting materials.

*The FSC® mark certifies that paper is sourced from forests managed in a correct and responsible manner, in accordance with strict environmental, social and economic standards. The Forest Stewardship Council FSC® is an international, independent and non-profit NGO, whose members include pro-environment and social-activism groups, indigenous communities, forest property owners, timber trading and processing industries, and scientists and technical experts, who together strive to improve global forestry management.

OUR ENVIRONMENTAL RESULTS

[G4-EN3]

Energy consumption in the organisation

	MU	2015	2016
Heating oil*	GJ	2.130	2.470
Diesel fuel	GJ	nd	19.834
Electric power	GJ	82.800	80.280
Natural gas	GJ	nd	4.232
Total consumption	GJ	84.930	106.817

*Milan site

[G4-EN8]

Water consumption

	MU	2015	2016
Milan site	Mc	nd	16.185
Rome site	Mc	nd	7.265
Totale	Mc	nd	23.450

[G4-EN19]

GHG emissions reduction

	MU	2015	2016
Use of energy from renewable sources	t di CO2	14.600	8.930
Use of electric cars	t di CO2	3,5	3,5
Total	t di CO2	14.603,5	8.933,5

[G4-EN23]

Total weight of waste

	MU	2015	2016
Non-hazardous waste	Kg	382.000	251.200

[G4-EN27]

Mitigation of the environmental impact of products and services

	UDM	2015	2016
Number of FSC certified gaming materials suppliers out of the total	%	100%	100%
Use of energy from renewable sources	%	Certified "100% Clean Energy"	Certified "100% Clean Energy"



2.

RESPONSIBLE GAMING



GAMING INDUSTRY PROSPECTS IN ITALY



Pierpaolo Baretta

Undersecretary
of the Economy and Finance

Could you give us a quantitative and qualitative overview of the gaming industry in Italy?

In 2016, public gaming generated tax revenues for the State of 10.5 billion euros, with spending by the public standing at 19.4 billion. These considerable amounts give us an idea at first glance of the importance of the sector for the Italian economy.

In recent years, alongside the increase in spending (+13.6% in two years) and revenues (+27% in the same period), an awareness has formed in many areas that makes it impossible for us to continue to regard public gaming exclusively from the perspective of tax revenues, and requires us to look at it from the equally important viewpoint of protecting public health and safety and the fight against illegal gaming. In this sense, I remain convinced that the concession system allows the State to retain public control, as well as being able to take action to regulate and correct it.

At the level of dialogue, what are the institutions doing to breathe life into shared solutions in local areas? What are the most important regulatory areas you are working on in agreement with all industry players?

The Government's line of action involves two fronts: a courageous reduction in the level of supply (not least in terms of the number of gaming machines in local communities), which will be completed by the end of April 2018, pursuant to the decree issued by the Italian Ministry of the Economy and Finance, and the reduction by one half, over a three-year period, of the number of gaming outlets. This will transform the supply landscape, framing the debate on distances from another perspective: the volume of gaming we determine to be correct and acceptable will have to be distributed geographically in a balanced and regulated way. In addition to the initiatives launched over the last two or three years, the Government has decided to: reduce the number of slot machines by 30% (proposing that the number of gaming points be reduced by one half); create a strict system of rules and requirements for business activities; and facilitate administrative and police checks, tight-

ning controls against illegal gaming, assigning special powers to local police forces and establishing a special organisation to issue fines, with the proceeds assigned to municipal administrations. This makes it necessary to introduce a structured gaming supervision and control system, one that associates the observance of anti-mafia and anti-money laundering legislation with administrative inspections, tax audits and ongoing monitoring.

We are at the start of an ongoing process and the legislator plays a key role in establishing a new approach that can reconcile local needs, the expectations of national institutions, and the requirements of operators who have to be able to plan for the future. It is important to provide the industry with certain, unambiguous rules. We have to accept responsibility for responding to pressing social and political demands for serious, strict and non-prohibitionist regulations, based on the fight against addiction, on reducing availability and on careful, widespread controls. Legal gambling is an important economic driver, not least because the industry, it should be remembered, employs about 150,000 people directly and indirectly.

In your opinion, what is the future of the gaming industry in Italy? What will the challenges/critical points and opportunities be?

The future of the industry depends on the introduction of a good reform, addressed to restoring the element of play in gaming and to fighting excess and abuse.

This is a new approach on the part of the Government too, one we can describe as a 'change of direction' that takes account of the contributions of civil society, voluntary work, politics and a sizeable percentage of all industry operators.



THE RULE OF LAW IN GAMING

[G4-DMA Compliance]

[G4-DMA Anti-competitive Behavior]

The legal framework that regulates the gaming sector is extremely complex and articulated today. National legislation promoted at institutional level has been joined with ever increasing frequency over the years by regional and/or municipal laws and regulations which, with differing degrees of severity and scope, impose new and different limits on the provision of legal gaming products.

This proliferation of laws risks creating an unclear and fragmented legal framework, in which operators are forced to review their strategies and lines of action based on the legislation currently in force in each region/municipality in which they operate. Here at Sisal, we are convinced that establishing an open dialogue with the institutions at all levels (Regions, Municipalities, Police, Interior Ministry, Ministry of the Economy and Finance, Customs and Monopolies Agency) can lead to the definition of consistent, effective and shared solutions in the fight against gaming-related problems and create real value for local areas.



PREVENTION OF AND THE FIGHT AGAINST ILLEGAL GAMING

Illegal gaming, along with addiction, is one of the most sensitive gaming-related issues and we believe that our commitment to fighting it is part and parcel of acting responsibly. To this end, we work alongside trade associations and local authorities to develop ever more effective projects to promote safe gaming, by analysing and monitoring the potential risks for local areas. Specifically, the company collaborates with the Regulatory Authority to ensure customer protection and the security and transparency of gaming tools and its product offering.

We work in three main areas.

ACTION IN LOCAL AREAS

Local area initiatives have the main aim of lobbying the Regulatory Authority on the need for uniform, binding rules applicable to Regional Administrations and Local Authorities. The issues regarded as most in need of attention are promoting research on the impact on society and the healthcare system of national, regional and municipal legislation regulating games with cash prizes and the protection of vulnerable people, by upgrading prevention and control tools and introducing methods of dissuasion and limitation for gaming products.

THE FIGHT AGAINST ILLEGAL GAMING

In the fight against illegal gaming, we have partnered with the Institutions to implement three lines of action:

- the study and analysis of the so-called “parallel gaming network”;
- intensifying education initiatives on the subject of legal and responsible gaming;
- strict monitoring of anti-money laundering procedures.

For Sisal, one of the most important lines of action is the fight against match-fixing, which feeds the gambling black market.

STRENGTHENING CHECKS AND THE PROHIBITION OF UNDERAGE GAMING

The fight against illegal gaming also takes the form of training: we are building and spreading a culture and the practice of responsible gaming, and we work constantly to ensure compliance with the total prohibition of underage gaming.

Did you know that...



In Italy, the organisation and operation of games with cash prizes open to the public are the exclusive purview of the State. Gaming market players may operate exclusively under a single-concession agreement, as in the case of lottery games, or under a multi-concession agreement, as in the case of AWP machines, betting, bingo and remote gaming. For each game licence granted, the Customs and Monopolies Agency requires one or more guarantees that cover all the relative obligations, including the payment of taxes to the State and winnings to players.

THE FIGHT AGAINST MATCH-FIXING

Match-fixing is one of our main targets in the fight against illegal gaming.

In 2016, we continued to pursue the activities set out in the “Anti match-fixing formula” project headed by the sports unit of the Italian Prime Minister’s Office.

Specifically, we contributed to the implementation of the PRECRIMBET project, funded by the European Commission, which has the aim of drawing up a white paper on criminal infiltration of the sport betting sector. One of the main results to emerge from the project is that bets placed with unlicensed operators in the consumer’s home country are an important contributing factor to the growth of the match-fixing phenomenon. This conclusion will provide guidance for our work to develop more effective and efficient solutions in the fight against illegal gaming. The other partners in the project were the University of Hamburg, the Danish Gambling Authority, French legal firm Clairance Avocats, the University of Liverpool and Christian Kalb with CK Consulting.

We presented a report on our participation in the “Anti match-fixing formula” project, together with a description of our prevention, monitoring and reporting system, at the “Sports Integrity Conference”, an event organised in the broader framework of the International Sports Convention, held in Geneva on December 7, 2016.

THE REGULATORY AUTHORITY: THE ITALIAN CUSTOMS AND MONOPOLIES AGENCY

In 2002, the Italian state assigned responsibility for the regulation and control of the entire Gaming and Tobacco segment to the Customs and Monopolies Agency.

The Agency is tasked with:

- developing initiatives to fight unlawfulness;
- defining development guidelines for the industry;
- constant monitoring of gaming concession companies to ensure they are operating correctly;
- taking action in the form of sanctions if the obligations set out in concession agreements are not fulfilled

To ensure the security and protection of customers, as well as to fight illegal gaming, the Agency receives support from Società Generale di Informatica (Sogei), the technology partner of the Italian Ministry of the Economy and Finance.

Sogei uses its control systems to verify that the concessionary companies have discharged their duties and represents a guarantee of transparency and legality for end users. Sogei has also implemented automatic transaction systems that are permanently connected to Operators’ platforms, making it possible to manage the Italian public gaming segment, not least in terms of the tax revenue that this sector generates.



THE ANTI-MONEY LAUNDERING FUNCTION IN SISAL

We are convinced that the fight against illegal gaming and the promotion of appropriate measures to prevent the commission of fraud or money laundering are commitments that spring first and foremost from within our industry. Which is why, in 2013, Sisal formalised the company's anti-money laundering function by creating a dedicated role in the organisation.

The main tasks of the Anti-Money Laundering function are to:

- identify and verify customer profiles adequately, with the application of very strict procedures (for transactions over €1,000 in particular);
- establish the Archivio Unico Informatico (AUI - Unique Digital Archive), in which to record and store identification data and other information about relations and transactions;
- send aggregate data to the Financial Information Unit and flag any suspicious transactions;
- establish internal control measures and ensure adequate employee training.

Main activities in 2016

Gaming

Review and updating of anti-money laundering procedures for the Retail Betting, ADI-VLT and Online Gaming business lines.

- Finalisation of Key Risk Indicators to help identify unusual transactions, which may subsequently be reported as suspicious.
- Delivery through the e-learning platform of anti-money laundering training for all points of sale and the employees of Sisal Entertainment.
- Finalisation of compliance fact sheets for VLT corners and venues, as well as for direct agencies and Sisal Matchpoint partners.
- Introduction of antiterrorism/compliance controls for winners over the registration threshold (Betting and VLT) and for the holders of gaming accounts (Online Gaming).
- Management of requests for information from the authorities in connection with anti-money laundering measures.

Payment services

- Publication of the new anti-money laundering procedure, which introduces a new due diligence form and requires the prior approval of the Anti-Money Laundering Manager before closing any new payment services contract.
- Delivery through the e-learning platform of anti-money laundering training for the retail network and head office staff involved directly in the new procedure.
- Finalisation of Key Risk Indicators for the Payment Institution, in order to identify unusual transactions, which may subsequently be reported as suspicious to the Bank of Italy.
- Anti-money laundering inspections at points of payment.
- Management of requests for information from the authorities in connection with anti-money laundering measures.

CONSUMER PROTECTION

Gaming has reported constant growth in Italy, particularly in recent years, not least because of developments in technology and the popularity of online games, and has the potential to grow even more.

Against this backdrop, aware of our role and responsibilities, we work at the front-line to promote safe and responsible gaming for everyone. Our most important commitment is to providing protection for players against gaming addiction-related problems and for children.



[G4-4] OUR GAMING OFFERING

LOTTERY

**Super
Enalotto**

In 2016, Sisal's storied lottery game was given a makeover, with the introduction of three important novelties: two-point wins, immediate €25 prizes and an even bigger jackpot.

SiVinceTutto
SuperEnalotto

The special SuperEnalotto competition received a makeover in 2016 with the introduction of 12 numbers to play, more frequent prizes and a weekly draw, every Wednesday.

Vinci per la vita
WinforLife!

The first Italian lottery to offer a monthly income for 20 years as a prize.

ViNCiCASA
WinforLife!

The first game to give consumers the chance to win their dream home as a prize.

**EURO
JACKPOT**

The first game in Italy that extends the challenge across 17 European countries and offers players the chance to win a huge millionaire jackpot.

ONLINE GAMING

Sisal.it

This is the Group's web platform, which offers 400 online games (Casino and Slot Machines, Quick Games, Betting and Virtual Races, Poker and other card games, Skill Games, Bingo, lotteries) in a safe, secure and consumer friendly environment, as well as on mobile devices in the form of dedicated applications.

RETAIL GAMING

**Sisal
Wincity**
EAT DRINK PLAY

An innovative channel based on the "Eat, Drink and Play" model. 24 points of sale in the main Italian cities, including Milan, Rome, Turin, Brescia, Pescara, Florence, Catania and Bologna.

**Sisal
Matchpoint**

This channel offers the full range of Sisal products, with a special focus on betting (horse racing and sports) and on Virtual Races. Over 364 points of sale and more than 3,500 retail corners.

**Sisal
Smartpoint**
GIOCHI E SERVIZI CON UN TOUCH IN PIÙ

This channel, launched in 2014, offers the entire range of lottery products and AWP machines, as well as all payment services at over 763 points of sale.

THE RESPONSIBLE GAMING PROGRAMME

The aim of the Responsible Gaming Programme is to provide guarantees of customer protection, particularly for the groups most at risk, through information initiatives, the prevention of problem gaming, education and training about responsible gaming behaviour, and assistance with critical gaming-related issues. The Programme, which is certified according to the highest international standards (see “Our certifications” on page 64), is split into eight areas for action that involve not only players, but also employees, the retail network, commercial partners, the Institutions, public entities, and industry operators, and has a mission to build a shared model of safe and reliable gaming, to maximise preventive action and to guarantee the provision of a help and support system in the most problematic cases.



1. RESPONSIBLE GAMING STUDIES

Understanding the size and makeup of the gaming phenomenon, and analysing and monitoring external perceptions of the issue and awareness about it, are essential steps in the study of effective solutions that keep the spirit of fun in gaming.

Over the years, Sisal has lent its support to some major research projects in the area of responsible gaming. One particularly important initiative was the In-store Mystery Shopping survey conducted to verify the level of compliance of our points of sale with European Lotteries’ responsible gaming standards. The results of the survey were positive and the Sisal network was found to be aligned with all the parameters monitored by the programme.

Remember that...

In recent years, we have performed a number of important studies in the gaming sector:

- The “Giocare per Gioco” [Playing for fun] study organised by Fondazione per la Sussidiarietà on a joint basis with Giochi e Società and Milan’s Università Cattolica, with the aim of analysing and building responsible communication in the gaming sector.
- The “Il gioco problematico - fattori di protezione e rischio” [Problem gaming - protection and risk factors] study with Sapienza University of Rome.

2. AWARE GAME DEVELOPMENT

In 2010, to comply with game design standards defined by European Lotteries, we introduced the GAM-GaRD tool created by GamRes to prepare an accurate assessment of the social risk associated with each game before it is marketed, by analysing its structural features (duration, maximum winnings, frequency of prize draws, etc.) and other parameters (accessibility of gaming venues/shops, opening hours, etc.). Based on the results of these tests, we have defined strategies and tools to limit any risk of problem gaming.

In 2016, all our games were submitted for GAM-GaRS certification, or a total of 725 games split between physical and online channels.

3. HUMAN RESOURCE TRAINING

[G4-DMA Training and Education]

The Responsible Gaming Programme exists because of the commitment and dedication of Sisal's human resources. That is why we are extremely careful to ensure that our people have an adequate level of awareness and training.

Training activities are based on an online platform to which all the necessary course materials have been uploaded, in order to keep our employees up-to-date about the areas of action covered by the Responsible Gaming Programme and about the importance of supporting a balanced gaming model that refuses to accept excess and is careful to protect vulnerable consumers. The training modules and initiatives are structured based on the corporate function performed by the employee, and in certain cases involve clinical experts or the use of materials specially developed on the subject of the prevention and cure of compulsive gaming. Online training sessions end with an assessment questionnaire.

4. AN ATTENTIVE RETAIL NETWORK

[G4-DMA Training and Education]

The measures introduced to keep our network up to speed on the Programme include:

- **training courses:** all new retailers are required to take a training course on responsible gaming, available through the e-learning platform provided by the retailer web portal;
- **information materials:** all retail outlets are supplied with information materials, including stickers for gaming machines about responsible gaming, the prohibition of underage gaming and the risks of compulsive gaming..

Finally, we send newly opened points of sale instructions on the use and placement of all materials, and a reminder of the sanctions applied in the event such material is not displayed.

Did you know that...

- A Mystery Client is someone commissioned to assess the products and services offered by a business in terms of customer satisfaction, perceived quality and compliance with certain standards (at company or industry level).
- We have used this assessment approach in several of our points of sale to verify:
 - that there are no underage players in the gaming area;
 - the availability of all information material provided about responsible gaming;
 - the presence of information about compulsive gaming and details about the support service;
 - that no free alcohol is given to customers while they are playing;
 - the correct placement of the Electronic Gaming Machines (EGMs) and that they are monitored by an operator;
 - the display of messages on gaming machines screens about responsible gaming.

“ THE LONG ROAD TO TRANSPARENCY ”



Vincenzo Guggino

General Secretary, Istituto di Autodisciplina Pubblicitaria - IAP (Italian Advertising Self-Regulatory Institute)

Transparency and fair play in corporate communication are not new values, nor are they more important than in the past, quite simply because they were and continue to be fundamental both in terms of business ethics and of the effectiveness and performance of economic activities.

Effective communication must in the first place be fair. A lasting relationship of trust between the brand and its public can only be based on the ability to communicate in a fair and responsible way. The gaming industry, as we all know, is often at the centre of social debate and opinions about it are frequently at opposite poles of the spectrum. Over and above individual positions, the industry has to accept the fact that it is overcharged with social responsibility when it advertises. The potential repercussions for gaming communication mean that all the appropriate precautions must be taken to avoid concepts, tones of voice and models that can be construed as celebrating gaming in the sense of gambling, rather than as pure entertainment.

The digital scenario that provides the backdrop for the web has amplified the risks associated with unclear information and business denigration. Digital communication requires as much if not more vigilance than traditional media, given that there are more communicators and as a result there is greater freedom of expression. Hence the need for a corporate approach to communication that is not vulnerable to bigoted and instrumental attacks and can demonstrate its integrity and correctness if and when needed.

The Italian Advertising Self-Regulatory Institute (IAP) believes that all forms of communication, independently of the media channel used, must abide by the rules. On this subject, the Institute recently published the second edition of the IAP “Digital Chart” on digital communication, which represents an important parameter for all web operators. The prior opinions issued by the Advertising Self-Regulatory Institute about approved messages that have not yet been aired represents the best guarantee that the

message is not in contrast with the rules established by the Code and, likewise, with other industry legislation. This assertion is also supported by statistics: from 2016 to June 2017, the 101 opinions published haven’t given rise to any dispute. The importance of prior opinions is not only “legal”, but also social and “political” in the broadest sense: social, because it expresses the care and the burden of responsibility accepted by the gaming industry, limiting its own sphere of action; political, because against the backdrop of polarised positions on the subject of gaming advertising, it provides a real example of the “politics of action”, detached from any form of ideology and benefitting shared interests.



5. FAIR AND AWARE COMMERCIAL

A carefully controlled communication process

Una comunicazione commerciale responsabile, corretta e sensibile è un obiettivo che consideriamo di grande importanza. We regard responsible, fair and aware communication as an extremely important goal, in light of the impact it has on the public at large.

The approval process for our communication campaigns is regulated at Group level through a strict internal control and approval procedure applied to all advertising messages, ensuring compliance with legislation and regulations on the subject of responsible gaming.

The main issues are as follows:

- the communication must in no way be addressed to children and must not encourage gaming;
- messages must always state the prohibition of gaming for minors under 18 and must not be broadcast during programmes or on media channels for children;
- messages must contain clear information about the games and the probabilities of winning;
- operators must comply with all the provisions of industry regulations (both state and self-regulatory).

Birth of an advertising campaign

When the communication campaign has been finalised, it is subject to two controls, one internal (by the organisation's lawyers) and one external (by outside consultants) to ensure compliance with industry legislation, self-regulatory rules and the highest international responsible gaming standards. In addition, before going on air, new advertising messages for which long periods of media exposure are planned (on TV, radio, outdoor, web, etc.) are analysed by the Istituto di Autodisciplina Pubblicitaria (IAP - Advertising Self-Regulatory Institute) to verify their compliance with the IAP Code and specifically with article 28 ter.

[G4-16]

Collaboration with the Istituto di Autodisciplina Pubblicitaria (IAP - Advertising Self-Regulatory Institute)

2015 was a very important year for our collective commitment to defining a regulatory framework (the "Guidelines for the Commercial Communication of Games with Cash Prizes") that is more systematic and stringent on game advertising for operators, but able to ensure better protection for consumers and give them a greater awareness of their rights. In 2016, these industry regulations were further strengthened by the entry into force of the Legge di Stabilità [Stability Law], which as well as establishing parameters for and limitations on gaming very similar to those envisaged by the IAP Code, also introduced a ban on broadcasting advertisements for games with cash prizes between 7am and 10pm, every day, during general interest radio and television programmes.

THE EVOLVING LEGAL FRAMEWORK

2012

The IAP introduces an industry-specific rule (article 28 ter), establishing parameters for commercial communication, including a ban on the encouragement of compulsive gaming, of advertising to children and of suggesting that gaming can resolve financial problems. In addition, following the introduction of Decree Law no. 158 on September 13, 2012, the Italian Customs and Monopolies Agency (ADM) provides initial guidance on how concessionary companies must implement the provisions, primarily with regard to the probabilities of winning and the wording of warning messages.

2013

The Italian State, with the enactment of the so-called Balduzzi Decree, prohibits the "encouragement or celebration of gaming", and the IAP (also through the application of the provisions of its Code of Practice) continues to provide operators with practical advice about developing acceptable campaigns.

2014

The European Commission establishes a series of principles that the Member States are invited to enact into law on the subject of gaming, without totally prohibiting gaming advertising, but supporting self-regulation as an effective soft law system.

2015

With the publication of its "Guidelines for the Commercial Communication of Games with Cash Prizes", the IAP aligns itself with best practices in other European countries and with the policies of the European Commission. In the framework of Sistema Gioco Italia, Sisal made an active contribution to the drafting of the guidelines.

2016

The regulatory framework in which the industry operates is strengthened with the entry into force of the Legge di Stabilità which, as well as establishing criteria and gaming limits very similar to those defined by the IAP Code, has introduced a ban on broadcasting advertisements for games with cash prizes.

6. PLAYER EDUCATION AND SENSITISATION

Raising the awareness of consumers about the critical aspects of gaming is an integral part of our concept of sustainability. As a leading gaming industry business, we are aware of the importance of providing consumers with information and education opportunities about using the product, with a view to the ongoing promotion of safe and balanced gaming behaviour.

Activities are performed in parallel on two levels: in **local areas**, through the retail network, and on **digital channels**.

Local initiatives

Our first point of contact with customers is in our local retail points. Our primary concern is to ensure that all the tools best suited to providing good and fair communication about responsible gaming are present in each retail point.

All gaming materials at retail points contain the following:

- the features and rules of the game;
- detailed information about the product;
- the probabilities of winning in the various categories;
- communications about responsible gaming;
- the wording “Gaming is prohibited for minors and may cause addiction” and the logo of the Italian Agenzia delle Dogane e dei Monopoli (Customs and Monopolies Agency), the “Gioco legale e responsabile” (Legal and responsible gaming) logo, the “Gioca il Giusto” (Play Right) logo, the +18 logo and the concessionary company’s logo (all mandatory).



Our main messages are also communicated through customer displays (latest generation terminals with monitors) and all the POS dressing materials, be they specifically related to responsible gaming or to the year’s promotional initiatives. These materials can also be reprinted by Retail Points using the retailer web portal and are sent to all newly opened stores. A Contact Center service is also available to answer requests for information about lottery games (see the paragraph on “The Retail Network” on page 71).



Digital Communication Initiatives

The second important touch point with players is the digital channel. All proprietary websites (gaming, information, the retailer portal and the corporate site) contain the main information and key messages in the Responsible Gaming Programme.

- The website headers and/or footers contain the clearly visible wording “Gaming is prohibited for minors and may cause addiction” and the relative logos. The websites also contain a section dedicated entirely to Responsible Gaming, with:
 - useful information for players about the rules of the game, the probability of winning and the prize structure;
 - detailed information about initiatives to protect minors and about compulsive gaming and gambling;
 - contact details for the service addressed to problem players (free phone number and FeDerSerD service contact details);
 - advice in the form of the Ten Rules for the Responsible Player, which promote a healthy approach to gaming;
 - the “What sort of player are you?” self-assessment test, developed with the help of experts to check on your approach to gaming in real time and offer suggestions.

TEN RULES FOR THE RESPONSIBLE PLAYER

1.

Gambling is a way for me to have fun, not to make money.

2.

Before gambling I decide how much money I want to spend. I don't play with money I need for my everyday life and only use amounts I can afford to lose.

3.

I don't borrow money to gamble. If I lose I accept the loss as the cost of having fun. I don't add more money to recover my losses.

4.

Tactics are pointless, I can't predict the results and I'm aware that the probability of winning is low.

5.

I don't lie about how much I spend and lose when I gamble.

6.

I decide how much of my day to devote to gambling and I don't have any trouble stopping or taking breaks.

7.

Gambling isn't my only leisure activity and it doesn't encroach on the time I devote to my family, friends, sport and hobbies.

8.

I don't gamble after drinking or taking drugs.

9.

I don't gamble when I feel lonely. I don't gamble when I feel depressed and I don't feel depressed if I don't gamble.

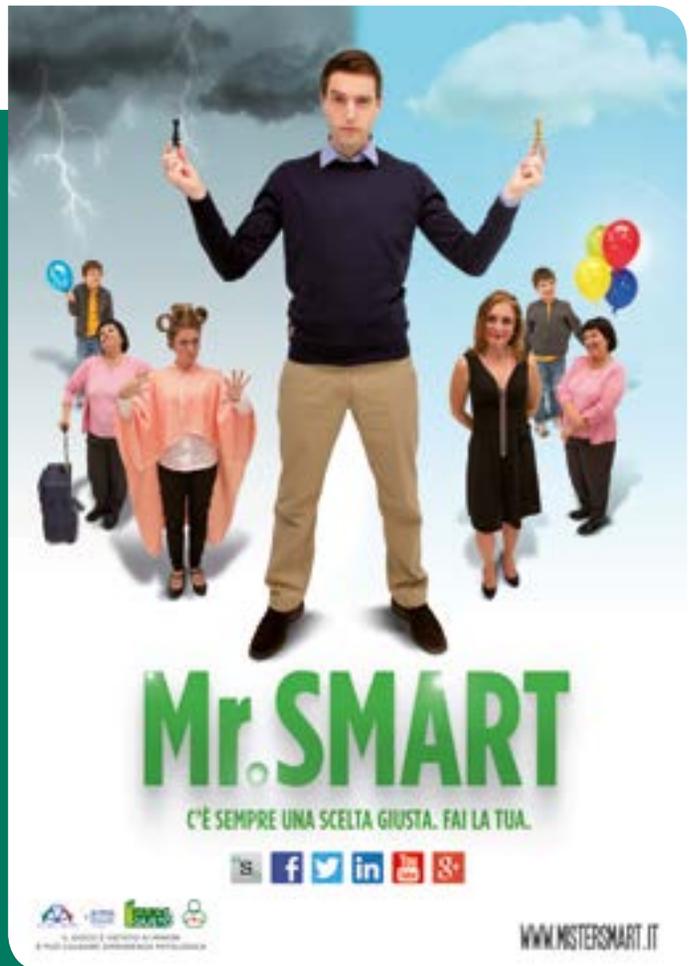
10.

I don't think about gambling repeatedly throughout the day, even when I'm not playing.

MR. SMART

“Mr. Smart” is a series of ten episodes, available on mistersmart.sisal.com, developed to spread the messages contained in the Responsible Gaming Programme and to promote an aware approach to gaming, using language that is simple, immediate and ironic, but also effective. In the series, Mr. Smart experiences the consequences of irresponsible gaming, as well as reaping the benefits of an aware and balanced approach.

The series engages with users directly and in each episode, asks them to reply to a question raised by Mr. Smart about his behaviour, after which they are told whether or not their choice was a good one. Direct interaction engages with users actively, making them think about their own approach to gaming and inspiring them to act in a responsible and balanced way.



7. REMOTE GAMING: A FOCUS ON DATA SECURITY AND CHILDREN

As the use of digital gaming channels grows (web portals and applications), so does the need to guarantee security and safety, in terms of both data and the protection of children.

Data security

Over the years, we have introduced cutting edge technology to defend our customers from the fraudulent use of their personal and credit card data, as well as to prevent possible money laundering schemes. We provide players with a set of self-limitation and temporary/permanent self-suspension tools, in addition to a personal statement (available in the “My Account” section of their personal area) of all credit and debit transactions over the last three months. The compliance of our online gaming account management system with the “Guidelines for the Certification of Online Gaming Systems”, published by the ADM, is certified by third party specialist NMI Italia BV, which verifies observance of the principles of transparency and fairness required by current legislation in the operations performed.

Did you know that...



Each year the EGR Italy Awards recognise the most innovative and creative operators on the regulated online gaming market. In 2016, Sisal.it was awarded the prize as Best Operator for customer service and care, and Best Operator for Social Responsibility.

*NMI is registered with ADM as an Accredited Verification Entity, authorising it to certify the compliance of the remote gaming systems operated by Concessionary Companies (basic platform, gaming platform and relative games).

**È BELLO GIOCARE A FARE I GRANDI.
MA NIENTE GIOCHI PIÙ GRANDI DI LORO.**

Il ragazzo ama molto imitare gli adulti, negli atteggiamenti, nei discorsi, nel modo di vestire.
A volte, anche nella scelta dei divertimenti. Ma ci sono giochi che non sono adatti alla sua età. I giochi con vincite in denaro sono vietati ai minori. Per questo Sisal si impegna in un modello di gioco responsabile che tutela i minori e le categorie più vulnerabili. Il ragazzo gioca a fare i grandi, non lasciamoli a giochi più grandi di loro.
I GIOCHI CON VINCITE IN DENARO SONO VIETATI AI MINORI.

VIETATO DI GIOCARE AI MINORI DI 18

Sisal
Il modo nuovo di fare bingo online.

Protection of children

Children are a category of user requiring high levels of control. One aspect of our digital security work involves the implementation of technology and tools to prevent children from gaining access to online gaming products.

We have implemented a series of controls in the process of registering for a gaming account and a set of real time checks on personal details (including date of birth and tax code) using the centralised systems provided by ADM. Any applicant who is not an adult Italian citizen with a valid tax code is denied entry. In a second step, to complete the registration process and enable the company to verify the data entered, the applicant is asked to submit a copy of an identity document. Failure to send such a document prevents the withdrawal of amounts credited to the account and, after thirty days, its automatic suspension.

8. HELP FOR PROBLEM PLAYERS

We don't stop at raising players' awareness by providing communication and information materials about responsible gaming issues, but make an active contribution to the assistance services available for problem players.

Since 2009, Sisal has partnered with FeDerSerD in the development of "Gioca Responsabile" (Play Responsibly), a consulting programme involving referral to social, healthcare, assistance and therapeutic services, for people who have developed psychological, relational and legal problems as a result of compulsive gaming, as well as for their family members and friends. This totally free and anonymous service is managed by a team of professional psychologists and other consultants (psychiatrists, psychotherapists and lawyers), offering across-the-board treatment of specific gaming-related issues.

- The service can be contacted through these channels:
- free phone 800 921 121;
- the www.giocaresponsabile.it website;
- the chat service available on the website.

Se il gioco ti ha portato fuori strada, ti aiutiamo a ritrovarla

Per i giocatori, loro amici e familiari è disponibile Gioca Responsabile. Il servizio è onorario e gratuito, fornisce un supporto immediato, dà informazioni approfondite, orienta verso i servizi di assistenza, offre la possibilità di cura on line.

800.921.121
www.giocaresponsabile.it

FeDerSerD
Il servizio Gioca Responsabile è attivato grazie al supporto di

LOTTOFONICA Sisal

¹FeDerSerD (Federazione Italiana degli Operatori dei Dipartimenti e dei Servizi delle Dipendenze - Italian Federation of Addiction Departments and Services) is an association of 1,500 professionals working in this area throughout Italy, who are committed to developing and consolidating science-based clinical and preventive work in the interests of individuals and civil society as a whole. FeDerSerD is a scientific society registered with the FISM (Federazione Italiana delle Società Medico Scientifiche - Italian Federation of Medical-Science Societies).

OUR CERTIFICATIONS

In performing our work, our main focus is always the consumer. To be able to provide a comprehensive and secure offering of gaming and payment services, we have decided to align our operations with best international practices, by obtaining and maintaining a set of responsible gaming and data security management system certifications. Providing our customers with guarantees of a quality user experience is what drives us always to give our best.

INFORMATION SECURITY MANAGEMENT SYSTEM

[G4-DMA Customer Privacy]

One of the most important issues for businesses that make massive use of digital channels is the security and reliability of their personal data management system.

That is why, since 2013, we have certified all the work we perform to protect consumer data and why we are committed to ensuring the integrity and confidentiality of our data channels in a world where the risk of security system breaches is constantly rising. We have appointed a Personal Data Protection Manager (DPO) to analyse the risks we face and ensure that our internal processes are aligned with Personal Data Processing legislation (Legislative Decree 196/2003).

[G4-PR8] In 2016, no complaints were received about breaches of privacy or customer data loss.

We have also integrated a series of specific gaming and international lottery industry controls into our corporate security and risk management processes, obtaining WLA-SCS:2012 certification issued by the World Lottery Association.

RESPONSIBLE GAMING PROGRAMME CERTIFICATION

[G4-15] In 2016, the certification of our responsible gaming programme was renewed by European Lotteries (EL) and the World Lottery Association (WLA) at the highest level.

The renewal was granted following the independent assessment conducted by PwC to verify the compliance of the initiatives implemented by the Group with the provisions of the European Responsible Gaming Standard issued by European Lotteries.

The standard identifies the key issues for gaming operators to promote responsible gaming and groups them into eleven sections. The most important of these are participation in research projects to understand the issues linked with problem gaming, the development of specific training programmes on responsible gaming issues for employees and retail networks, the creation of games based on an approach designed to reduce risk, the development of commercial communications in accordance with the principles defined in applicable legislation, and the engagement of stakeholders in initiatives to raise awareness about responsible gaming issues.



**WORLD LOTTERY ASSOCIATION
CERTIFIED
WLA RESPONSIBLE GAMING
FRAMEWORK
LEVEL 4 / VALID UNTIL 2020**

Did you know that...

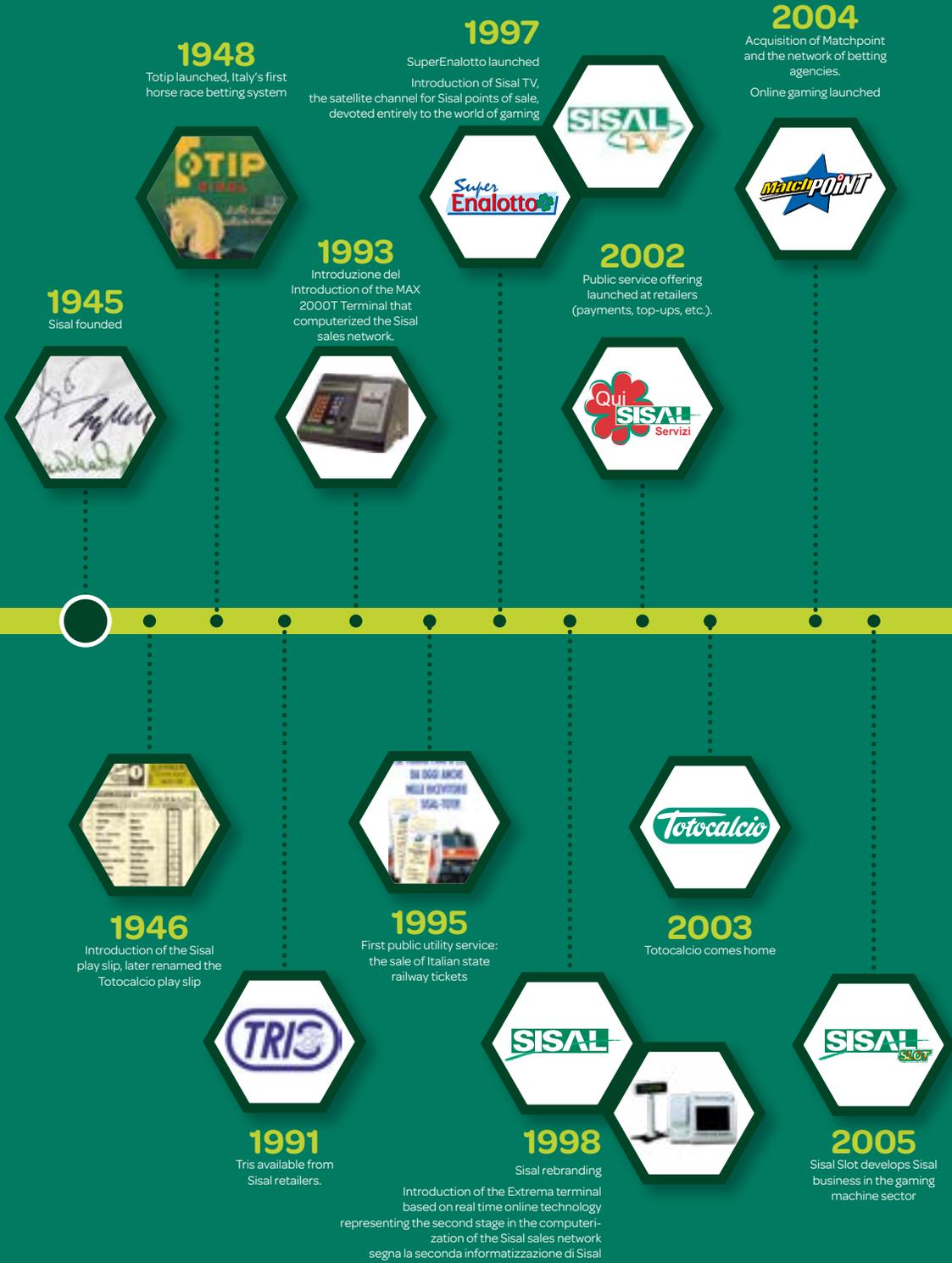


Our 2015 Sustainability Report obtained “**Bilancio di Sostenibilità Ok Codacons**” recognition for good and transparent consumer communication.



[G4-6]

SISAL, BRINGING PEOPLE TOGETHER THROUGH GAMING



Marino Bartoletti
Sports journalist

Notwithstanding the occasional distorted perspective, sport has always acted as a marvellous “good avatar” for Italian social development, guaranteeing not only security and pride at times when even a simple victory could be seen as a rallying point, but also acting as a remarkable driver of the economy, industry and even politics. The Rome Olympics in 1960, for example, with their creative, organisational and infrastructural perfection, not only redeemed an Italy that was “defeated” and unpopular after the war, but literally made the whole world fall back in love with the country, granting it

2008

Sisal rebranding

Introduction of the Leonardo Terminal, featuring cutting edge gaming terminal technology



2010

Sisal Wincity established

Introduction of the Microlot Terminal



2012

World Lottery Association Responsible Gaming Certification

Eurojackpot launched

Sisal Holding Istituto di Pagamento established di Pagamento



2014

VinciCasa created, the first game in the world that rewards you with a home

Sisal Smartpoint created, a new point of sale concept

Sisal Live Channel introduced, the first TV channel in Italy dedicated to live betting



2017

New VinciCasa launched

EL and WLA certifications renewed



2009

WinforLife launched, the first game in Italy to reward you with a monthly income

Responsible gaming campaign launched

Online poker launched



2011

European Lotteries Responsible Gaming certification

SiVinceTutto and Casinó launched



2013

Sisal launches its new vision, new values and renewed visual identity

SisalPay created, the services network for quick, convenient payments and top-ups



2016

New SuperEnalotto launched

New SiVinceTutto launched

a second chance that it wasn't about to waste. On its way to the triumphant Rome Olympics (a sporting triumph too, with 36 medals won, including 13 golds), Italy had to negotiate a veritable obstacle course in terms of both its international credibility and its sporting prowess at the Games. And it was thanks to the recently launched Totocalcio football pools play slip that we were able to take part in the London Summer Olympics in 1948 and, with a small price supplement of 10 lira per slip, in the Helsinki Games in 1952. In a certain sense, it was we Italians who, through Sisal, financed our sport and "created"

our triumphant performances. A business is unable to operate without a perfectly functioning corporate organisation and, most importantly, a motivated and successful "team". And it is no coincidence that the most highly regarded team builders come from the world of sport (from Julio Velasco to Ettore Messina). In the words of one great trainer: "We have to stop thinking that craftiness is a virtue and muddling through an art form: you only win if everyone plays well together". Every top manager should frame this quotation and hang it over their desk.

3.

**INNOVATION AT
THE SERVICE OF
VALUE CREATION**

DIVERSIFY FOR GROWTH

The idea of diversifying our business came to us by listening to our customers and retailers and deciding to accept their challenge by offering consumers a fast track service for their everyday payments.

[G4-4] We therefore became a Payment Institution and developed a convenient, simple and secure new way to pay. Today, with the SisalPay brand, we lead the market in Italy in the neighbourhood outlet channel consisting of cafes, tobacconists and newsagents.

Making it so simple to make payments has also made it easier for people to manage their everyday lives, even those accustomed to using traditional payment channels.

“To make people’s lives easier and more enjoyable”: in this way SisalPay both fulfils our corporate vision and takes on a strategic role for the company. In 2016, supported by major investments, the services business generated turnover of 8.7 billion euros, or 52% of the Group total.



THE FULL SISALPAY OFFERING

Diversification has made us a strategic, reliable, secure and certified distribution channel that can act as a point of contact between companies, the PA and consumers.

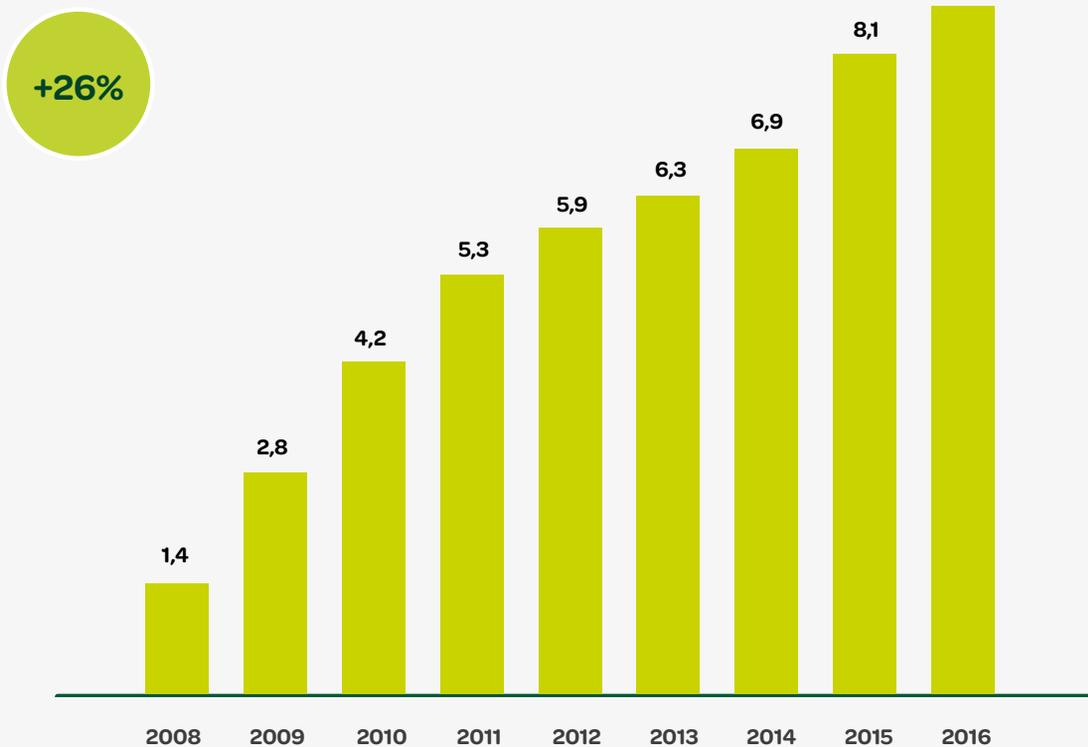
Through SisalPay, we contribute on a daily basis to transforming consumption habits, by making it possible to pay bills and other expenses both at brick-and-mortar retail points and online. Today, our extensive point of sale network offers 500 services in partnership with over 100 Italian and international businesses (leading banking and payment circuit operators and the Public Administration), meeting the needs of about 12 million consumers.

[G4-4] The services we offer are:

- payment of bills, fines, taxes and subscriptions;
- top-ups for the main Italian and international mobile phone services and international phone cards;
- top-ups for prepaid credit cards.

SISALPAY TURNOVER (€bn 2008-2016)

AVERAGE ANNUAL % GROWTH



SISALPAY: THE RELATIONSHIP WITH CONSUMERS

The result of a carefully defined strategy to reposition the old Centro Servizi brand, SisalPay is now the commercial brand dedicated to payment services and a distinctive and recognisable feature of the services offering (payments, top-ups and e-money services) across the retail network.

By increasing our investments and the range of activities grouped under the SisalPay brand, we have successfully built and consolidated a solid relationship with consumers, the community, our partners and the institutions. And as a result of this increasingly close interaction with consumers, we have successfully identified the benefits associated with point of sale payments and therefore been able to make everyday payments simpler and more enjoyable.

Hence the endless stream of projects to promote the brand and the offering, not least at events with a massive public following, like the Vasco Live Kom Tour and Milan Design Week. These projects have been joined by other initiatives, including the sponsorship of art exhibitions and support for young talents by funding study grants and participation in contests addressed to innovation and the development of new ideas.

Numerous events have also been organised to encourage discussion and the building of new development opportunities for businesses and the institutions. The Company has also attended important B2B events, like the EY Capri Conference "Accelerare X Competere X Crescere" [Accelerate to Compete and to Grow] and "Forum PA", both addressed to building digital citizenship through increasingly close collaboration between Businesses and the PA.



OUR DISTINCTIVE FEATURES

Proximity and ease of access

Our innovation benefits consumers and our extensive, multi-channel technology infrastructure is at the service of Italy as a whole.

Brick-and-mortar network

Over 40,000 retail points across Italy, satisfying the needs of over 12 million consumers. To increase our market presence, we have developed "Service Only", a network of over 7,000 Points of Sale dedicated to payments and services, using a compact, innovative terminal that was developed entirely in-house and then engineered and manufactured by a leading Italian player in the industry.

Sisalpay.it

The web portal that lets users manage their payments 24/7, as well as offering additional functions like payment receipt archiving.

SisalPay Mobile App

An application for smartphones and tablets to make payments on the move.

Security and reliability

As a Group and in our capacity as a Payment Institution authorised and overseen by the Bank of Italy, we provide guarantees to our customers of secure and transparent service delivery through a certified network based on advanced technology infrastructure.

Responsibility and transparency

We provide guarantees of a reliable, transparent and certified payment system in full compliance with international standards to protect users.

Innovation and technology

We offer Italy a network of over 40,000 POS terminals with Contactless/NFC technology, which guarantee transaction traceability and transparency and reduce the cost of working with cash. We have a network of over 7,000 compact terminals ("Service Only") with incorporated magnetic band readers and 'Made in Italy' design and technology. We began work on the creation of this exclusive payment services network in 2013.

OUR ROLE IN THE DIGITAL EVOLUTION OF ITALY

Over the years, we have tackled numerous challenges deriving from the digital evolution of Italy, in our attempts to provide practical answers to consumers' needs. We have innovated and adapted to change in order to propose business models and services devised to be accepted by the community at a cultural level.

The digital evolution sweeping through Italy has, however, also changed the way we act as citizens and use the services offered by the Public Administration. While in the past, the public and consumers were guided by businesses and the institutions, nowadays they are the ones in the driving seat and express the clear need to simplify how the services on offer are delivered.

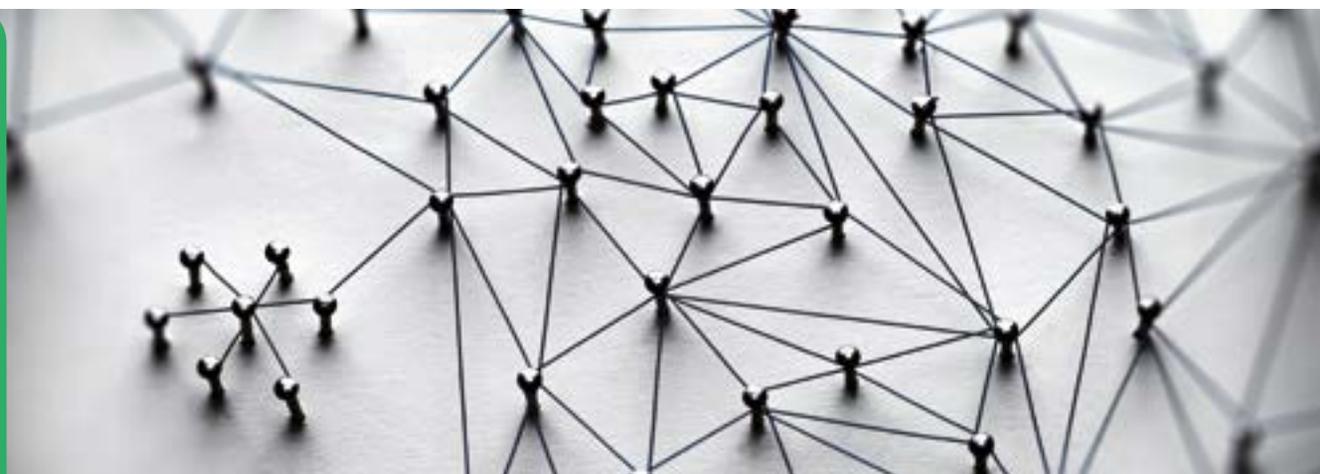
This provides the backdrop at European level for the definition of the 2014-2020 Digital Growth Strategy, involving plans for the digitalisation of the Public Administration, under the management of AgID (Agenzia per l'Italia Digitale - Agency for a Digital Italy). The project inevitably regards the area of payments as standing at the point where the private sector, the public and the institutions intersect.

In December 2016, in partnership with Agenzia per l'Italia Digitale, we introduced electronic payments to Regional, Municipal and Public Administrations, through the so-called NodoPA hub, at over 40,000 SisalPay Points.

This agreement provides the public with a simple and safe way to settle taxes, fines, healthcare charges, road tax and school fees and make other payments to the Public Administration. The result is the most extensive brick-and-mortar channel for payments to Public Institutions.

We choose to work day by day alongside the Public Administration to contribute to change and to support the digital evolution of Italy by offering the community our experience with payment services that are simple to use.





THE RETAIL NETWORK

The 144,870 Points of Sale in our retail network are split between two brick-and-mortar channels (branded and affiliated) and the online channel.

CANALE BRANDED

[G4-9] There are 4,686 Points of Sale in the branded channel (17 more than in 2015), operating under Group-owned brands Sisal Wincity, Sisal Matchpoint and Sisal Smartpoint. This level of direct contact and communication with customers gives us a better understanding of their needs and expectations, allowing us to develop a retail strategy for the channel addressed to sustainable business development.

AFFILIATED CHANNEL

[G4-9] This channel is made up of 40,184 third party points of sale with which Sisal has established close and longstanding business relations. Their sales of gaming products and payment services are essential in reaching a broader public.

The retail network	2015	2016
Total branded channel	4.669	4.686
Total affiliated channel	41.277	40.184
Total retail network	45.946	44.870

The retail network	2015	2016
Sisal Wincity	21	24
Sisal Matchpoint betting shops	361	364
Sports and horserace betting corners	3.835	3.535
Sisal Smartpoint	452	763
Total branded channel	4.669	4.686
Points of sale - AWP and VLTs only	3.766	3.519
Points of sale - gaming and services	30.906	29.562
Points of sale - services only (stand alone)	6.605	7.103
Total affiliated channel	41.277	40.184
Total retail network	45.946	44.870

The role played by the retail network is vital for us in terms of our credibility and reputation. That is why we are committed to updating and training the entire network in the framework of an ongoing conversation about the offering of games and services.

This conversation takes place through various channels:

Contact Center

A dedicated service with controlled access to ensure full confidentiality. Staffed by a network of experts who receive regular training, in 2016 the Contact Center service provided first-call resolutions to requests for account, administrative and commercial information in 98.4% of cases.

- 97.6% Answers given to retailers by the Contact Center
- 99.9% Compliance with the Service Level Agreement (SLA) standards set by ADM for Lottery (GNTN) procedures

The retail portal

The retail area is supported by a dedicated portal for Sisal retailers (www.rivenditorisital.it), who can connect at any time from personal computers, tablets and mobile devices to find out information about Sisal products (including competition information), to access accounting data for their retail point (packing lists and invoices), and to download the latest posters for their sales outlet.

Terminal messages

Points of sale are sent daily updates using the gaming terminal about new products, special initiatives, winnings, competition reports, charity initiatives and much more.

In 2016, we introduced three types of message, identified by three different colours, to allow retailers to identify those that contain important business news (red envelope), information (blue envelope) and other types of message (white envelope).

Terminals can also be used to send pop-up messages for immediate communication needs.

POINT OF SALE TRAINING [G4 – DMA Training and Education]

[G4 – LA10] As a Group, we believe in the development of our Network and in spreading the values of sustainability and social responsibility. For this reason, we promote training programmes dedicated to gaming and service-related topics across our retail network, with a special focus on regulatory issues and client protection, as well as to wider-ranging subjects like the retailer's business development.

Since 2008, self-learning courses can be taken at any time, using an e-learning management platform available 24/7. Audio-video lessons, illustrations and exercises provide the retail network with an easy way to learn content that can be applied immediately in practice. The training offering consists of six courses in three macro areas: Gaming and Services, Regulatory, Marketing and Communication.

Both the graphics and the content of the e-learning platform are being perfected on an ongoing basis, with a view to engaging with as many retail points as possible and to making the user experience increasingly enjoyable, simple and profitable.



OUR SUPPLIERS

[G4-12] The evolution of the gaming and services market has encouraged us both to diversify our business and to introduce an ongoing process of identifying and activating new suppliers to ensure that our services are comprehensive and secure.

We are aware that only by engaging in a direct and transparent conversation with our numerous commercial partners can we innovate our products and services on an ongoing basis and create value across the entire value chain, at the same time as complying with the specific regulatory requirements of the gaming industry and the expectations of all our stakeholders.

We work on a daily basis with our suppliers both to minimise and manage business risks, as well as to optimise our products and services. Suppliers that come into direct contact with end consumers and have a direct impact on the quality management system are subject to qualification procedures designed to assess their performance and identify opportunities for improvement, with a view to shared growth.

Specifically, the qualification procedures entail:

- an assessment of the compliance of tools, materials, services and performance levels with the requirements stipulated in contracts and orders;
- half-yearly analysis and monitoring of any deviation from agreed service levels (Service Level Agreement - SLA).

All our suppliers are required by contract to comply with the rules and principles of the Code of Ethics and Conduct, which we have introduced pursuant to D.lgs. 231/01. This document helps us put into practice our commitment to establishing a relationship based on full cooperation with our suppliers, in order to ensure that the needs of the company and its end consumers are always satisfied in terms of quality, costs and delivery times.

OUR SUPPLIER CATEGORIES

- Gaming terminals
- Gaming materials
- Logistics and transport services
- HW installation and maintenance services
- Call center services
- Media, events, marketing, creativity and market research
- Voice communication and data transmission services
- Hardware and software
- Gaming platform suppliers
- Consulting and professional services
- Refurbishment contracts
- Personal and point of sale building services
- Food & beverage
- Sisal Television

	MU	2015	2016
Total suppliers	NO.	2.730	2.699
Total value of supply contracts	€m	186	205



THE CENTRAL ROLE PLAYED BY THE DIGITAL CHANNEL

Business development, in any company, is guided and influenced increasingly by the company's ability to innovate. Our own innovation lies in the development of digital technology to diversify our operations and to cultivate an ongoing direct conversation with our stakeholders. Over the years, we have developed numerous digital platforms that act as fast-track communication channels to make direct and immediate contact with our customers.

MAIN ONLINE CHANNELS

SISAL.COM

Our constantly evolving corporate website is optimised on a yearly basis and new content and functions are added to keep the relationship with stakeholders alive. The website features simple, intuitive navigation, plus plenty of video content and photo galleries that guide customers through a more interactive and multimedia experience. In 2016, for the third year running, we placed in the Top 10 of the highly-reputed Webranking classification, drawn up by Lundquist based on the quality of the online information published by unlisted Italian companies.

UNASTORIANATAPERGIOCO.SISAL.COM

This is the website published by the Sisal Group's Historical Archive. Launched in 2016 to mark the company's 70th anniversary in business, it describes the history of the company through the places, curiosities, people and objects it has touched and that have a place in the collective memory of all Italians. Specifically, the website presents a digital version of part of the physical collection hosted at the Archive's Peschiera Borromeo site. This material is constantly evolving, as collection, selection and cataloguing work continues, and has been granted a new lease of life today by the digital channel.

MOBILE.SISAL.COM

This is the Group's mobile store, where Sisal's Apps can be downloaded for the IOS, Android and Windows Phone platforms.

SISAL.IT

This is the portal dedicated to the Group's 400 online games, offering Italians the broadest possible online entertainment offering. In line with the provisions of the Responsible Gaming Programme, the communications published on the website either contain information or are addressed to customer care. In 2016, Sisal.it confirmed its leadership in social responsibility and customer care, winning prizes at the EGR Awards as Best Operator for Social Responsibility and Best Operator for customer service and care.

SISALPAY.IT

To satisfy customers who are increasingly attracted by user-friendly, online business models, we have developed SisalPay.it, the digital management platform for everyday payments (bills, phone top-ups, etc.). The platform also offers a series of supplementary services (such as, for example, an archive for payment receipts), with the aim of making life simpler for the public.

SISALWINCITY.IT

This is the web portal that provides information about Sisal Wincity products and services, as well as offering users updates about initiatives, events and new openings.

SISALSMARTPOINT.IT

This is the online channel curated by our "Sisal Smartpoint" retail brand, featuring a next generation point of sale experience through innovative technology and architecture, plus highly qualified staff.

In our capacity as Lottery (GNTN) Concessionary Company, we also manage the Giochinumerici.info web portal, which provides comprehensive information about the SuperEnalotto, Vinci-Casa, Eurojackpot, Win for Life and SiVinceTutto games.

SOCIAL CHANNELS



FACEBOOK

Our corporate Facebook page was launched in 2013 and forms part of the Group's network of brand pages (SuperEnalotto, Vinci per la vita – Win for Life, Eurojackpot, VinciCasa, Sisal.it, SisalPoker, SisalPay and Sisal Matchpoint), which had an aggregate total of over 1,180,000 fans in 2016.

The editorial plan tells the story of Corporate Social Responsibility initiatives and activities involving employees. In 2016, there was a special focus on the 70th anniversary celebrations and on promoting the Group's heritage, by drawing parallels between present and future.



LINKEDIN

Sisal's LinkedIn profile, which went online in 2013, is the channel that shines a light on the Company's management and employees, by describing the initiatives in which they play an important role. This profile is also Sisal's preferred channel for describing corporate welfare activities and the Group's distinctly innovative character, also with a view to recruiting new talent.

In 2016, the Group's profile had the highest number of followers on LinkedIn (over 19,000) among Italian gaming industry brands.



TWITTER

Sisal has had a presence on Twitter since 2013, with its corporate channel (@Sisal_Group) and the @SisalMatchpoint, @SisalPay and @SuperEnalotto accounts.

We use this channel to publish our corporate content, including interviews with top management and acknowledgements received by managers, to talk with the media and network influencers, and to tell the story of Group events live, like the presentation of the Sustainability Report and major brand launches.

In 2016, the Twitter channel had 42,300 followers.



YOUTUBE

- We have two YouTube channels:
- a corporate channel (Sisal Group) that brings together the heritage of film and video footage produced by the company through the years;
- a channel dedicated to SuperEnalotto, offering live coverage of draws, plus tutorials, TV commercials, events and brand initiatives.



GOOGLE+

We have had a presence on Google's social channel since 2015, with the aim of increasing the digital visibility of Sisal's retail network. We have also localised our branded points of sale (Sisal Wincity, Sisal Matchpoint and Sisal Smartpoint) on Google Maps and opening hours and the products on offer are now indicated.

A NOTE ON METHODOLOGY

The Sustainability Report published by Sisal1 is the main tool used by the Company to report transparently to all stakeholders on its commitment to the Group's CSR activities and the results obtained through them.

[G4-30] The Sustainability Report is prepared annually. **[G4-28]** **[G4-29]** This, the eighth report, covers the period from January 1 to December 31, 2016.

As in previous years, Sisal's Sustainability Report has been prepared on the basis of GRI-G4 guidelines, "in accordance - core" option. **[G4-32a]**.

[G4-17b] **[G4-17a]** The reporting perimeter, which is the same as the one used for the Group's Consolidated Financial Statements, has undergone a change since last year, following the acquisition in 2016 by Schumann S.p.A. of 100% of the share capital of Sisal Group S.p.A.

The economic data presented in the Sustainability Report are in line with those set out in the Group Consolidated Financial Statements.

[G4-22] **[G4-23]** No significant changes to boundary and scope have been made in this document and there are no restatements of information provided in previous versions.

The content of the Sustainability Report has been defined on the basis of the materiality analysis performed in compliance with the provisions of GRI-G4 guidelines. The methodology applied and the work performed are reported in the "Materiality Analysis" paragraph.

Data collection and document processing were performed using the internal information system and involved all corporate function managers, each in their own role and within their own sphere of competence. To ensure comparability over time of the most important indicators, 2016 data are compared where possible with those from 2015.

The content of the Report is supplemented during the year with additional information published in the Sustainability section of the www.sisal.com website.

¹ The wording "Sisal", "the company" and "the Group" refer to Sisal Group, comprising all the subsidiaries of Schumann S.p.A., as defined in the Sisal Group Consolidated Financial Statements at December 31, 2016.



GRI CONTENT INDEX FOR “IN ACCORDANCE” - CORE OPTION [G4-32]

GENERAL STANDARD DISCLOSURES

1. STRATEGY AND ANALYSIS

General Standard Disclosures	Page/Direct Answer
G4-1	“Letter to stakeholders” (p.4)

2. ORGANISATIONAL PROFILE

G4-3	“Sisal Group” (p. 17)
G4-4	Our gaming offering” (page 55) “Diversify for growth” (page 67) “The full SisalPay offering” (page 68)
G4-5	“Contacts” (p. 84)
G4-6	“Sisal, bringing people together through gaming” (p. 46)
G4-7	“Organisation chart as of December 31, 2016” (page 18)
G4-8	“Sisal Group” (page 17) “Markets” (page 23, 24)
G4-9	“Sisal in numbers” (page 6) “Financial results” (page 24, 25) “Workforce” (page 39) “Branded channel” (page 71) “Affiliated channel” (page 71)
G4-10	“Workforce” (p. 39)
G4-11	All employees are covered by trade union agreements.
G4-12	“Our suppliers” (page 73)
G4-13	“Sisal Group” (page 17) “The first steps of the new ownership structure” (page 18) During 2016, the Group was acquired by Schumann S.p.A. As the transaction was closed in December 2016, the consolidated financial statements of Schumann S.p.A. include the results of the Group only as of that month.
G4-14	“The internal control and risk management system” (page 21) “Risk management” (page 21)
G4-15	“Responsible Gaming programme certification” (page 64)

G4-16	<p>“Collaboration with the Istituto di Autodisciplina Pubblicitaria (IAP - Advertising Self-Regulatory Institute)” (page 59)</p> <p>The main Associations with which the Company has relations regarding specific activities are:</p> <ul style="list-style-type: none"> • EL (European Lotteries); • WLA (World Lottery Association); • SGI (Sistema Gioco Italia); • IAP (Istituto di Autodisciplina Pubblicitaria); • AIIP (Associazione Italiana Istituti di Pagamento).
3. MATERIAL ASPECTS AND PERIMETER IDENTIFIED	
G4-17	“Note on methodology” (p. 77)
G4-18	“Materiality analysis” (p. 13)
G4-19	“Materiality analysis” (p. 13)
G4-20	“Materiality analysis” (p. 13)
G4-21	“Materiality analysis” (p. 13)
G4-22	“Note on methodology” (p. 77)
G4-23	“Note on methodology” (p. 77)
4. STAKEHOLDER ENGAGEMENT	
G4-24	“Our stakeholders” (page 9)
G4-25	“Our stakeholders” (page 9)
G4-26	“Our stakeholders” (page 9)
G4-27	“Our stakeholders” (page 9)
5. REPORT PROFILE	
G4-28	“Note on methodology” (p. 77)
G4-29	“Note on methodology” (p. 77)
G4-30	“Note on methodology” (p. 77)
G4-31	“Contacts” (p. 84)
G4-32	<p>“Note on methodology” (p. 77)</p> <p>“Content Index” (p.78)</p> <p>Sisal does not use assurance services for this Sustainability Report.</p>
G4-33	Sisal does not use assurance services for this Sustainability Report.
6. GOVERNANCE	
G4-34	<p>“The Board of Directors” (p. 19)</p> <p>“Our internal structure” (p. 20)</p>

7. ETHICS AND INTEGRITY		
G4-56	Charter of Values” (page 7) “Code of Ethics and Conduct” (page 21)	
SPECIFIC STANDARD DISCLOSURES		
DMA and Indicators	Page/Direct Answer	Omissions
ECONOMIC		
Aspect: Economic Performance		
G4-DMA	“Financial responsibility” (page 22)	
G4-EC1	“Value creation and distribution” (page 26, 27)	
G4-EC4	No financing has been received from the Public Administration	
ENVIRONMENTAL		
Aspect: Energy		
G4-DMA	Energy consumption in the organisation (p.42) “Energia elettrica” (p. 43)	
G4-EN3	Energy consumption in the organisation (p.45)	
Aspect: Water		
G4-DMA	“Environmental education” (p. 42)	
G4-EN8	“Water consumption” (p. 45)	
Aspect: Emissions		
G4-DMA	“Environmental education” (p. 42) “Electric power” (p. 43) “Emissions” (p. 44)	
G4-EN19	“Electric power” (p. 43) “Emissions” (p. 44) “GHG emissions reduction” (p. 45)	

Aspect: Effluents and waste		
G4-DMA	"Waste" (p. 44)	
G4-EN23	"Total weight of waste" (p. 45)	
Aspect: Products and Services		
G4-DMA	"Environmental education" (p.42) "In the office" (p. 44)" "In the Sisal network" (p. 44)	
G4-EN27	"In the office" (p. 44)" "In the Sisal network" (p. 44) "Mitigation of the environmental impact of products and services" (p. 45)	
SOCIAL: WORKING PRACTICES AND THE DIGNITY OF WORK		
Aspect: Employment		
G4-DMA	"Our people" (p. 34)	
G4-LA1	New recruits by gender" (p. 40) "New recruits by age band" (p.40) "Turnover by gender" (p.40) "Turnover by age band" (p. 40)	
Aspect: Occupational Health and Safety		
G4-DMA	"Health and safety" (p. 41)	
G4-LA6	"Rate of absenteeism" (p. 41)	
G4-LA8	"Trade union agreements on HSE issues" (p. 41)	
Aspect: Training and Education		
G4-DMA	"Our people" (p. 34) "OpenCafé, training in Sisal" (p. 35) "3. Human resource training" (p. 57) "4. An attentive retail network" (p. 57) "Point of sale training" (p. 72)	
G4-LA9	"Training" (p. 41)	
G4-LA10	"Skill lab – Skill development center" (p. 36) "Mentorship program" (p.36) "Managerial Academy" (p. 36) "Point of sale training" (p. 72)	

G4-LA11	"Performance assessment" (p. 35)	
Aspect: Diversity and Equal Opportunity		
G4-DMA	Diversity Management (p. 38)	
G4-LA12	"The Board of Directors" (p. 19) "Workforce" (p. 39)	
SOCIALE: SOCIETÀ		
Aspect: Anti-competitive Behavior		
G4-DMA	"The regulatory framework" (p. 50)	
G4-SO7	The Group has not been the subject of legal action for anti-competitive behaviour, anti-trust issues and monopoly practices in 2016.	
Aspect: Compliance		
G4-DMA	"The regulatory framework" (p. 50)	
G4-SO8	The Group did not receive any significant sanctions in 2016 for non-compliance with laws or regulations.	
SOCIALE: RESPONSABILITÀ DI PRODOTTO		
Aspect: Customer Privacy		
G4-DMA	"Certification of the information security management system" (p. 64)	
G4-PR8	"Certification of the information security management system" (p. 64)	

Contact information

[G4 – 5]

Registered Office
SISAL S.P.A.
Via Alessio di Tocqueville, 13
20154 Milano, Italia
Tel. +39 02.8868534

Rome Office
Viale Sacco e Vanzetti, 89
00155 Roma, Italia
Tel. +39 06.439781

[G4 – 31]

For more information about this report:

infoCSR@sisal.it

www.facebook.com/sisal
www.twitter.com/Sisal_Group
www.youtube.com/grupposisal
www.linkedin.com/company/sisal-s.p.a

www.sisal.com