

# SWAITECH

Corporate Citizenship Report 2016



# SNAITECH

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Corporate Citizenship Report 2016

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## LETTER TO STAKEHOLDERS

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Last year a deep and gradual change affected the whole Group. We have successfully accomplished the industrial and corporate merger into Snai S.p.A. of Cogemat group. The organizational structure was reshaped to exploit the most talented managers coming from different undertakings whereas the rationale of such merger was entirely reflected in the new corporate name of SNAITECH. Furthermore, following the merger into Snai Rete Italia of SIS business unit, represented by a national network of points of sales, and the acquisition of Finscom network, last year was also characterised by the gradual outsourcing of these newly acquired points of sales.

An ambitious although realistic program of € 20.5 mln synergies over two years was initially launched, with more than 50% already achieved by year-end through the renegotiation of key agreements with suppliers, the merger of datacentres as well Rome and Milan premise, which now become the single logistic hub. Furthermore, it was also started a clear, flexible and open negotiation with unions to handle overlaps arising from the merger of the different undertakings of Group with the aim to minimize the impact on the organizational structure. To tell about last year means first of all describing the relocation of more than one thousand employees over three different premises (Milan, Porcari and Rome) and the challenge to team up personnel to work together.

I personally believe that the formalities adopted in the corporate reshaping represent a leading example of social responsibility as they achieve a good balance between the need of long-term profitability and the proper valuable social choice.

The company choice of implementing the Corporate Citizenship underlines full awareness of rights and duties towards national communities in which we work as well as the ambition to be over compliant by exceeding its own duties.

As regards the relationship with national community, representing the natural recipients of its business, as well as the regulator, SNAITECH is fully consistent with its core belief that gaming and gambling is part of the human being and must be regulated to protect responsible players. SNAITECH ideal relationship with players is based on the daily belief that the Company may foster players' responsibility and awareness with specific corporate initiatives

SNAITECH truly acknowledges its responsibilities toward each player as well as for the entire nation, by fully complying with national laws and guidelines provided by regulator, whereas it recognises full cooperation in providing best-in-class solutions to protect players and foster the broadest legality in the entire industry.

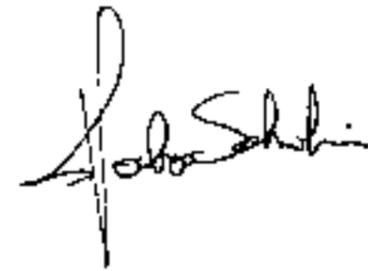
SNAITECH pursues social sustainability even outside its own industry throughout communities' engagement. On this purpose, SNAITECH has recently established iZiLove Foundation, a no-profit entity entirely committed to social solidarity in those fields elected by SNAITECH.

Several projects fall under this scope, including the "casa-famiglia" project with Francesca Rava Foundation, scholarships to Care & Share, support to the PlayTherapy project of Meyer Foundation and Amatrice population.

SNAITECH may increase its contribution to care for the environment through its large green lung represented by horse racing tracks in Milan and Montecatini Terme, both symbols of horse-centred corporate culture and tradition to be promoted even outside the agonistic scope.

SNAITECH's commitment in each of the strategic directions aforementioned is exposed in the Corporate Citizenship Report, which should enable the Company to enhance transparency and dialogue with all the stakeholders. On this purpose, for the first time the Report is drafted according to the G4 version of international guidelines proposed by GRI and audited by an independent auditor (G4-1).

I am really proud to invite all of you to have a careful reading of what we are and what we have achieved with great passion in 2016.




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Fabio Schiavolin  
Amministratore Delegato SNAITECH



### SNAITECH S.p.A.

SNAITECH, acting as the only operator listed on the Italian Stock Exchange, leading concessioner on betting and one of the main players in Gaming Machines, faces each challenge with passion and innovation by putting them at the hearth of each project and daily job.



▲

**ETHICAL INTEGRITY  
AND FAIRNESS  
WITH PEOPLE ARE  
INALIENABLE VALUES  
FOR SNAITECH.**

*From Key principals of the Ethic Code*

CHAPTER 1



## 1. CORPORATE CITIZENSHIP OF SNAITECH

### 1.1 Modern citizenship and corporate citizenship

Citizenship is the status of being a citizen of a country or community. In today's democracies, such position relies on the concept of parity between citizens and was developed along with the modernisation.

Following the western industrialization, corporates played a central role in social transformation and have been empowered with great responsibility to promote quality of life of citizens. Corporates and their decisions may produce value added as wells as technical and organizational solutions capable to improve or aggravate citizens daily lives.

*Corporate citizenship includes rights and duties of each corporate as member of a community. Rights are related to free enterprise and use of profits within the boundaries set by the law, whereas duties relates to the social and ethical responsibility towards all stakeholders.*

Rights and duties arising from corporate citizenship may be summarized in pursuing the economical sustainability as well as the commitment to improve stakeholders well being and more generally to preserve the environmental quality.

### 1.2 The Company and its values (G4-56)

SNAITECH internalized the principles beneath the organizational model set forth by D. Lgs. n. 231/2001 to implement then in the Ethical Code approved by the Board of directors.

*"Ethical integrity and fairness with people are inalienable values for SNAITECH and specifically, equality and sustainability represent the ethical ground of the Company and reflect its willingness to deal with all the stakeholders."*

*From key principals of the Ethic Code.*

The key principals of SNAITECH Ethical Code address relationships with all stakeholders or specifically refer to some of them. The Company acts with fairness and equality towards all the relevant operators by avoiding any kind of discrimination, exploits its own human capital through ad hoc actions, behaves with fairness and expects the same from other counterparties, adopts full and clear internal and external communication, engages in human and environment protection and guarantees confidentiality of information related to the Company and individuals.

SNAITECH expects responsibilities from its partners and suppliers as well as fairness, professionalism and carefulness.

The Ethical Code as well as the internal rules represent a formal framework where SNAITECH women and men develop their own skills and cooperate to pursue key goals needed to consolidate its market leadership. As the only operator listed on the Italian Stock Exchange, leading concessioner on betting and one of the main players in Gaming Machines, SNAITECH faces each challenge with passion and innovation, putting them at the centre of each project as well as daily job.

## VISION

*"SNAITECH, always committed to social responsibility principles, sees its business activities within the framework of sustainable development, meant as the idea of combining economic efficiency and profitability with social development and environmental care".*

From Ethical Code - premises.

### 1.3 Sustainability as citizenship duty

Consensus, in modern democracies, was established on the belief that free enterprise, within boundaries set forth by law, should guarantee the welfare of community in the long run. Based on such premises, corporates were recognised with a citizenship status similar to individuals. A growing awareness of the limits of free enterprise to ensure a long lasting welfare to everyone fostered a new awareness from citizens to require and from national and international institutions to introduce tighter criteria on the concession of corporate citizenships status.

Belief that everyone should commit more to pursue planet sustainability has shifted forward the request of additional commitment from corporates on responsibility, in all three economic, social and environmental dimensions. Citizens are more and more likely to assume environment-friendly behaviours and to favour products from corporates, which respects human rights. Similarly, corporates are induced to behave in all three economic, social and environmental dimensions.

Corporate citizenship is therefore linked to social responsibility and it is granted to those corporates that behaves accordingly, whereas an opposite attitude may lead to loss of clients' trustworthiness.

SNAITECH is fully aware to run its business in a sensible sector, intended to meet the needs of individuals who find pleasure in gaming. The peculiarity of this sector however requires the State's intervention to regulate and grant proper operation and contextually to partially offset the increasing public expenditure.

**SNAITECH aims to reinforce its citizenship right by adhering to sustainable principles of sound and prudent economic management, social responsibility and environmental care.**

### 1.4 Responsible Gaming (PR-3 PR-6) (G4-26) (G4-27)

SNAITECH adheres and comply with the principles of safe gaming, set forth by the regulator as key requirements to grant business concession for the Italian market and to protect players and the whole community.

Gaming is subject to public regulation since inadequate controls may determine real risks for players, such as additions and ludopathy, as well as for the community, such as the infiltration of crime organizations into the business to pursue tax evasion, money laundering and fraud damaging either players or the Company itself. Public opinion is centred on an often-heated argument on the legality of the gaming business and, specifically, in Italy several associations are in favour of a reduction of the gaming supply. Particularly, local authorities have enforced their own regulation, which tends to keep gaming machines at minimum distance from sensible premises, such as schools, churches and sports associations (EC-8).

## POLICY

SNAITECH policy is finalised to acknowledge and foster gaming as safe entertainment, emotion, participation, analytical skills and self-control. Based the guidelines of the State concession agreement, the Company is committed to implement pre-agreed programs with ADM in order to prevent pathologic gaming and to comply with law, particularly the Balduzzi Decree (S01-S02).

The Company believes that a prohibitionist framework may damage society and determines higher risks than the ones associated with an effective regulation, able to prevent the development of illegal gaming. SNAITECH, as concessioner for the gaming business, has implemented ADM guidelines and determine on annual basis a development plan. Particularly, after several months of preparation, the Company has submitted to the regulator a plan for 2017, which is in continuity with prior years and aims to grant customers a safe and legal gaming environment in each point of sales and online.

According to the regulator, the plan is organized in four different areas:

- \_ activities to enhance security and immutability of data transmission related to games played;
- \_ activities to improve public order and user protection through assessments of clients, bets and winning above threshold;
- \_ activities to foster legal and responsible gaming through: a) creation and dissemination of information documents online and to point of sales; b) prevention actions on the internet and social network; c) dissemination of interactive tools for information and risk attitude self-assessment; d) broadcasting of ads on radio and TV; e) ad hoc training for the entire value-chain;
- \_ timely communication to relevant authorities of irregular findings in network technology, following control activities.

SNAITECH activity and commitment to promote its offering in each point of sales as well as to retain clients constitute a concrete action to prevent illegal gaming and foster safe and legal gaming both online and on retail point of sales, which are duly authorized and subject to continuous supervision in order to grant transparency and reliability.

#### Reliability of the game management systems

SNAITECH implements technologies and software with the highest reliability and security standards for all the gaming and betting solutions offered. The transaction management system, running on each channel, issues the gaming or betting ticket once Sogei (IT entity of the Ministry of Finance) has received and accepted digital request. Such procedure grants gaming validity and allows tracking of winning payment.

#### Transactions security

Online gaming, currently being offered in Italy only through individual gaming accounts, is submitted to tight controls to protect transactions and management of accounts as well. The latter, with specific reference to top-ups through credit cards are encrypted using SSL128 system. Withdrawals from gaming accounts are allowed only through traceable transactions. At any time, gaming account owners have full access to telephone assistance.

#### Compliance with regulation

In addition to implementing state-of-the-art technologies, SNAITECH is strongly compliant with the current regulations. In particular, with reference to Balduzzi law on compulsive gaming prevention and underage protection, the Company aligned its entire institutional and marketing communication and educated the distribution network on duties and restrictions imposed by law, including the interdiction of underage from gaming shops.

#### Privacy

Customers privacy is rigorously monitored both online and on retail channel. With regards to personal data processing, SNAITECH grants fully adherence to principles of fairness, lawfully, transparency and personal data privacy protection according to D. Lgs. n. 196 of 30 June 2003 "Personal data protection Code". In 2016, no claims were received on privacy violation (PR-8).

## G4 - GLOBAL GAMBLING GUIDANCE GROUP

SNAITECH's commitment in complying with regulation, underage protection and supervision of issues has been awarded in 2016 through the delivery of **International Certification G4 - Global Gambling Guidance Group** for the online gaming.

G4 - Global Gambling Guidance Group is an entity composed of international professionals of the gaming sector, with the aim to monitor and certify those website and customer care activities entrusting best practices of responsible gaming diffusion.

SNAITECH adheres to the responsible gaming program issued by G4, Global Gambling Guidance Group, with the aim to improve social responsibility in gambling activities and minimize any related damages, through the promotion and enrolment to a global program. G4 enrolment occurs annually following an audit performed by G4 board.

Cogemat Group, one of the first concessioners to be awarded in 2011, conferred the best-practice award to the Company.

*"A direct consequence of the merger between the two groups is to leverage on the other group's experience, especially in relation to procedures, best practices and skilled personnel trained in the framework of responsible gaming."*

Statement from CEO, Fabio Schiavolin.

**1.5 Relationship with stakeholders (G4-24 G4-26 G4-27)**

SNAITECH is fully aware to be part of a context characterized by a growing number of stakeholders with legitimate interests. Furthermore, the evolution of social and environmental attention felt by stakeholders as well as the broadest public opinion is even more demanding on business activity.

The Company sector gathers expectation from a large audience of different actors. Gaming sector is indeed governed by a tight public regulation and the gaming offering is under direct concession of the State, which pursue a dual interest to protect players on one side and collect important tax income for its own public expenditure.

SNAITECH is therefore pivotal for different actors, mainly animated by public interest and represented by the State, dedicated agencies (including ADM), Ministers and central/local government. Such public actors play a key role in providing guidelines, which influence relationships with all the other private actors, such as players, points of sales, suppliers and more generally the entire value-chain.

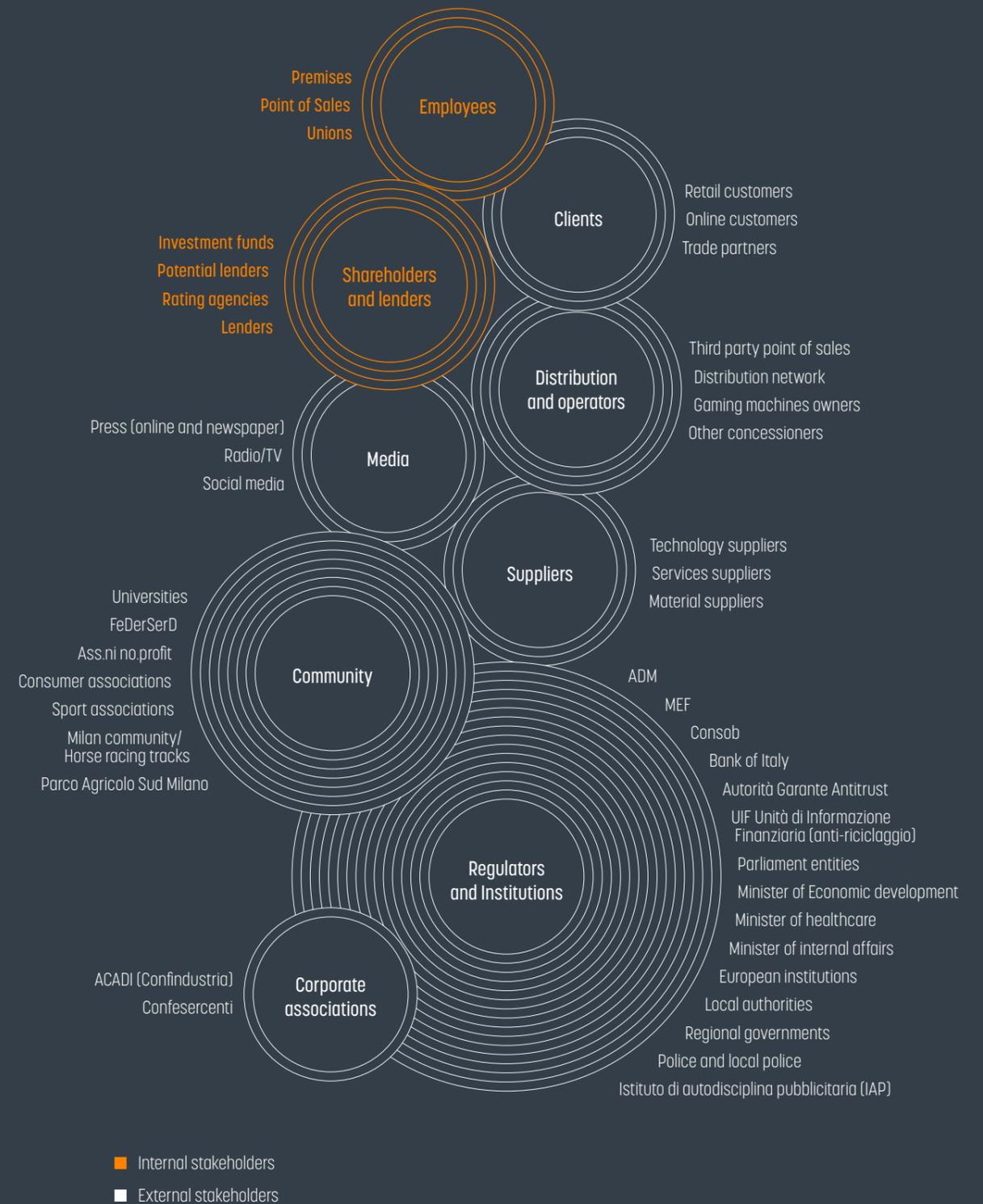
SNAITECH has build up several relationships with relevant stakeholders and pursues a strategy of listening and constructive comparison with those actors moved by legitimate interests. Such relationships may be represented with a map, where each area of the map has different role.

Stakeholders are divided in internal and external ones. Shareholders and employees represent internal stakeholders. As every listed company on Italian Stock Exchange, SNAITECH promptly informs investors of any corporate event through Investor Relation. Relationship with employees is instead managed by the corporate function dedicated to internal communication and relation with unions, in charge of the HR director.

Relation with external stakeholders is mainly handled through communication run by Business Development and Institutional Affairs director, which among other things is in charge of relationships with media, as the key channel to inform public opinion. Given the power of public actors to control and address business activity, SNAITECH has set up a specific function to handle relationships with institutions.

Dialogue with stakeholders underlies any trustworthy and cooperative relationships. From a corporate citizenship perspective, SNAITECH acknowledges its specific duties towards each stakeholder, acts consequently for its rights and is committed also for the future with specific programs arising from the comparison with stakeholders.

**STAKEHOLDERS MAP (G4-24)**



SNAITECH RIGHTS AND DUTIES TOWARDS STAKEHOLDER (G4-26 G4-27)

STAKEHOLDER	Community, Central State, Regulators, Shareholders	Community, Employees, Suppliers, Central State in charge of income taxes	Employees, Local Communities	Community, Players, Retailers, Regulators	Community, Shareholders	Community, Regulator
RIGHTS	Acknowledgement of entrepreneurial function	Acknowledgement of Shareholder value creation	Reorganize the company and its resources based on cost sustainability and criteria of efficiency, effectiveness and productivity	Promote and exploit market presence and legal gaming offering	Exploit its own assets to achieve corporate efficiency	Acknowledgment as partner of Central state and institutions in order to foster gaming with social and legal boundaries
DUTIES	Behave ethically in compliance with market and regulators rules	Fair distribution of wealth produced between internal and external stakeholders	Behave responsibly with personnel and acknowledge of local communities where the company is established	Promote and advertise gaming within limits to prevent compulsory and underage phenomena	Invest to prevent and exploit those areas and activities of corporate culture and local communities	Invest resources and knowhow of personnel and management to pursue economically and socially sustainable solutions
WHAT WE DID	Comply with law and regulation Comply with market rules	Value added distribution Payment of salaries Foster entrepreneurship along the value chain Payment of suppliers Taxes payment	Corporate restructuring with the aim to preserve the tree original premises, local communities and human resources Open dialogue with unions and local authorities Merger of different employees cultures	Comply with laws and regulations on ads Promote responsible gaming	Beginning of requalification of the horse racing tracks	Research and innovation on channels and ways of legal and responsible gaming
FUTURE COMMITMENTS	Constant attention to regulatory changes	Corporate development and efficiency programs	New corporate culture based on meritocracy and goals achievement	Promote responsible gaming and counteracting illegal gaming with information and educational campaigns	Value creation in the long run	Constant improvement of technology and product innovation as well as enhancement of security data transmission

▴  
**SNAITECH'S  
ACTIVITY RELIES  
ON MORE THAN  
1,600 POINTS OF SALES  
DISTRIBUTED ACROSS  
THE ENTIRE COUNTRY.**

CHAPTER 2



## 2. GROUP IDENTITY

### 2.1 SNAITECH profile

SNAITECH originates from the recent acquisition of Cogemat Group, third operator in the Gaming Machines business, by SNAI S.p.A., leading national player in the Betting business, through capital exchange transaction with Cogemat shareholders, which was executed on 19 November 2015.

Following the merger, the new company has consolidated its leadership in the addressable markets, achieved relevant synergies thanks to the businesses complementarity as well as improved the economic and financial performance.

In particular, the strategic relevance of the merger determined a strong consolidation in the Betting business, a relevant growth in the Gaming Machines business, where the group is the third operator with a market share of 15%, as well as the combination and development of unique distribution network.

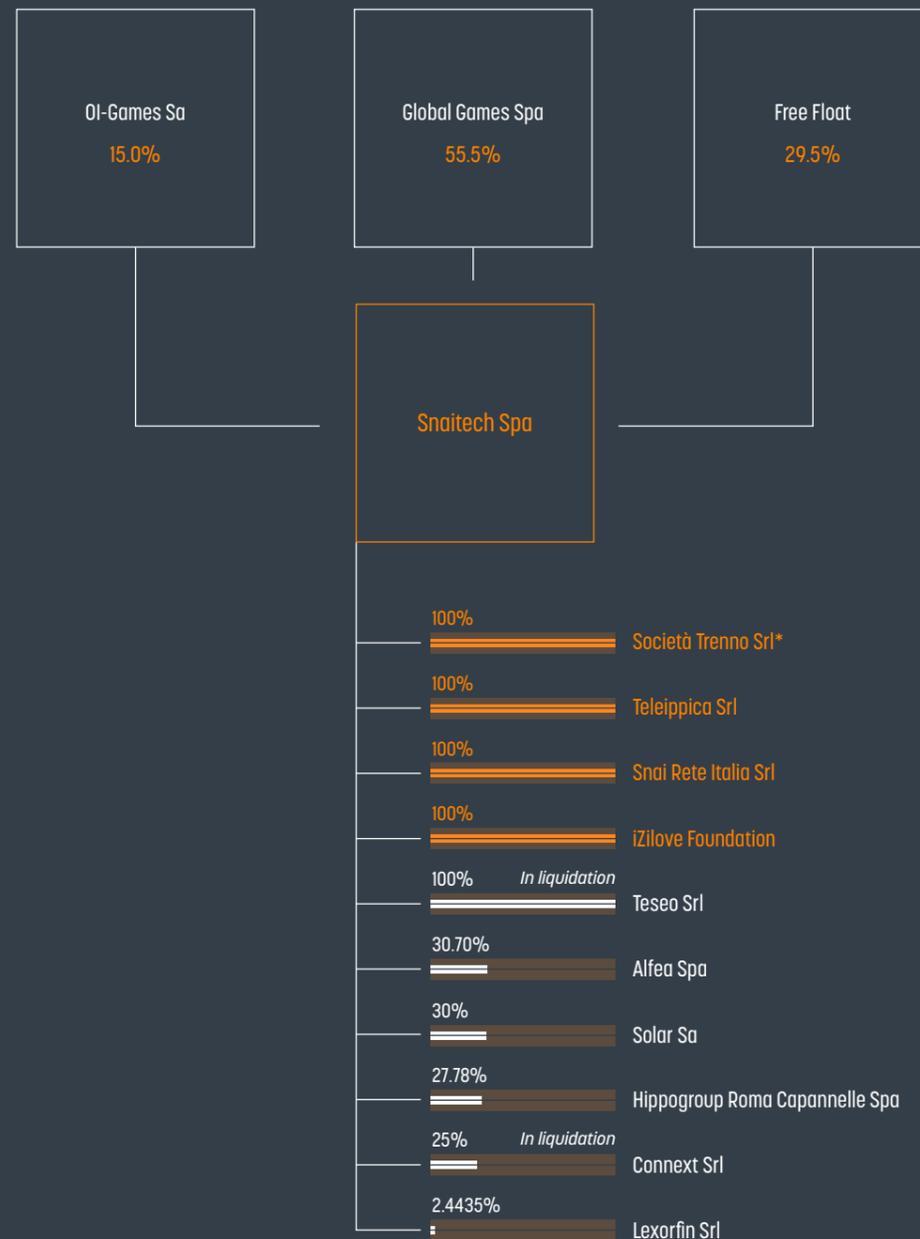
SNAITECH today is leader in the Retail Betting business, one of the key players in the Gaming Machines business and aims to lead from a technological perspective as well through the constant innovation. Furthermore, through the Paymat brand, the Group has become a relevant player in the top-up and payment services.

The Online business, through a large product offering (Betting, Cash and Tournament Skill Games, Casino games, Slot and Bingo), has recorded a strong wagers growth (+24% compared to 2015), notwithstanding a growing competitive pressure. Such growth is mainly related to a broader product offering and the cross-selling activities on retail channel.

SNAITECH owns both Milan horse racing tracks (SNAI San Siro and SNAI La Maura) as well as the track in Montecatini Terme (SNAI Sesana) and has several shareholdings in other tracks such as Pisa San Rossore and Roma Capannelle. Through Teleippica S.r.l. subsidiary, it manages TV channel broadcasting horse racings and other events on gaming and betting.

SNAITECH's activities rely on 1,606 direct points of sales and 601 indirect shops; most of them exposing SNAI logo are provided by the Company with specialised services (clients providers) (G4-6).

## GROUP STRUCTURE



[\*] The merger into SNAITECH S.p.A. was resolved on 7 February 2017

## 2.2 Organizational structure

SNAITECH S.p.A. is a public company listed on Milan Stock Exchange with registered offices in Milan, Piazza della Repubblica 32 (G4-3 G4-5). The company has three main premises in Milan, Roma and Porcari (LU).

### Subsidiaries

#### Società Trenno S.r.l.

Since 2016 manages horse racing tracks in Milan (trot and gallop), Montecatini (trot) and gallop training centre in Milan San Siro. Within the framework agreement with Minister of Agriculture and the national calendar proposed by the same Minister, the company arranges racings and collects bets within the same tracks.

#### Teleippica Srl

Broadcasts TV and radio signals from Italian and foreign tracks.

#### Snai Rete Italia Srl

Established in 2015, it provides gaming and betting directly through 51 point of sales spread across the national territory.

#### iZilove Foundation

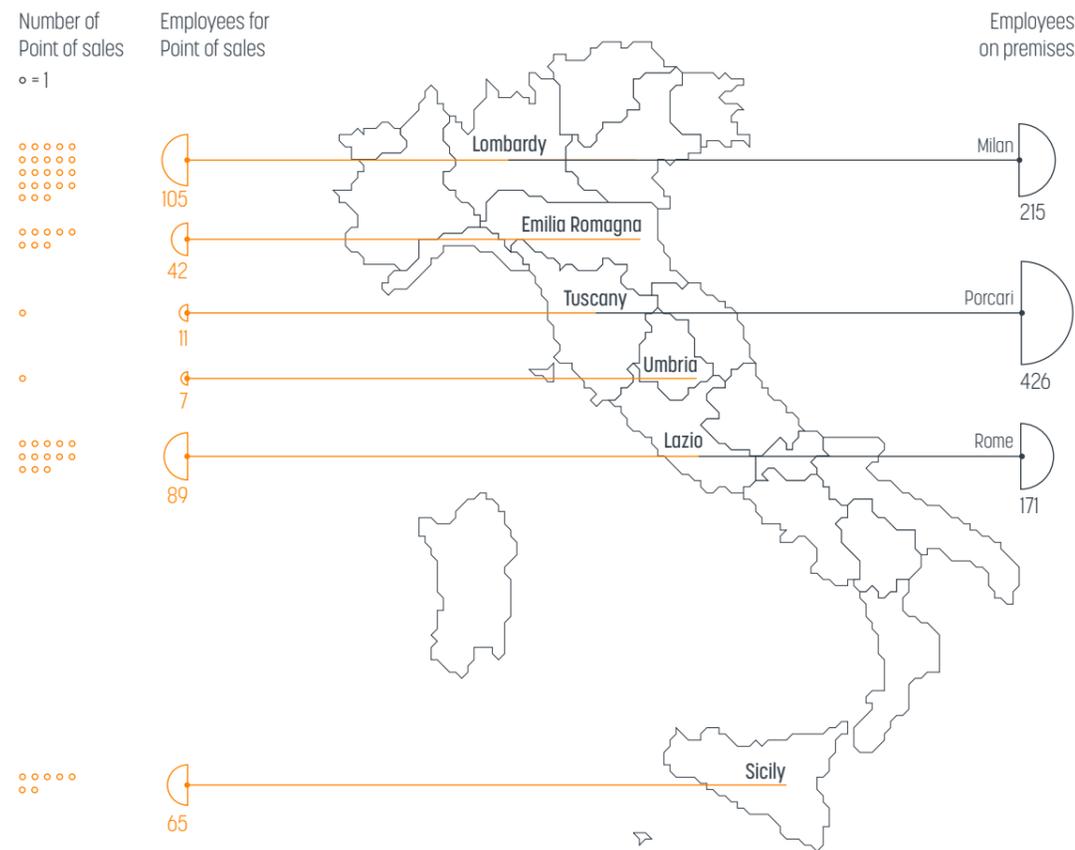
Independent no-profit organization, founded in 2013, with the scope to provide social assistance, charity, education, promote cultural initiatives as well as scientific research and arts.

### Affiliates

Direct affiliates represented in the Group structure scheme: Hippogroup Capannelle S.p.A. runs horse racing track in Rome; Alfea S.p.A. runs the horse racing track in Pisa.

## FOSTERING HORSE RACING ACTIVITIES

### SNAITECH territorial footprint by premises and employees at year-end 2016 (G4-5)



#### Premises in Lombardia

**Milan - Piazza della Repubblica, 32**  
 Milan - Via Ippodromo, 100  
 Peschiera - Via Walter Tobagi, 10/12  
 Società Trenno - Via Ippodromo, 100

#### Premises in Toscana

**Porcari - Via Boccherini, 39**  
 Porcari - Via Boccherini, 57  
 Porcari - Via Lucia, 7  
 Porcari - Via Boccherini, 338  
 Porcari - Via Boccherini, 19  
 Teleippica - Porcari - Via Boccherini, 39  
 Società Trenno - Montecatini Terme,  
 Viale Cadorna, 30/B

#### Premises in Lazio

**Rome - Via Goito, 58**  
 SRI - Rome - Via Goito, 58  
 Teleippica - Via C. Colombo, 283/A

SNAITECH, through Trenno S.r.l. manages the horse racing tracks in Milan and Montecatini. The Horse Racing sector is waiting long time to be reorganized by the Minister of Agriculture (Mipaaf), with the aim to foster initiatives from the entire chain. SNAITECH, from his side, contributes to foster horse racing by combining the heritage of an old passion with modern entertainments. Such commitment requires costs of organizational and maintenance often higher than the bets collected. Boosting horse racing is strictly linked to the horse racing products, which includes taxations and sports events aspects to be reformed for a long time. Meanwhile, SNAITECH is doing his best to create a virtuous circle able to promote and foster the whole sector.

An example may be identified in the construction of the horseracing track SNAI La Maura. It was designed according to specific criteria in order to minimize the environmental impact, by using or recycling local materials, and to offer a state-of-the-art structure to welcome trot season in Milan. Racing calendar was rescheduled in few months and the historical tournaments of Milan, distributed in other Italian tracks during the closure, restarted in their original location. The great old fashion horse racing continued to be performed in Milan as well as in Montecatini, where the Company undertook the same communication strategies and several promotion activities, relying on synergic agreements with local authorities.

SNAITECH's vision of the horse racing tracks includes a broader set of initiatives and events for a broader audience than horseracing fans.

In particular, SNAI San Siro track, as national monument, become a venue to host different cultural events with the aim to attract more and more families that may benefit from large green areas, restaurants and different types of entertainments.

By looking at large sports events, where the entertainment is both in and outside the sport field, SNAITECH is trying as well to rearrange horseracing events to boost public involvement in a modern fashion. The track became then a meeting point, which originates culture, integration and strong relationship with people, citizens and the city. On this basis, in October, SNAI San Siro track has planned, during two of the most important tournaments in Milan such as the Jockey Club and Gran Criterium, several concert dances performed by CPM Music Institute as well as several culinary exhibitions.

In November, during the tournament Gran Corsa Siepi, SNAITECH celebrated its 110th birthday with the participation of Mr Giuseppe Sala, as mayor of Milan. In this occasion, the audience was offered with a free tour of the several areas of the tracks.

All the horse racing activities of SNAITECH as well as the services offered within the tracks are performed in the full respect and care of animals. Periodic inspections by the Minister of Agriculture, local ASL and police guarantee adherence to the horse and horse racing regulations. The Company provides a vet and farrier service during all season and horses' health is monitored before and after every competition. San Siro structure has ambulance for horses and is equipped with a vet hospital, including surgery, for large animals as well as for small animals.

## 2.3 Governance (G4-34)

SNAITECH implements a traditional governance scheme, where the Board of directors is the key body for the corporate governance, being empowered with the broadest ordinary and extraordinary powers according to art. 15 of corporate bylaws. Shareholders' meeting held on 9 June 2016 appointed 14 board members until the next shareholders' meeting approves the annual report for 2018. The candidate lists are composed on the basis of principles of competence so as to ensure the highest levels of professionalism for the Company, whereas a director has no longer such qualifications the same will cease to hold office.

### Board of directors (G4-LA12)

#### BOARD OF DIRECTORS

**Appointment** - 9 June 2016

**Expiry** - Approval of 2018 annual report

Chairman	Mara Anna Rita Caverni	1962
Chief Executive Officer	Fabio Schiavolin	1969
Director	Giorgio Drago	1958
Director	Salvatore Catapano	1968
Director	Roberto Maestroni*	1975
Director	Nadia Buttignol	1977
Director	Raffaella Viscardi	1975
Director	Mauro Pisapia	1965
Director	Maurizio Leo**	1955
Director	Paolo Scarlatti	1962
Director	Roberto Ruozzi	1939
Director	Barbara Poggiali	1963
Director	Chiara Palmieri	1970
Director	Nicola Iorio	1978

#### BOARD OF STATUTORY AUDITORS\*\*\*

**Appointment** - 26 May 2017

**Expiry** - Three-year period 2017-2019

Chairman	Angelo Miglietta
Regular auditor	Massimo Gallina
Regular auditor	Mariateresa Salerno
Substitute auditor	Elena Albertoni
Substitute auditor	Raffaella Guatri

#### SUPERVISORY BODY

Chairman	Marco Dell'Antonia
Member	Iole Anna Savini
Member	Tiziana Panelli

#### INDEPENDENT AUDITORS

PriceWaterhouseCoopers

\*Appointed by co-option on June 26, 2017 to replace Angelo Giovannone, effective until next Shareholders' Meeting.

\*\* Appointed by the Shareholders' Meeting held on 13 March 2017 until the Shareholders' Meeting that will approve the financial statements as of 31 December 2018.

\*\*\* Appointed by the Shareholders' Meeting held on 26 May 2017 until the Shareholders' Meeting that will approve the financial statements as of 31 December 2019.

In compliance with the Self-governance Code, which protects good corporate management practices, no board member has executive role within the firm but Chief Executive Officer Mr Fabio Schiavolin. As of December 2016, the average age of board members is 50 years. Five out of 14 members (35.7%) are women, including the Chairman of Board of directors.

In 2016, the Board of directors met on average every 20 days for a total of 19 meetings lasting on average two hours.

#### Board of Statutory Auditors

Appointed by the Shareholders' meeting held on 26 May 2017, lasts a three-year period and it is made of a chairman, two regular auditors and two substitute auditors. Among its duties there is also the assessment of internal controls carried on the reliability of information system and risk monitoring as well as the adequacy of internal control systems. It is highly coordinated with the Independent Auditors, the Audits and Risks Committee and the internal audit department. In 2016, it met 15 times with an average of one and a half hours per meeting.

#### Supervisory body

It is made of three members, including the chairman, appointed by the Board of directors. The selection of members relies on integrity and professionalism requirements in order to preserve autonomy, independency and continuity. Key tasks assigned to the Supervisory body include the control of effective compliance by all recipients within the Company with the implemented Organisational and Control Model; the control of effectiveness and adequacy of the Model to prevent crimes listed in the Decree. Furthermore, the Supervisory body is in charge to verify that the Model effectively implements the proposals of the Board of Directors and the adoption of any measures necessary for the Board of Directors to constantly update the Organisational and Control Model in order for the latter to be consistent with any organisational changes as well as any regulatory amendments and changes in Company structure. Met 8 times in 2016.

**In accordance with the Self-governance Code and international best practices, in 2016 the Board of directors was subject to an external board assessment process run by third party, in order to assess functioning, dimension and composition of the Board and its Committees. The positive outcome of such analysis outlined a balanced dimension and composition of the Board as well as a positive assessment of the functioning of the Board and its Committees!**

The Board of directors has established three internal Committees:

**Remuneration Committee** is in charge to assess the adequacy, consistency and overall application of the remuneration policy with respect to directors and executives with strategic responsibilities. Furthermore, it is in charge to set the performance goals of the variable incentive schemes. It is made of three non-executive members of which two independent. In 2016, the committee met 4 times and each meeting lasted on average one and a half hours.

– **Audit and Risks Committee** supports the Board of directors to perform its auditing duties, through advisory activities, in conjunction with the Board of Statutory Auditors. Reports to the Board of directors on adequacy of internal control. It is made of three non-executive members, of which two are independent. In 2016 it met 9 times and each meeting lasted on average one and a half hours.

– **Related Parties Committee**, made only by directors, is in charge to assess, through opinions, any transaction with related parties in order to grant transparency and fairness, as requested by the relevant regulation. In 2016 it met two times in accordance with the needs arose from time to time.

## ORGANIZATIONAL AND CONTROL MODEL

Pursuant to D.Lgs. 231/2001 on administrative responsibilities of legal persons, SNAITECH has implemented an Organizational and Control Model based on best practices of interest. All the activities related to the setting, implementation, monitoring and subsequent updating are performed in accordance with risk-based logics, which creates links between crimes and corporate processes as well as organizational structures involved. Lasted updated of Model and its annexed Ethical Code are available on the company website [www.snaitech.it](http://www.snaitech.it), Governance section.

In 2016, 930 hours of training were dispensed on Model 231/01 to 412 employees (29 Middle management, 377 office workers, 6 blue collars) (S0-4)

## 2.4 Internal Control and Risks Management System (G4-45)

SNAITECH Board of directors determines the guidelines for the Group's Internal Control and Risks Management Systems (SCIGR), such that main risks of the Company and its subsidiaries are properly identified, measured, managed and monitored and furthermore are compatible with sound and proper management.

The adequacy assessment of the Internal Control system is carried out based on the relevant available information according to the external model "*Internal Control - Integrated Framework of Sponsoring Organizations of the Teadway Commission*", which represents an international benchmark broadly acknowledged for such assessments.

On 9 June 2016, the Board of directors, in accordance with the Self-governance Code, appointed the Chairwoman of the Board of directors, Mrs Mara Anna Rita Caverni, as Director in charge of the Internal Control and Risks Management System. The Director implements the guidelines of the SCIGR and constantly assesses its adequacy and effectiveness.

The duty to monitor the system is attributed to the Internal Control and Risks Management corporate function, which has a line report to the Board of directors and functionally report to the Director in charge of the Internal Control and Risks Management System. Director and Audit and Risks Committee are updated at least semi annually by the corporate function on the status of the system, following the auditing performed for the period.

In 2016, the Board of directors received semi annual reports from the Audit and Risks Committee on the internal control and risks management activities performed as well as sharing adequacy assessments of the System in relation to specific characteristics of the Company, its risk profile and any additional activity to enhance the adequacy level.

In 2016, an Enterprise Risk Assessment (ERA) project was implemented with the goal to improve and support the decision-making process of the Board of directors in relation to the corporate risk profile.

Therefore, in line with the goals of ERA project and in order to remove any overlapping activities/ operations between different levels of controls, the following actions were taken in compliance with the Self-governance Code and international control models:

- in March 2017 the Risk Management function was established with a line report to the Chief Executive Officer;
- in May 2017, the contents of Internal Control and Risks Management corporate function (scope of work, responsibilities, structure and name) were reviewed and a the new Internal Audit function was established, with a line report to the Board of directors and functional report to the Director in charge.

## SNAITECH ECONOMICAL, SOCIAL AND ENVIRONMENTAL FRAMEWORK

In addition to the usual business risks such as economical, financial and commercial ones, the Company is facing specific risks related to the gaming and betting sectors where it runs its business (as highlighted in the annual report pursuant to art. 2428 par. 2.6 of Civil Code).

SNAITECH must face and monitor operational risks related to systems security, bets traceability and full compliance with a multi layer regulations often hard to interpret and implement.

Notwithstanding SNAITECH products are designed and implemented in accordance with relevant laws on customer protection and the Company's commitment to foster responsible gaming, such products may serve improper and fraudulent uses thus exposing the Company to risks of objective responsibility pursuant to D.Lgs. 231/2001). The Company manages such risks by adopting specific procedures and policies.

From a different perspective and impact, among risks and opportunities it can be including any consequence to the Company arising from climate change. A reduction of rainfalls caused by global warming, it could determine for example an increase of maintenance costs of horse racing tracks as well as the need to implement specific measures to preserve the area. It is not available any quantitative measurement of the implication of such climate changes impacts, although directors are fully aware of such implications whenever Group strategies are set (G4-2).

### Anti-money laundering function

SNAITECH is one of the recipients of the provisions set forth by D.Lgs. 231/2001 on anti-money laundering and counter-terrorism financing.

The Company implemented an internal anti-money laundering function to periodically assess adequacy of the anti-money laundering corporate procedures, client control procedures, suspicious transactions reporting and storage of documentation required by law. It also performs effectiveness and functionality controls of point of sales and front-line divisions.

The person in charge of the Anti-money laundering function is part of the personnel responsible of internal audit and reports to the Chief Executive Officer.

Every corporate function works in compliance with the relevant laws, applicable also to third parties operators running business on behalf of SNAITECH.

The Company provided its distribution network with a specific procedure titled "Managing Anti-money laundering activities" to inform on those procedures to be implemented while performing customers appropriateness checks, storage of documents collected and suspicious transactions reporting.

In 2016, 306 hours of training on anti-money laundering were dispensed to 140 employees chosen between head of divisions, business units and SNAI's points of sales.

### Audit

Ethical conduct and social responsibility are all part of the Internal Control and Risks Management System and consist in effective planning and compliance with principles, systems, procedures and checks suitable to grant Company integrity and the rules adherence from the entire organization.

The Control System is monitored through an Audit Plan, which is developed on a three-year period with gradual coverage of all corporate processes and updated on an annual basis: among other goals, the plan pursues fraud and bribery prevention, which may damage the Company and market, in order to grant fair company management.

The plan refers to both internal and external processes related to the gaming activities performed under concession by SNAITECH distribution network (point of sales).

Herein below a summary of the auditing performed on internal processes and related to prevention of fraud and bribery, both direct and indirect.

#### Internal audit on anti-fraud compliance L. 262/05 and D. Lgs. 231/01 (S0-3)

	2016	2015
Number of organizational units monitored in relation to bribery risks	12	9
Percentage of organizational units monitored in relation to bribery risks	86%	69%

The controls performed at the point of sales level refer to the adequate application of social responsibility principles, which may have direct or indirect impact on players.

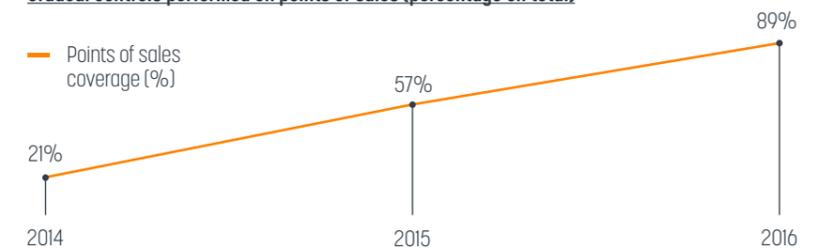
In particular, the following ones are assessed:

- formal and substantial utilization of the concession (adequacy and premises, ownership and licences expiry, custody of ticket office, etc.) to grant and safeguard legal gaming;
- compliance with the relevant provisions on citizen healthcare set forth by the D.L. n. 158 of 13 September 2012 (Balduzzi Decree) and contractual agreements. Such provisions set forth specific communication on gaming to prevent compulsory gaming (ludopathy) and access to games of vulnerable subjects (underage restrictions, etc.);
- compliance with anti-money laundering law (D. Lgs. 231/2001), in relation to knowledge and implementation of procedures and contractual duties needed to counteract money laundering and terrorism financing.

#### Controls performed on points of sales

	2016	2015
Shops	333	220
Corner	468	455
Arcades	146	84
<b>Total</b>	<b>947</b>	<b>759</b>

#### Gradual controls performed on points of sales (percentage on total)



SNAITECH hold ISO 27001:2005 certification in relation to data security and personal information protection as well as ISO 9001:2008 in relation to the quality of processes such as: sports and horse racing bets collection, betting pools, providing of IT services need to sports and horse racing bets collection, management of gaming machines, development, management and sale of online games as well as design and implementation of SW systems to collect bets.

▲  
**SNAITECH IS THE  
LEADING CONCESSIONER  
IN RETAIL BETTING  
AND THE SECOND  
OPERATOR IN GAMING  
MACHINES SEGMENT.**

CHAPTER 3



### 3. ECONOMIC RESPONSIBILITY

#### 3.1 SNAITECH addressable market and competitive positioning (G4-8) (G4-9)

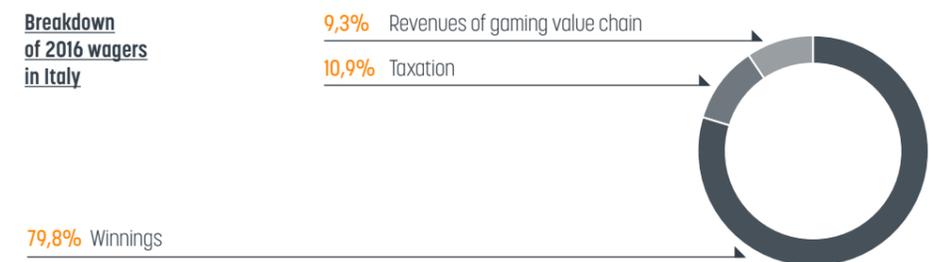
The current shape of the Italian gaming market results from the evolution of products offering, games types, distribution channels, high numbers of competitors and relevant regulatory framework.

Central State, through specific regulations, set forth the gaming requirements, the offering types, characteristics of distribution network and point of sales as well as the criteria to distribute wagers through all the value chain (players, State and operators of the value chain).

The Italian gaming market in 2016 has confirmed its long run trend of positive growth:

- total gross wagers were approximately Euro 96 billion (+8.7% compared to 2015);
- net expenditure dedicated to gaming (wagers net of winnings) was Euro 19.1 billion (+11.5% compared to 2015) and is approximately 20% of wagers;
- Euro 19.1 billion of which Euro 10.1 billion are tax incomes (+24,8%) and Euro 9 billion corresponds to revenues for the entire value chain (net of gaming taxes) including concessioners, gaming platform or machines providers and distribution network.

**Breakdown of 2016 wagers in Italy**



Source: Blue book ADM 2017

**Italian Wagers breakdown by business and channel (Euro, million)**

	2016	2015	Delta %
AWP	26,330.2	26,004.7	1.3%
VLT	23,109.6	22,201.6	4.1%
<b>Gaming Machines</b>	<b>49,439.8</b>	<b>48,206.3</b>	<b>2.6%</b>
Sports Betting	3,426.9	2,691.4	27.3%
Betting pool	24.2	32.3	-25.1%
Horse Racing Betting	538.0	572.1	-6.0%
Virtual Events	1,096.9	1,009.7	8.6%
<b>Total Retail Betting</b>	<b>5,085.9</b>	<b>4,305.6</b>	<b>18.1%</b>
Sports Betting	4,052.9	2,867.4	41.3%
Betting pool	1.0	1.1	-12.4%
Horse Racing Betting	69.7	64.2	8.6%
Virtual Events	69.9	57.4	20.3%
<b>Total Online Betting</b>	<b>4,192.6</b>	<b>2,990.1</b>	<b>40.2%</b>
<b>Online Games (skill games, casinò games e Bingo)</b>	<b>16,085.9</b>	<b>13,320.1</b>	<b>20.8%</b>
<b>Total SNAITECH addressable market</b>	<b>74,804.2</b>	<b>68,822.1</b>	<b>8.7%</b>
Betting Exchange	784.3	540.8	45%
Retail Bingo	1,501.8	1,506.9	-0.3%
GNTN	1,580.2	1,055.3	49.7%
Lotteries	8,890.6	9,062.8	-0.9%
Lotto	8,093.3	7,076.7	14.4%
<b>Total market</b>	<b>95,980.6</b>	<b>88,294.7</b>	<b>8.7%</b>

Source: Internal analysis/Market shares elaborated on ADM data and management estimates

The increase of wagers recorded in 2016 is mainly due to the gradual shifting of those grey operators to the legal betting market, with subsequent connection of their point of sales to the Sogei totalisator.

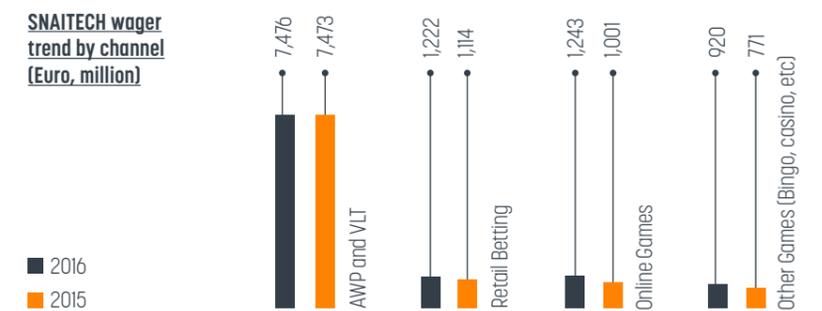
SNAITECH Group, with total wagers of Euro 9.9 billion, is:

- \_ the first operator in the Italian Retail Betting segment (horse racing, sports and virtual events betting) with 24% market share;
- \_ the second operator in the gaming machines segment (AWP and VLT) with 15% market share;
- \_ one of the leading operators in the online games with 6.1% market share.

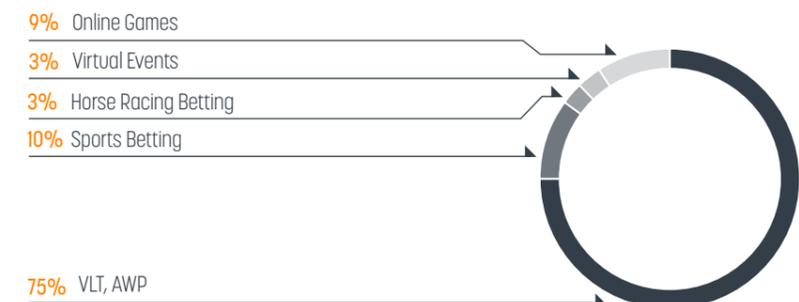
In 2016, wagers grew in each of the aforementioned segments whereas lower market shares on AWP/VLT segment and Retail Betting segment are mainly due to the entrance of new operators in the market. The market share on online is stable despite higher competitive pressure.

During the year, SNAITECH was extremely committed to launch new games as well as invested to develop the eSports segment, which is considered a growing opportunity in the future. At the same time, the Company focused on communication, by constant monitoring any new and traditional channels. Financial soundness, improved local coverage, business augmentation, technological synergies and experience as well as knowhow sharing all represented the key benefits from the merger of two corporates, which contributed to achieve the year-end result.

**SNAITECH wager trend by channel (Euro, million)**



**2016 SNAITECH wagers breakdown by type of games**



**SNAITECH Wagers breakdown by channel and type of games (Euro, million) (G4-9)**

	2016		2015	
	Wagers	Market share	Wagers	Market share
AWP	3,915.9	14.9%	4,060.1	15.6%
VLT	3,560.0	15.4%	3,412.4	15.4%
<b>Gaming Machines</b>	<b>7,475.9</b>	<b>15.00%</b>	<b>7,472.5</b>	<b>15.4%</b>
Sports Betting	732.4	21.2%	611.7	22.5%
Horse Racing Betting	213.1	39.6%	216.0	37.8%
Virtual Events	276.5	25.2%	286.5	28.4%
<b>Total Retail Betting</b>	<b>1,222.0</b>	<b>24.0%</b>	<b>1,114.2</b>	<b>25.9%</b>
Sports Betting	278.3	6.9%	191.9	6.7%
Horse Racing Betting	22.7	32.6%	21.1	32.9%
Virtual Events	22.0	31.9%	16.8	29.2%
<b>Total Online Betting</b>	<b>323.0</b>	<b>7.7%</b>	<b>229.6</b>	<b>7.7%</b>
<b>Online Games (skill games, casino games, Bingo)</b>	<b>919.8</b>	<b>5.7%</b>	<b>771.4</b>	<b>5.8%</b>
<b>Total SNAITECH Group</b>	<b>9,940.7</b>	<b>13.3%</b>	<b>9,587.8</b>	<b>13.9%</b>

Source: Internal analysis/Market shares elaborated on ADM data and management estimates

**3.2 Value creation for the community (EC-1)**

The value added created in the period is a proxy of the company ability to produce value for the whole social environment where the Company is established. The value added, calculated according to the statement of comprehensive income, is a measure of wealth produced as the difference between resources used and the value of goods and services offered. Such wealth is distributed to those stakeholders directly involved in the business.

It must be highlighted how the statement of comprehensive income for 2016 in comparison with last year has been affected by the Cogemat group consolidation (in 2015 the Cogemat group results were included only for two months whereas the current balance sheet reports the full twelve months).

**Statement of consolidated comprehensive income (€ .000)**

	2016	2015
<b>Total Revenues</b>	<b>1,832,932</b>	<b>1,042,941</b>
Revenues from sales and services*	1,821,673	1,009,019
- Revenues adjustments	-	-
Changes in inventory	1	(16)
Increase value of fixed asset due to capitalized internal costs	1,825	1,392
Other revenues and income	9,433	32,546
<b>Production costs</b>	<b>696,418</b>	<b>484,042</b>
Raw materials and consumables	683	518
Costs of services	658,163	439,585
Costs of third party assets	8,227	4,111
Expenses related to risk provisions	11,619	11,128
Other operating expenses	17,726	28,700
<b>Gross operational value added</b>	<b>1,136,514</b>	<b>558,899</b>
Financial income and extraordinary items	690	1,327
Deferred tax asset and liabilities	19,753	(6,000)
Financial expenses and extraordinary items	-	-
<b>Gross value added</b>	<b>1,156,957</b>	<b>554,226</b>
Amortisation and depreciation	57,400	70,249
<b>Net value added</b>	<b>1,099,557</b>	<b>483,977</b>

\*Including taxes

Net value added produced for the period, after Euro 57.4 million to amortization and depreciation, was Euro 1.099,6 million, equals to 60% of revenues and grew by 127% compared to last year, due to the merger between SNAI and Cogemat/Cogetch, the reopening of Finscom S.r.l. and former SIS (now SNAI Rete Italia) point of sales as well as rationalization of the distribution network and products offering.

In 2016, revenue, net of taxes on gaming, was Euro 1,832.9 million while production costs were Euro 696.4 million, of which the largest share was represented by cost of services. Such costs contributed to support third parties business from the same value chain.

### 3.3 Distribution of Value Added to stakeholders

Determining value added allows quantifying the distribution of wealth produced between those stakeholders that benefits from it.

The largest share of value added is due to the central State (concession costs and taxes on gaming) for a total amount of Euro 968.1 million. Such amount grew significantly from last year due to the merger with Cogemat group and the tax increase imposed on gaming machines.

Lenders were remunerated with Euro 87.1 million, representing a higher figure than 2015 due to the extraordinary transaction occurred in 2016. Personnel, through salaries and accruals to termination indemnities (TFR), received Euro 59.3 million, representing a higher figure than 2015 due to the new scope of the Group undertakings.

Payment to community, equal to Euro 2 million in the form of local taxes and charity, grew by 6.5%. The economic loss for the period was less than Euro 17 million, significantly lower than previous exercise. No dividends are paid to shareholders based on the loss recorded.

#### Distribution scheme of the consolidated value added (€ .000)

	2016	2015
<b>Personnel remuneration</b>	<b>59,311</b>	<b>45,110</b>
<b>Central State remuneration</b>	<b>968,139</b>	<b>434,491</b>
Taxes	5,953	6,790
Taxes on gaming	932,609	409,756
Concessions costs and penalties	29,577	17,945
<b>Remuneration to lenders</b>	<b>87,057</b>	<b>56,725</b>
Expenses related to short and long term loans	87,057	56,725
<b>Shareholders remuneration</b>	<b>-</b>	<b>-</b>
Profit distributed	-	-
<b>Company remuneration</b>	<b>(16,954)</b>	<b>(54,231)</b>
Profit retained	(16,954)	(54,231)
<b>Payment to community</b>	<b>2,004</b>	<b>1,882</b>
Local taxes	1,933	1,824
Charity	71	58
<b>Net global value added</b>	<b>1,099,557</b>	<b>483,977</b>

▴  
**SNAITECH CONTRIBUTES  
TO WELFARE AND  
SOCIAL COHESION  
BY STRENGTHENING  
ITS COMMITMENT WITH  
CHARITABLE INITIATIVES.**

CHAPTER 4



## 4. SOCIAL RESPONSIBILITY

### 4.1 Central State and Institutions (S01 S02)

Gaming sector is under public control and is subject to a broad regulation. The Italian regulatory framework is at the forefront compared to international peers and constitutes a benchmark for many other countries. Regulation aims to reconciling different interest of stakeholders from the same sectors, although the prevailing ones still remains the public interest.

The goal of the public regulator is to satisfy the offering in a controlled and regulated manner, to supervise for player protection and grant relevant tax income to support public expenditures.

The Minister of Finance, through the dedicated agency ADM, performs the public role although other public sector entities are involved, given the economical and social implication. Regulation covers legal gaming area and public security, counteracts illegal gaming, protection of player privacy, competitions between operators, underage and vulnerable subjects protection.

Public control and supervision of the sector is typical arranged on multi-layers governance scheme, where at international level there are recommendation and resolutions of European Commission, at national level there are central government bodies and relevant ministers, at regional level there are regional governments and Joint-congress State-Region and finally at local level, there are municipalities, which rules opening hours of point of sales.

ADM issues and manages gaming concessions, based on current legislation, whereas operators are subject to anti-money laundering regulations and suspicious transactions reporting. Player protection requires concessioners to fulfil with individual privacy, fairness in trade practices and ads and promotion conduct rules. As legal operators, companies in the gaming sectors are also subject to the Court of Auditors control, which imposes specific accounting rules.

Wagers collection from legal gaming and betting is subject to the authorization of public security authority. Furthermore, underage access to gaming shops is prohibited.

**In 2016 SNAITECH's contribution to Central State fiscal revenues totalled Euro 968.1 million (G4-EC8).**

In addition to specific sectorial rules, there are also other provisions to comply with, specifically related to business and listed companies. Among these provisions, the antimafia laws impose requirements to concessioners to grant traceability of financial flows and directors' integrity.

SNAITECH is also subject to supervision of the Competition and Market Authority, which grants open competition in the market, supervises any conflict of interests with politics and protects customers' rights.

The Balduzzi Decree (D.I. n. 158 of 2012), which aims to promote and protect citizen well being, introduced specific provisions to prevent those individuals with compulsory gaming attitudes, by imposing specific welfare duties to regions.

The latter approved laws to rule the functioning of gaming shops, distance from vulnerable places (attended by underage or vulnerable subjects), opening hours and types of games allowed.

SNAITECH believes that a multi-layer regulation fits perfectly with the needs of reconciling different stakeholders interests, both private and public. However, as noticed by ACADI (Association of Concessioners of Gaming Machines), which joins Confindustria network, the effectiveness of a multi-layer regulation relies on the degree of harmonization of the different regulatory layers, the compatibility of different laws and the consistency with local environments. On this basis, SNAITECH hopes for a simplified and clearer regulation, such that the implementation would be more certain and predictable. The non-harmonization of regulations approved by local authorities produces distortive effects on markets, which may attract illegal gaming.

#### ACADI

ACADI is a no profit, no political, independent association founded in 2006, which gathers concessioners operating in the gaming machines segment (AWP and VLT). The association promotes strategies and proposals of sectorial development, customers' protection, fostering legality, boost employment, optimization of fiscal impact and technological innovation. Interacts directly with ADM, national and international institutions in charge of legal gaming (G4-16).

## 4.2 Personnel (G4-DMA)

The value creation of SNAITECH for its stakeholders, the quality of services for its clients as well as the effectiveness and efficiency of management, all rely largely on the level of training, motivation and sharing goals by all its employees.

Business performance is strongly linked to management of human resources. Such assumption is even more pivotal given today's importance of cultural integration and sharing goals, following the merger of corporates with different history and tradition. It is furthermore crucial for the success of the organization.

Human resources management aims to combine the individual creativity and initiative with teamwork, by integrating diversified individual skills within a system of rules, values and goals.

Therefore, in 2016, following the reorganization of different business units and divisional heads, the Company decided to implement in 2017 a project to study internal culture and foster a quick integration, cooperation between resources and sense of belonging. The commitment is to achieve a new culture of work based on meritocracy, equality and goals achievement. In this way, the Company is preparing the foundations of a new stage able to value organizational well being and professionalism.

#### Composition of personnel (G4-10)

As of 31 December 2016, SNAITECH Group employs 1,131 personnel (compared to 900 in 2015) made of 52% male and 48% female, which increased compared to year-end 2015 (45%)<sup>2</sup>.

The number of employees changed compared to 2015 as a consequence of the new group scope. 2016 figures include SNAITECH S.p.A. employees (including former Cogemat group), Società Trenno S.r.l., SNAI Rete Italia S.r.l. (including former Finscom S.r.l. for the latest months of November and December) and Teleippica S.r.l. 2015 figures did not include SNAI Rete Italia S.r.l., which was run under a business unit lease agreement and therefore out of the basis of consolidation.

Furthermore, Cogetech S.p.A. was included only in relation to November and December.

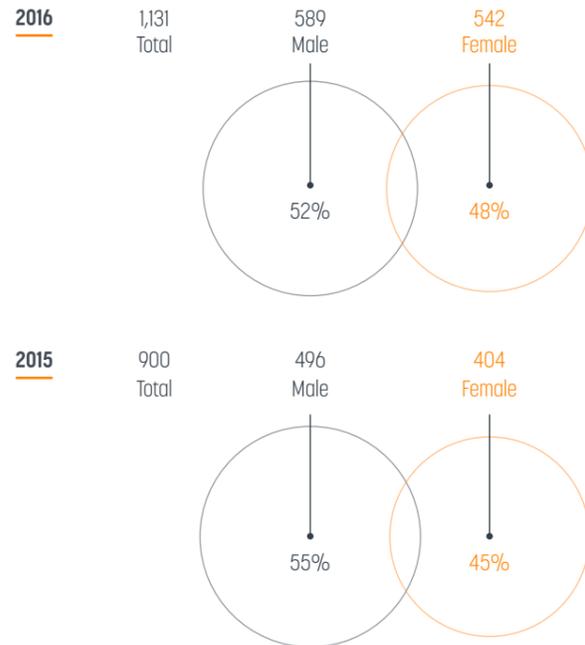
In 2016, the integration process determined the suspension of new hiring as well as the redundancy of 248 employees such that the turnover ratio (calculated as the number of redundancies for the period over the overall number of employees at the end of the period) was 21.9% (compared to 13.3% in 2015) (LA-1).

The increase of the turnover ratio is due to the transfer of SNAI Rete Italia business unit related to the point of sales and the nonrenewal of fixed-term contracts.

Furthermore, there were also some voluntary resignations after the reorganization following the merger with the Cogemat group.

<sup>2</sup> The number of employees does not include the re-employment of an individual, occurred in 2017 and backdated 1 January 2016, in order to preserve consistency with Consolidated Financial Statement for 2016

**Employees by gender (G4-10)**

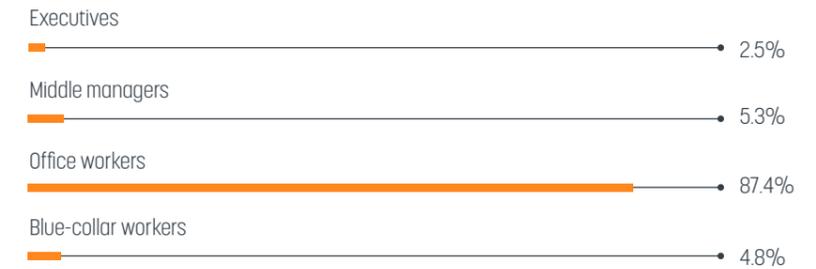


The composition of personnel by position grades shows by end of 2016 a reduction of executives, weighting for 2.5% on the overall number of employees (compared to 3.9% in 2015), a reduction of middle managers, weighting 5.3% (6.9% in 2015) and blue-collar workers weighting 4.8% (6.9% in 2015). The number of office workers increased to 87.4% compared to 82.3% in 2015. The re-profiling of personnel according to position grades is related to the reorganization process implemented after the merger. Such process reduced the number of divisional heads with the aim to reduce costs and rationalise the decision-making process.

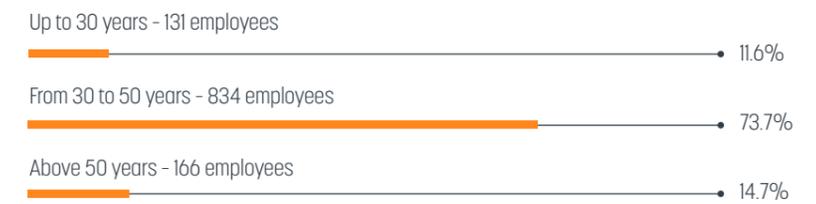
**Employees by position grade (G4-10)**

	2016			2015		
	Male	Female	Total	Male	Female	Total
Executives	20	8	28	26	9	35
Middle managers	43	17	60	44	18	62
Office workers	475	514	989	367	374	741
Blue-collar workers	51	3	54	59	3	62
<b>Total</b>	<b>589</b>	<b>542</b>	<b>1,131</b>	<b>496</b>	<b>404</b>	<b>900</b>

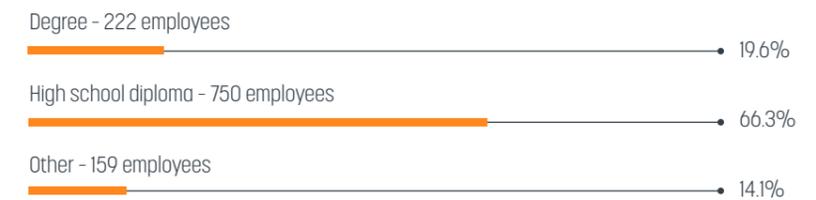
**Employees by position grade (%)**



**Employees by age (number and %)**



**Employees by education (number and %)**



73.7% of employees are between 30 and 50 years, 11.6% is below 30 years and 14.7% is above 50 years. 19.6% has a degree whereas 66.3% has a high school diploma.

**Employees by age (G4-10)**

	2016		
	Male	Female	Total
Up to 30 years	73	58	131
From 30 to 50 years	416	418	834
Above 50 years	100	66	166
<b>Total</b>	<b>589</b>	<b>542</b>	<b>1,131</b>

**Education**

	2016			2015		
	Male	Female	Total	Male	Female	Total
Degree	116	106	222	85	82	167
High school diploma	391	359	750	266	222	488
Other	82	77	159	145	100	245
<b>Total</b>	<b>589</b>	<b>542</b>	<b>1,131</b>	<b>496</b>	<b>404</b>	<b>900</b>

**Employees by contract type (G4-10)**

	2016			2015		
	Male	Female	Total	Male	Female	Total
Permanent	571	533	1,104	479	391	870
Fixed term	18	9	27	17	13	30
<b>Total</b>	<b>589</b>	<b>542</b>	<b>1,131</b>	<b>496</b>	<b>404</b>	<b>900</b>

97.6% of employees is hired with a permanent contract and such percentage is almost the equal to last year.

Contracts comply with the relevant national framework agreement and, specifically, the undertakings of the Group adopt the following contracts (G4-11):

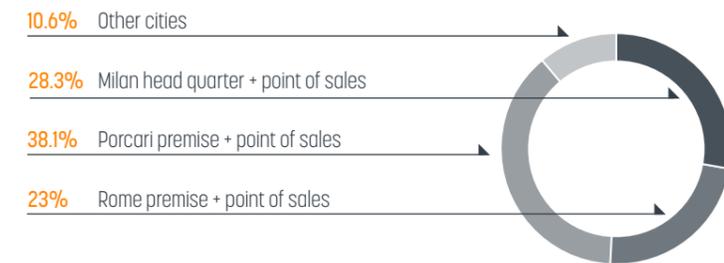
- SNAITECH S.p.A. complies with the collective agreements for: executives of companies producing goods and services, executives of trade and tertiary sector, private metallurgic sector and distribution, services and tertiary sector;
- Teleippica S.r.l. contracts comply with the collective agreements for: executives of companies producing goods and services as well as private companies broadcasting TV and radio signals;
- Società Trenno S.r.l., operating in the horserace business, adopts the collective agreement for staff employed in horserace companies and complies with a specific agreement on staff employed in bets collections and various services provided on racetracks;
- SNAI Rete Italia S.r.l. adopts the collective agreement of workers employed in the service sector and complies with additional protocol on staff employed in the betting agencies.

In 2016, 258 employees worked part-time, of which 193 women and 65 men. Part-time contracts are usually adopted by mothers and staff employed in horse racing tracks and shops directly owned by the Company.

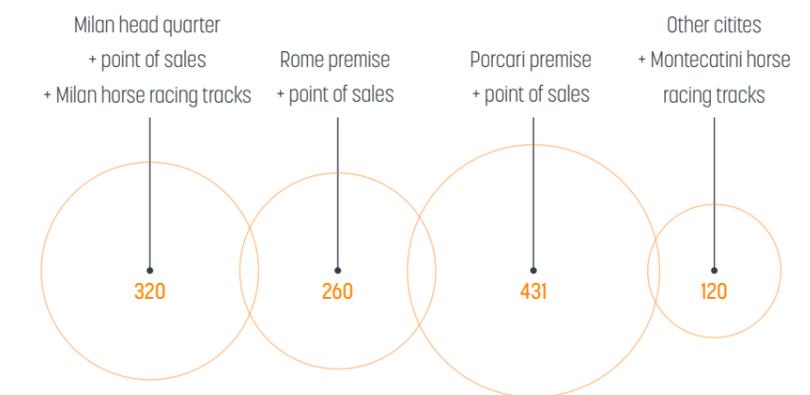
**Employees by full/part time contract**

	2016			2015		
	Male	Female	Total	Male	Female	Total
Full-time	524	349	873	462	317	779
Part-time	65	193	258	34	87	121
<b>Total</b>	<b>589</b>	<b>542</b>	<b>1,131</b>	<b>496</b>	<b>404</b>	<b>900</b>

**Employees by location (%)**



**Geographical distribution of employees in 2016**



The Group choice to preserve all the three premises (Milan, Porcari and Rome), which represent the original headquarter of the undertakings involved in the merger, allowed to preserve the employment and limit as much as possible relocation, which caused in 2016 the relocation of 14 employees.

Employees distribution by premises, including point of sales directly owned and horse racing tracks, shows 38.1% of employees working in Porcari area, 28.3% in Milan area and Peschiera Borromeo, 23% in Rome and 11% in other Italian cities. Overall, 812 employees work by the administrative premises and horse racing tracks whereas 319 employees work for SNAI Rete Italia and SNAITECH point of sales (G4-10).

#### Training (LA9)

SNAITECH acknowledges training as part of the important process of human capital development and capitalization of know-how. Therefore, in line with the corporate strategy and internal needs training sessions are part of the working life.

In 2016, training on professional, technical and behavioural knowledge as well as update on regulations concerning security, D.Lgs. 231/01, anti-money laundering, legal gaming, as per the ADM indications and Balduzzi Decree.

Furthermore, additional training has been provided in order to develop new skills and competences, following organizational changes occurred. Key topics included contracts, anti-money laundering provisions, D.Lgs 231/01 and new tools. The integration of activities performed respectively by SNAI and Cogetech, required training on the job and specific training on business (VTL, AWP, Paymat, Betting), in particular for personnel of Contracts department and Service centre (LA10).

In 2016 9,868.6 hours of training were dispensed (5,751.6 hours net of training on safety), of which 9,736.6 were dispensed in classroom and a small part (132 hours) online.

#### Average training hours per person by position grade (LA9)

	2016	2015
Executives	29.8	3.4
Middle managers	9.9	3.4
Office workers	8.1	3.4
Blue-collar workers	8.1	0.6

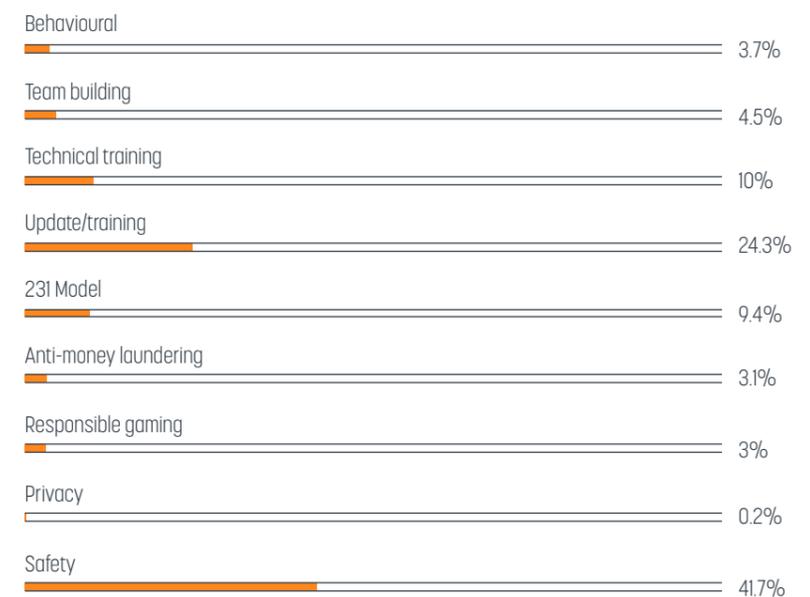
#### Average training hours per person by gender (LA9)

	2016	2015
Male	8.8	3.1
Female	8.6	3.3

Training related to anti-bribery law was dispensed during the training sessions on Organizational model pursuant D.Lgs. 231/2001.

In 2016, 1,236 hours of training (on anti-bribery policies and procedures, anti-money laundering and ethical code) were dispensed to 461 employees. Employees trained were 18% of the overall number of executives of the Group, 52% of middle managers, 42% of office workers and 11% of blue-collar workers (S0-4).

#### Training hours by topic in 2016 (%)



#### Occupational Health and Safety (LA8)

Prevention of the occupational health and safety for employees is among the basic principles of SNAITECH, which complies with D.Lgs 81/2008 and acts to foster its implementation together with unions.

Work premises are monitored constantly, even more than required by law and imminent risks, with the aim to grant highest level of safety and quality of services.

In 2016, SNAITECH S.p.A.'s corporate structure for health and safety has been determined and the protection and prevention officers have been appointed. Such officers were updated with specific training in order to deepen and consolidate those competencies learned during the training "Executives and safety". For each division and business unit, the protection and prevention officer should identify and assess risks related to a specific business area, in order to produce the Health and Safety Risk Appraisal Document.

The R.S.P.P. role (protection and prevention officer in charge) was mandated to an external specialized company and the new leading practitioner was appointed too.

The new document needed to determine the healthcare protocol is currently being finalized and would be made available, once ready, to the relevant practitioner.

SNAITECH S.p.A. has furthermore achieved the migration and adjustment of the certification for Occupational Health and Safety System in compliance with OHSAS 18001:2007 standard. Such certification was initially held by Cogetech S.p.A., before the merger, for the premises of Rome, Via Goito, and Milan, Piazza della Repubblica.

**In 2016, 4,117 hours of training on Safety were dispensed to 376 employees (20 executives, 16 middle managers, 295 office workers and 45 blue-collar workers).**

In 2016 occurred 18 injuries during working hours (8 in 2015) of which 7 are still in progress. The injury ratio<sup>3</sup> for the period was 1.9 (6.9 in 2015) whereas the severity index<sup>4</sup> was equal to 47.5 (35 in 2015). In 2016 the absentee<sup>5</sup> rate was 18,545.13 (LA-6 partial).

Comparison of 2015 and 2016 on figures related to injuries, severity index and absentee rate is not however significant given the new basis of consolidation following the merger with SNAI Rete Italia and Cogemat Group. In particular, 2016 figures include 8 road traffic injuries occurred to the undertaking in charge of point of sales. The severity index increased compared to 2015 due the occurrence of injuries with long-term recovery (up to 79 days).

#### Benefits provided to full-time employees (LA2)

Employees benefit from compulsory social security, according to the sectorial regulation and SNAITECH accruals regularly amounts to termination indemnities, totalling Euro 2.6 million in 2016 (EC-3).

Employees of the Group benefit also of complementary social security schemes according to the relevant collective work agreement as well as internal agreements as follows:

- trade sector office workers: Sanimpresa e Fondo Est;
- trade sector middle managers: Quas;
- trade sector executive: Fasdac;
- blue-collar and office workers, middle managers from industrial sector: Metasalute;
- middle managers from industrial, TV/Radio broadcasting and horse racing sector: FasiOpen;
- executives from industrial sector: Fasi;
- office workers from TV/Radio broadcasting sector: Salute Sempre.

Additionally, executives from trade and industrial sector benefited from new complementary insurance schemes (Life insurance, Health care, Disability and invalidity coverage).

SNAITECH employees who have infants are refunded the nursery costs; this is done with the aim of helping employees with their work activity. In 2016 there were 31 employees granted with such benefit (22 in 2015).

Employees may acquire also additional benefits at lower cost, due to specific partnership reached by the Company with insurers and service companies. In particular, there is an agreement with Sara insurance company to offer 30% off on car insurance cost along with the payment in instalments.

Agreements are also reached with public transportation in Rome and Milan and CAF to fill annual tax report.

#### Equal opportunity

The Group activity is performed by full adherence to the non-discrimination principles contained in the Ethical Code. Persons with disability weight 5.31% of the overall personnel and count 60 employees. No employees' discrimination events occurred or were reported in 2016.

As regards the gender, the share of female employees moved upwards from 45% in 2015 to 48% in 2016. Furthermore, at year-end, the share of women still working for the Company following the maternity settled at 78.57% (LA 3).

The average base gross salary of female office workers was 112% compared to the male ones, female middle managers salary was 89% and female executive salary was 82%, for a total average of 86% compared to the male ones. The average overall gross remuneration (base salary plus variable and performance incentives) of female office workers was 100% compared to the male ones, 90% for female middle managers and 69% for female executives, for a total average of 76% compared to the male ones. The average figure is not showed for blue-collar workers given the limited presence of female workers (LA 13).

In order to promote equal opportunity at every organizational level, the Group is committed to develop salary review instruments, which prioritise decisions based on performances.

#### Internal communication

Internal communication aims to provide staff with useful information on their working life as well as to foster a common corporate language, culture and sense of belonging and identity, which are particularly needed during the reorganization of the Group in 2016.

On this purpose, the HR division promoted a team building session, attended by 28 Group executives, focused on developing specific skills, consolidating corporate identity and promoting task-oriented attitudes. Additionally, a new project, to be implemented in 2017, would focus on fostering cultural integration through the acknowledgment of the employees' cultural mind-set in relation to the strategic priorities of the Company.

#### DECEMBER 2016 - "BRING KIDS AT WORK" DAY

Initiative sponsored by Corriere della Sera together with La Stampa to promote a day to spend at work together with daughters and sons of SNAITECH employees. The event was planned together with Fondazione Francesca Rava NPH Italia Onlus, which took care of entertainment in all the three Group premises (Milan, Rome and Porcari).

It represented an alternative event able to gather together employees and their families and at the same time to re-launch in all the 3 cities the Casa famiglie project, able to grant poor children with educational and psychological support.

<sup>3</sup> Total number of injuries / effective working hours x 200.000  
<sup>4</sup> Number of working days lost / total effective working hours x 200.000  
<sup>5</sup> Day of absence / total working days x 200.000

### Relationship with labour unions

The Company grant the employees' right to adhere labour unions and established clear and constant relationships with labour unions, by acknowledging their role of representing collective interest of workers. Since the beginning of the year, unions were duly informed of all the steps of the reorganization project. In May 2016, unions were provided with formal communication (pursuant to art. 47 of law n.428/1990) on the merger transaction between SNAI S.p.A. and Cogemat Group, in compliance with the information provisions set forth by the law on listed companies. Beyond any upfront financial benefits, the transaction required a complex process of integration and reorganization. Such process, supported by a relevant investment plan needed to achieve target for the period 2016-2018, determined important cost reduction activities including the rationalization of the workforce. Following the reorganizational process, five grievances were filed with the Company (LA16).

There is a dual goal: achieving corporate structure simplification and economies of scale and sope (merger and simplification of functions, overlap removals, strengthening of synergies). The Company pursues efficiency at organizational and production level, including the reduction of costs of personnel over revenues, to be in line with competitors, and at the same time kept all the three original premises, acknowledging the local rooting.

The unavoidable workforce reduction was subordinated to an organizational analysis of processes and was carried out through a constant and clear dialogue with personnel. Therefore, negotiations with unions started both a national and local level, in order to define the post-merger organizational structure, from both perspectives of the overall number of employees and the geographical distribution of corporate functions between the three premises in Milan, Rome and Porcari.

Great attention has been put in place to limit relocation between premises, in order to avoid, where possible, any impact on territorial shifts.

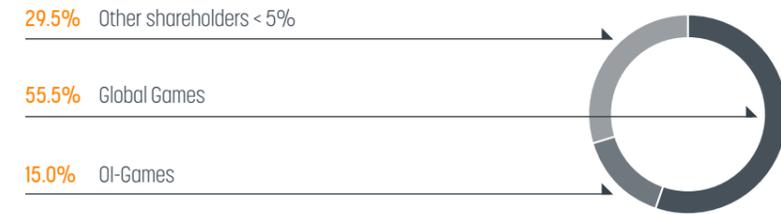
### 4.3 Shareholders and Investors

SNAITECH is a public company listed on the Italian Stock Exchange MTA (ticker: SNA.MI). The share capital, fully paid in, totals Euro 97,982,245.40 for 188,427,395 shares with nominal value of € 0.52.

As of December 31, 2016 SNAITECH is controlled by Global Games, which owns 55.5% of its share capital. Global Games S.p.A. ownership is equally divided between Global Entertainment (InvestIndustrial) and Global Win (Palladio Holding). Furthermore, second largest shareholder is OI-Games with 15% of share capital. There is not other shareholder with a share capital higher than 5% (G4-7).

The Company has not paid any dividend in 2016. Since the beginning of the year the stock recorded a positive performance.

### SNAITECH shareholders as of 31 December 2016



On 24th October 2016, the Board of Directors of Snaitech S.p.A. has approved the refinancing of its existing bonds ("Existing Bonds" which includes senior secured notes of Euro 320 million due in 2018, subordinated notes of Euro 160 million due in 2018 and senior secured notes of Euro 110 million due in 2018) through the issuance of a new senior secured bond of Euro 570 million due in 2021 ("New Bonds") and the contextual tender offer to repurchase the Existing Bonds ("Tender Offer"). In the same session, the Board of Director has also approved a new senior revolving facility up to Euro 85 million ("New Revolving Facility") to substitute the existing facility of Euro 55 million.

**The successful issuance of two new 5 year bonds 2016-2021 for € 570 mln, carrying an average coupon of 6.2% compared to 8.8% of previous bonds, represents a strong signal of market confidence and a significant cost of capital saving.**

The New Bonds were priced on 26 October 2016 and in detail: (i) a fixed rate senior secured bond for a total notional amount of Euro 320 million, with 6.375% coupon and an issue price of 100.0% and (ii) a floating rate senior secured bond for a total notional amount of Euro 250 million, with a variable coupon linked at three-month Euribor rate (floored at 0%) plus a spread of 6.0% annual and an issue price of 99.0%. The New Bonds, with maturity date 7 November 2021, for which a listing request was made on the Euro MTF market of the Luxembourg Stock Exchange, were initially underwritten by Deutsche Bank AG, London Branch, UniCredit Bank AG, Goldman Sachs International and BNP Paribas, to be sold exclusively to institutional investors. The same banking institutions have underwritten the new Revolving Line, for a total of Euro 85 million.

The proceeds deriving from the issue of the New Bonds, together with additional liquidity of the Company, were used by the Company to finance: (the Tender Offer, launched on October 24, 2016, in relation to the Existing Bonds; the cancellation and final repayment of all Existing Bonds, which were not purchased through the Tender Offer; commission and fees related to the aforementioned transactions.

**In 2016, thanks to the positive Group performance, both rating agencies, Moody's and Standard & Poor's, removed the negative outlook and upgraded the company rating.**

In light of the liquidity available at the end of 2016 and the potential to produce further operating cash flows, the directors do not envisage to withdraw the New Revolving Line, which therefore represents a financial safety net for the Group treasury.

SNAITECH considers of strategic importance a clear, complete, transparent and prompt financial communication with shareholders and investors.

Relationships with shareholders and investors are handled by the Investor Relations function, working to provide prompt and consistent information as well as granting an equal access to corporate data. There are multiple way of communication: press releases, website update, one-on-one meetings, analyst meetings, road show and conference call.

Since SNAITECH is listed on the stock exchange, the Company has greatest interest to effectively dialogue with the financial community and every interested person, in order to contribute, as much as possible, to the its fair valuation. The Company issues consolidated annual report in Italian and English as well as interim reports for the first half and the first and third quarter.

The new direction of the Group, following the merger, hit the market: during the 200+ road shows attended by SNAITECH in 2016, the Company gathered growing interest and confidence from investors, as reflected also from the stock performance in 2016. In November 2015, when Mr Fabio Schiavolin was just appointed as Group Chief Executive Officer, the stock traded at Euro 0.9 whereas reached Euro 1.3160 by year-end 2016.

#### Snaitech stock performance in 2016



#### 4.4 Clients

Diversification and innovation constitute SNAITECH strategic guidelines to approach clients through a safe and efficient distribution network as well as a multi-product and multi-channel offering, which is constantly reflecting the state-of-the-art technology.

##### Distribution network

SNAITECH retail distribution network is one of the most extensive at national level and is made of different types of points of sales.

#### Points of sales with SNAITECH betting license

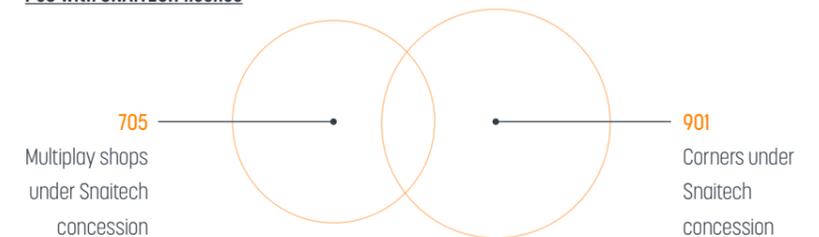
Every point of sales is equipped with forefront technologies to handle bets acceptance (last generation gaming terminal and self service betting terminal) as well as provide betting information to players (screens with odds, results, scores, statistics, etc.).

A point of sales may be easily identified thanks to the "SNAI" or "Punto SNAI" logo placed outside, which recalls betting, and sometimes the "Vincendo" logo, which identifies gaming machines offering.

As of 31 December 2016, active points of sales with direct license are 1,606 divided as follows:

- 705 Multiplay shops (betting shops) characterised by the following offering: betting (sports, horse racing and virtual events) under SNAITECH license, gaming machines (AWP and VLT) and other services;
- 901 Corners dislocated in different types of shops (such as bars, tobacconists, internet point, etc.) and characterized only by betting offering (on sports, horse racing and virtual events) under SNAITECH concession.

#### PoS with SNAITECH licence



The following table highlights the breakdown of the overall betting tickets by event type.

#### Number of transaction per year

Type of event	2016	2015
Sports betting tickets	141,860,136	125,600,953
Horse racing betting tickets	39,586,397	40,251,672
Virtual events tickets	150,136,383	153,490,444

#### Points of Sales with their own betting license - SNAITECH provider

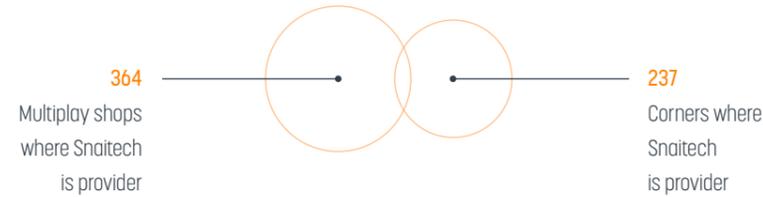
SNAITECH acts as provider of services and technologies to handle bets acceptance related to sports, horse racing and virtual events as well as to provide betting information to players.

"SNAI" or "Punto SNAI" logo is often placed outside the premise to identify the betting offering.

As of 31 December 2016, there are 601 active points of sales with betting offering provided by SNAITECH:

- 364 betting shops;
- 237 corners dislocated in different types of shops (such as bars, tobacconists, internet point, etc.).

**PoS with its own license where SNAITECH is provider**



**Points of Sales with gaming machines**

**Dedicated arcades (approximately 700 as of 31 December 2016)**

VLTs are deployed almost in every Multiplay shop with SNAITECH betting licence as well as in other arcades dedicated to gaming machines (approximately 700). In general, such premises run only AWP and VLT without any betting offering.

**AWP network (approximately 15,000 points of sales as of 31 December 2016)**

As of 31 December 2016, SNAITECH runs 59,935 AWPs disseminated in approximately 15,000 points of sales spread across the whole country, including those shops with betting concession.

**Number of gaming machines per year**

	2016	2015
AWPs at year-end	59,935	63,548
Average AWPs during the whole year	62,590	62,038
VLTs at year-end	10,023	9,911
Average VLTs during the whole year	9,970	9,860

**Points of Sales offering other value-added services**

SNAITECH distribution network also relies on more than 5,000 points of sales providing value-added commercial services distributed under the Paymat brand.

**Online network**

SNAITECH products offering are distributed to the public also via website [www.snai.it](http://www.snai.it) and via mobile apps available for iOS and Android.

On the online channel players may bet on sports, horse racing and virtual events as well as play with other types of games such as poker, casino, skill games, slot, bingo etc.

Table below shows key indicators of online gaming.

**Number of transactions per year**

	2016	2015
Online accounts opened	188,379	163,767
Numbers of visits to the websites	48,014,831	54,531,770
Numbers of visits to the blog	1,416,243	329,597
DWL APP (single)	232,000	215,000
Number of poker tournament played	Over 850,000	Over 700,000
Number of bingo tickets sold online	70,000,000	85,000,000
Winnings on online casino (€)	755,718,313	590,000,000

**NEW COMMUNICATION CHANNELS**

SNAITECH pursues innovation through the improvement of technologies, products and platforms as well as the development of new initiatives and communication channels with end users. A good example on this purpose may be the twitter initiative #TwittEuro16, launched during the 2016 European football championship.

#TwittEuro16 put in competition celebrities from journalism, TV and sport to challenge each other on forecasting matches outcome. Among others celebrities, the following adhered: Diletta Leotta, Boosta from Subsonica, Autogol, Salvatore Esposito and Francesco Arca, Laura Cremaschi and the former striker of Chievo and Bologna Davide Mascalzelli.

Their tweets boosted several thousands followers and transformed such initiative into a real social phenomena. The Snai hashtag successful outcome was also confirmed by Blagmeter, company specialised in monitoring and analysing interaction flows on social media. In the period between May-June 2016, the hashtag #TwittEuro16 collected 21,600 twits exceeding the hashtag #GifAz-zurri from the Italian official football team and #TheFloatingPiers, hashtag on the floating structure realised by Christo on Iseo lake. #TwittEuro16 boosted the @SNAI\_Official Twitter account, which gathered more than 4,000 followers and achieved an impressive number of mentions. During the Euro2016, 73% of Twitter users twitting on bets was interacting the Snai account.

PRODUCT PORTFOLIO

GAMES AVAILABLE IN POINTS OF SALES

**AWP AND VLT**  
→

AWPs are amusement machines targeting a broad and cross audience and are installed in bars, tobacconists and dedicated arcades.  
VLTs are new generation amusement machines targeting a more sophisticated audience and may be installed only in dedicated shops. SNAITECH is the only concessioner in the Italian market offering more than five gaming platforms: Aristocrat, Playtech, Inspired, Novomatic e Spielo.  
Vicendo is the logo for the casino games players.

**SPORTS BETTING**  
→

SNAITECH allows to bets on one or more events, among those ones authorised by ADM, and provides players with a complete series of daily sports and non sports events, technological equipment able to offer a pleasant gaming experience as well as a broad set of updated information.  
Since 2016 the Multiplay Shop concept was introduced in each point of sales with the goal to provide bespoke gaming experiences.  
SNAI is the logo for the sports betting players.

**VIRTUAL EVENTS**  
→

Sports and horse racing events are virtually simulated on screen and offer several frames of football matches, car racing, tennis, cycles, greyhound and horse racing. The software, according to criteria closely related to real world, automatically calculates odds.  
Virtual events complement SNAITECH product portfolio accomplishing clients request to have quick betting games (a virtual events lasts no longer than 5 minutes) with traditional betting on real events.

**HORSE RACING BETTING**  
→

Bets on trot, gallop and obstacles racing scheduled on Italian and foreign horse racing tracks.  
Horse racing betting represents SNAITECH's historical product and the Company places extremely care to renew the product, offering schemes and players' experience.

GAMES AVAILABLE ONLINE

All products available in points of sales are also offered online on [www.snai.it](http://www.snai.it) and mobile apps.  
Other online games include:

**SKILL GAMES**  
→

Online cash tournaments of poker, burraco, briscola, scopa including several popular Italian games as well as the most recent Daily Fantasy Sports.  
The latter (also known as DFS) are games based on real sports competition where players challenge each other in tournaments with totalizer by creating virtual teams of real athletes.  
SNAITECH launched two Fantasy products: CHEBOMBER in 2016 and FANTAKING in 2017. Currently tournaments are allowed on football (Serie A, Premier League, Champions League and Europe League) and Basket (NBA and Serie A).

**ONLINE SLOTS**  
→

Online slots, were introduced in 2012, are currently played online or through a dedicated free client or directly on portal (flash mode).

**ESPORTS**  
→

eSports include electronic games arranged in tournaments format. SNAITECH was the first operator in Italy to allow betting on eSports tournaments (challenged on videogames) such as League of Legends and Dota2. Such types of betting allow SNAITECH to get closer to millennial request.

**CASINO GAMES**  
→

French and American roulette, black jack, poker and other casino games are available on website also on live mode.

**BINGO**  
→

Three different virtual rooms with growing jackpot in each room. The gaming experience is also enhanced through a chat, managed by moderators whose task is to entertain and dialogue with players.

**LOTTERIES**  
→

The portal allows to participate most famous lotteries including Superenalotto, Winforlife, Si vince tutto, Eurojackpot, Lotto and 10 e Lotto.

#### Customer health and safety and principles of safe gaming (PRI PR4)

SNAITECH's activities and commitment aim to exploit products offered in points of sales and retain clients. By doing so, the Company is preventing illegal gaming and promoting legal and safe gaming on places (both retail and online), legally and duly authorized and supervised by constant controls, in order to grant reliability and transparency.

In the two-year period 2015-2016, SNAITECH undertook several initiatives aimed to train, inform and prevent legal and responsible gaming as well as to enhance transactions security.

##### Design and dissemination of information documents

Warnings of excessive and compulsory gaming risks are reported across the entire distribution network, on the website and mobile, on tickets and media ads. Furthermore, an information package is distributed throughout all points of sales to promote responsible gaming, in accordance with ADM guidelines, Balduzzi Decree and local regulations. The package contains posters, plates, stickers and flyers with the following information:

- \_ warning of gaming addiction risks and related local medical aid centre;
- \_ underage gaming prohibition and access denial for those shops dedicated to gaming and betting;
- \_ winning odds of related games;
- \_ corporate legal denomination and related concession number;
- \_ ADM logos and seals.

Information are shown everywhere within the point of sales and particularly close to the gaming machines area. Furthermore, the ads exposed on shop windows are realized to promote and inspire entertainment rather than winning.

Information package is also available digitally on the SNAI partner portal.

The owners of points of sales are periodically updated on proper display of information within their premises, which are periodically supervised by SNAITECH account managers.

##### Fostering responsible gaming on media, Internet and social network

In the two-year period 2015-2016, SNAITECH planned responsible gaming awareness campaigns through video and audio ads to be played within points of sales and broadcasted on TV, radio and online media.

On website [www.snai.it](http://www.snai.it) and on the home page of gaming apps are always displayed ADM logos and warnings, according to Balduzzi Decree directives, as well as links to those sections on responsible gaming, winning odds and anti-money laundering law.

Online accounts allow to set limits and automatic exclusion from games.

SNAITECH key social network accounts periodically posts communication to promote responsible gaming and warn on gaming addiction and underage prohibition.

##### Self-assessment interactive tools on risk aversion and information knowledge

Self-assessments on risk aversion and information knowledge of gaming risks are directly build in by SNAITECH in self-service gaming terminals, dislocated on main points of sales and widely used to gather gaming information.

The home page for customers shows a button labelled "Responsible Gaming", which readdresses the customer to a dedicated section containing all the information, legal provision and self-assessment tool to assess independently and anonymously its own risk profile.

##### TV and radio ads

In 2016 it was launched the first SNAI-Cogetech promotional campaign "Tifamo per tutti i tifosi" with SNAI and iZiplay brands, to promote gaming as a pure sports entertainment and fun.

Additionally, every radio and TV ad contains audio file playing legal warning on responsible gaming.

##### Quality standard: certifications

Several years ago, the Group started a project to implement and run in parallel two systems of corporate management, which are constantly updated and integrated in order to protect its own stakeholders and customers.

Specifically:

- \_ quality management system in compliance with ISO 9001:2008;
- \_ information security management system in compliance with ISO 27001:2013.

SNAITECH activities are certified in relation to:

- \_ sports and horse racing bets collection;
- \_ sports betting pool;
- \_ data transmission services related to sports and horse racing betting;
- \_ management of legal gaming machines network;
- \_ development, management and sale of online games with cash prizes;
- \_ design and implementation of software dedicated to bets acceptance and collection.

### Communication with clients

Listening and dialogue with clients (including owners of points of sales and individual players) represent a key pillar of SNAITECH strategy.

SNAITECH adopted a set of formalized and shared procedures to provide quick problems resolution and accountability for its own staff when handling any type of enquires and claims from clients.

**HELP DESK**  
→ Provides support on logistical, organizational, administrative, fiscal, legal and technical issues related to bets acceptance and collection as well as gaming. It runs daily from 8 to midnight on toll-free number, on email and via website [www.snai.it](http://www.snai.it)

**SNAI CARD**  
→ Provides support to Snai card members. It runs daily from 8 to midnight on free-toll number, on email and via website [www.snai.it](http://www.snai.it)

**INFO@SNAI.IT**  
→ Provides support on winnings payment and ADM/SIAE/AWP supervisors through a toll-free number.

Services centre is a dedicated and specialised structure, equipped with a management, to handle initially any information enquiries and administrative/technical problems resolution. Additionally, there are other tools such as mail and email handled by General Affairs division, which forward the enquires to the relevant area/division and, when necessary, to the Legal department as well (in case of a non-standard resolution).

Communication with clients and assistance include also the constant screening of main social networks (Facebook, Twitter, Youtube, Instagram), deemed to be more and more listening and interactive tools. Observations, advices and enquires are gathered on a daily basis in relation to gaming issues, rules and regulations.

#### Total number of communication handled

Type	2016	2015
Help Desk	352,149	369,547
Snai Card	88,185	79,156
MAIL Help Desk	64,627	51,185
MAIL Snai Card	132,167	94,265
CHAT Snai Card	79,750	85,407

### Providing information to players

SNAITECH, through the Group media company Teleippica, broadcasts four TV channels and three WebTV channels fully dedicated to horse racing (oldest segment of the Company) as well as three TV channels dedicated to Virtual Events, two TV channels on Sport events and one radio channel. Annually approximately 160,000 hours are broadcasted.

The four TV channels on horse racing are reproduced on behalf of the Minister of Agriculture and Teleippica broadcasts daily from Italian and foreign horse racing tracks (France, Sweden, Great Britain, Australia and South Africa). Teleippica also broadcast directly on points of sales, across the whole country, through the media company SKY on channel 220HD.

Multimedia services are also integrated with the Radio SNAI Web, which may be listened on every SNAITECH shop and corner as well as streamed directly from [www.snaitech.it](http://www.snaitech.it). [Sportnews.snai.it](http://Sportnews.snai.it) blog is an additional information tool dedicated to betting players.

### Payment services

In addition to gaming network, SNAITECH provides to its own customers, under Paymat brand, value-added services such as mobile top-ups and payment services through specific terminals installed in points of sales. Such services are then offered on an extensive distribution network, spread across the whole country, are available at convenient times during the day and grant reliable and secure transactions.

Offering includes a broad range of payment instruments including mobile top-ups, prepaid cards, digital TV card, postal bulletin payments, MAV and RAV payments.

In 2016, payment services totalled an amount of Euro 116.2 million (+7% compared to 2015).

## 4.5 Retailers

Retailers are those owners of points of sales with SNAITECH licence. They are business partners and the Company relies on their professionalism to preserve the relationship with final customer.

Benefits offered by SNAITECH to its business partners are the following:

- reliability (transactions handled with the highest security standards);
- 360 degree betting, gaming and payment service offering (allowing the point of sales to become a pivotal place for the customer);
- innovative and highly technological platforms proving a pleasant and entertaining gaming experience ;
- broad set of information to all players.

The goals of SNAITECH when partnering with Retailers is to transform the points of sales into smart spaces both for retailer partners, in their daily operation, and for final customers, in their gaming experience.

**Assessment and selection of Retailers in compliance with regulation and ethical principals of responsible gaming**

First of all, the selection of retailer partners is based on the assessment of requirements imposed by the Italian law on gaming concession release. Furthermore, the selection is also performed at pre-contractual stage by assessing entrepreneurial skills and personal ethic, in order to grant full compliance with law and responsible gaming guidelines when running points of sales. Once become part of the SNAITECH distribution network, every point of sales is subject to periodical controls carried out by internal audit, in accordance with a schedule of progressive coverage of the whole country. Periodical controls of point of sales assess the proper compliance of retailers with duties imposed by law, operation and contracts. In the event of negative outcome, action plans are taken to restore and realign retailer conduct to the company guidelines (see par. "Internal audit").

**Relationship with Retailers**

SNAITECH staff constantly supports business partners with the scope to develop professional skills to run the point of sales by exploiting as much as possible the business and safeguarding highest standard of services to final customers.

**SNAITECH works side-by-side with retailers to provide its own expertise on many important activities for the points of sales: support to obtain authorization and start up of the business, design and organization of areas, products training and promotional marketing campaigns, technological and administrative assistance.**

In compliance with local and regional regulations, SNAITECH may share investments with retailers to promote points of sales with ads on local media (S01).

Training of distribution network is one of the tools to establish a closer relationship with business partners. The training purpose is to covers business topics and foster broadest diffusion of values related to legal and responsible gaming, at the hearth of the release of concession.

Training of SNAITECH's Area managers, in charge of relationships with distribution network, is an important prerequisite of the training of the points of sales. In the two-year period 2015-2016, 480 training hours were dispensed to 91 employees (source: development plan).

On this basis, SNAITECH promoted the funding of training dedicated to owners and managers of those points of sales with their own concessions. 69 operators joined such initiative from Emilia Romagna and Lombardia regions.

**GAMBLING IN ITALY: RESIDENTIAL TRAINING OF GAMING OPERATORS**

In 2016, SNAITECH's staff from business units, services centre and sale division was enrolled to a course, arranged by Istituto Superiore di Sanità together with ADM, titled "Gambling in Italy: residential training of gaming operators". 168 hours per person were dispensed under this course (S01) (G4-15).

Additionally, SNAI Rete Italia, in compliance with regional regulations, arranges a training course for owners and managers of points of sales. In 2016, 180 hours were dispensed.

**Communication**

Interaction with points of sales is implemented through periodic visits from SNAITECH Area managers as well as the support of Service centre. The latter is a dedicated and specialized structure, equipped with a management, to handle initially any information enquiries and administrative/technical problems resolution.

Communication is also implemented through the B2B portals (SnaiPartner and MyWeb), realized by SNAITECH to provide daily all information needed to retailers to run their business. Login to portal occurs via back office terminals installed by the points of sales or via web, anytime and anywhere.

The three main function of the portal are the following ones.

**INFORMATION** → Portals provide retailers with all available information on the management of a point of sales as well as bets acceptance, AWP and VLT management and payment services:

- administrative and accounting information;
- news and update from SNAITECH;
- information documents (odds, results, scores, flyers, etc.);
- status of services provided;
- official documentation issued by SNAITECH.

**ASSISTANCE** → B2B portals represent an alternative tool to handle non-urgent interventions. They provide initial guidance with FAQ (Frequently Asked Questions) and allow to file a request, which will be addressed to the relevant divisions.

**CONSUMABLES** → Each point of sales may request consumables, marketing and other materials to SNAITECH. Such requests are then addressed to the relevant divisions thus reducing waiting list.

## 4.6 Suppliers

SNAITECH supply chain is made of multiple actors providing design, implementation and transport of hardware and software, machines and gaming terminals as well as office machinery.

From the energy consumption perspective, the supply chain includes production and distribution electricity, natural gas and extraction, refining and distribution of oil derivatives used by vehicles.

The latter refer to the complex chain of transportation sector.

A peculiarity of SNAITECH relates to the supply chain of the horse racing, ranging from providing feeding materials for the animals, vets services, fixed assets maintenance and services to support racing (GRI-12).

When selecting suppliers, SNAITECH Group, adheres to principles of fairness, price equality, quality of good and services in line with its own Ethical Code, and assesses carefully post-sales assistance and the offers available from competitors.

### Assessment of suppliers

The current assessment process to select suppliers originates from an intensive revision conducted in 2016 to uniform different procedures adopted by different undertakings before the merger.

It has been then produced an exhaustive module, which contains relevant data ranging from basic register information to the assessment on reliability of statements provided, in order to handle business relationship only with those entities fully compliant with integrity and reliability requirements. It includes also the assessment requested by D.lgs. 231/2001 and D.lgs. 231/2007 of exclusion from "reference lists" containing companies involved in money laundering and terrorism financing as well as global and local politically exposed persons.

At this stage, the prospect supplier provides statements to comply with technical, professional and financial requisites, relevant authorization to run its business and any further certification held (ISO 9001, SA8000, OHSAS18001, ISO 27001;ISO14001;ISO50001). It must also acknowledge and underwrite to comply with the Ethical code and SNAITECH 231 Model.

Additionally, it must underwrite to comply with fairness requirements and regulations on:

- safety and environment;
- work contracts and social security contributions;
- employment of immigrants.

At the same time, leveraging the experience matured from the different Group undertakings, it has been established a single process to measure suppliers performance during the year. The Company is still finalizing such process to improve it further.

### Remuneration of suppliers

Production costs of SNAITECH Group totalled Euro 696.4 million (compared to Euro 484.1 million in 2015). Differences between two results are due to the different basis of consolidation in 2016 (only 2 months of Cogemat group results accounted in 2015).

Such amount was distributed according to the following categories of purchases:

- consumables/logistics;
- gaming machines services and management costs;
- technical, professional and specialized advisory;
- hardware e software;
- administrative and ads expenses;
- utilities.

Financial outflows associated with these purchases contributed to wealth redistribution, both nationally and abroad, and employment.

## HORSE RACING TRACKS AND LOCAL SUPPLIERS

Trenno S.r.l., formally owner of the horse racing tracks, represent a special case within the Group in relation to the chain of suppliers. Given the specific business and broad activities related, purchases categories are so extensive to range from fixed assets maintenance (construction, electrical and water related), arboreal areas, vehicles and equipment, oil supply, sand and grounds used on tracks. Additionally, there exists suppliers directly linked to the racing activities, with specific dynamics of the horse racing sector. In addition to the Group criteria underlying the selection of suppliers, the proximity of the supplier is also taken into account. Proximity criterion is always applied for Trenno S.r.l. and its rationale is due to the cost reduction, especially for those suppliers directly involved in the racing activities. Given the peak-season of Milan track, with a busy racing calendar (three times a week for gallop and biweekly for trot), proximity and prompt intervention by suppliers is of extreme importance to allow regular performance of racing.

Montecatini track is an important attraction for the city, given its highly touristic vocation, and therefore it represents a pivotal place for the local economy. Local suppliers are extremely aware of the importance of the track and consequently the quality of services provided is very high and the related costs are very compressed.

**In 2016 Trenno costs totalled Euro 5.4 million (compared to Euro 5.5 million in 2015), of which 63% (65% in 2015) towards suppliers based in Milan and Lucca provinces (GRI-EC9 partial).**

#### 4.7 Community (S01)

When analysing relationships between community and SNAITECH Group, it must be considered the dual aspect of national and local community. The former relies on resources directly linked to the company business and represented by gaming taxation whereas the latter, hosting administrative premises and tracks, benefits from salaries, payment of suppliers activities and local taxes.

At national level, the involvement of the national community usually occurs through ADM and other institutions, which constantly interacts with SNAITECH. Locally, SNAITECH cooperates with local authorities for a sustainable presence of gaming venues, both from a territorial and social perspective.

Furthermore, SNAITECH is deploying additional resources to transform its own tracks, deeply rooted in the territory, into green areas able to offer entertainment and fun even outside the traditional horse racing activities.

**Particularly with reference to the SNAI San Siro track, last October the Group launched a requalification project to exploit the buildings and whole area, with the goal to revamp horse racing tracks by involving families, schools and the entire citizenship.**

An ambitious project leveraging triple identity of the track: green, monument and racings. On this basis, San Siro structure aims to become the ideal place to host cultural, sports and artistic events in Milan.

During the Jockey Club and at the end of racing season in November, SNAITECH proposed the new calendar, to be fully implemented in 2017 season, which was successfully accepted with more than 100,000 accesses (15% increase from previous season). Such occasion highlights, once again, that the best way to exploit such wonderful structure and the corporate history is to get closer and closer to the Milan life through art, culture and music.

**On this basis and with the ultimate goal to preserve horse racing business, SNAITECH closed important partnership to host music events and launched a new discovery tour, permanent in 2017, labelled #scoprisansiro.**

Such tour consists of exploring 7 key thematic areas of the track, including Leonardo's horse, botanic garden, in order to attract new visitors and show the hidden beauties of one of the most important European horseracing track.

#### Investing in community along with no-profit entities (EC7)

During the years, SNAITECH progressively acknowledged its corporate citizenship role. A long cooperation path was established with Telethon, on rare diseases research, and Fondazione Care & Share.

Together with Fondazione Francesca Rava, a stronger commitment on welfare and charitable initiatives to support poor people and improve quality of life. In 2013, Cogemat Group established a new foundation to gather and address its social commitment: iZilove Foundation. SNAITECH, through this foundation, is committed to foster free and no-profit social initiatives sponsored by different entities, belonging to the relevant community, and without any type of economic return for the Group.

#### IZILOVE FOUNDATION

Independent no-profit organization with the scope to provide social assistance, charity, education, promote cultural initiatives as well as scientific research and arts.

One of the key goals of the Company is to exploit its own assets in favour of iZilove Foundation activities, maximizing the involvement of internal resources in order to promote initiatives also with internal stakeholders. On this basis, investments made on Fondazione should be capitalized with the relevant assets.

#### Future initiatives

For the future, the Group aims to strengthen its commitment on charity initiatives, similarly to the past experiences, by leveraging even more any cooperation with existing no-profit entities. In addition to charity initiatives, new types of cooperation are currently being developed and related to sports initiatives, with the aims to aggregate, provide fun and social acknowledgment.

Particularly SNAITECH is working together with Special Olympics Italia on an international program of sports training and athletic competitions for more than three million teens and adults affected by intellectual disability.

SNAITECH's staff engagement is considered both a tool and a goal to achieve, in order to exploit initiatives and contribute to build-up a new corporate identity, which leveraging on the gradual involvement of management and employees may become an intangible value for company.

COOPERATION WITH NO-PROFIT ENTITIES

**JULY 2016**  
**"CHE BOMBER" EVENT**  
→

During the quarterfinal rounds of European football cup, SNAITECH, together with iZilove Foundation, held a charity tournament of "Che Bomber", the fantasy sports game based on real sports competition where players challenge each other in tournaments with totalizer by creating virtual teams of real strikers. The overall jackpot was entirely devolved to Fondazione Francesca Rava NPH Onlus to help children from casa famiglia of Rome, Milan and Lucca.

**August 2016 Fund raising**  
**"DONA ORA" INITIATIVE**  
→

SNAITECH made available its own distribution network (retail and online) and premises to help population hit by earthquake in Amatrice. Players were invited to make donations in favour of such population, Every euro donated was mirrored by the Group commitment to make similar donation in favour of earthquake victims. Solidary tickets of 1, 2, 5 and 10 Euro were even offered through the Paymat circuit relying on more than 5 thousand shops. SNAITECH was committed to double up the donation. All the funds raised were ultimately devolved to Amatrice with the aim to rebuild the soccer field.

**Scholarships**  
**CARE & SHARE**  
→

Care & Share initiative is focused on providing education and assistance to poor Indian children from rural suburbs and slums in Vijayawada city, Andhra Pradesh State, and children from Daddy's Home and Butterfly Hill villages. SNAITECH through the Scholarships program supported by iZilove Foundation, grants three years of education to three students in Vijayawada College.

**Fondazione Meyer**  
**PLAY THERAPY**  
→

SNAITECH, through iZilove Foundation, supports the foundation of Paediatric Hospital Meyer to entertain young patients: games, clown, music and other playing activities with animals to ease fear and stress.

**Fondazione Francesca Rava**  
**CASE FAMIGLIA PROJECT**  
→

Fondazione Rava supports casa famiglia across the entire country and support them to find resources for youths and teens hosted to practice sports and other extracurricular activities.

- **Casa Accoglienza in Rome** helps 6 children taken away from families and mothers .
- **Casa Famiglia in Milan** helps 50 children and teens between 0 and 18 years temporarily taken away from their families and hosted in 6 communities.
- **Casa Famiglia in Lucca** helps 11 children, from 5 months to 13 years, together with their mothers. The project provides therapeutic/psychological support to their young hosts.

**TELETHON**  
→

The Group, through its retail and online networks, supported Telethon fundraising in favour of research on rare diseased. 2016 campaign #presente was sponsored through information documents on all the SNAI shops. Employees were also involved by devolving one hour of their working time or by salary deduction.

▲  
**HORSE RACING TRACKS  
AREA REPRESENTS  
A GREEN LUNG FOR MILAN  
MUNICIPALITY AS WELL AS  
AN ARTISTIC AND CULTURAL  
LAYER SUBJECT TO ARTS  
SUPERVISION OFFICE.**

CHAPTER 5



## 5. ENVIRONMENTAL RESPONSIBILITY

### 5.1 Environmental policy (G4 DMA)

SNAITECH runs its business with a low environmental impact where software usage has no direct environmental effects whereas indirect effects relate only to low energy consumption. Office and administrative activities are almost similar to the tertiary sector and given the level of personnel and its territorial dislocation, the consumptions of energy, paper and toner are within negligible thresholds of direct and indirect environmental impact.

A different situation happens on horse racing track areas run by the Company. Here, SNAITECH has a positive environmental impact and therefore deems appropriate, from a reputation perspective, to account for the consequences of the company business. It is all about monitoring and managing mitigants of pollution factors typical of large metropolis. The Company has therefore great interest to divulgate its environmental commitment.

SNAITECH's view of the environment is extended to include physical and chemical industrial impacts on soil, water and surrounding areas as well as human impacts on cultural, historical, artistic and identity shape of the territory.

**SNAITECH, through a smart governance of its own horse racing track areas, contributes substantially to mitigate pollution affecting large metropolis.**

### 5.2 Management of horse racing track areas

Milan and Montecatini track areas, composed by racing tracks and training centres, represent a green lung contributing to oxygenation of urban atmosphere, counteract CO2 emission and reduce several pollution agents. Such key function is extremely important for the Milan horse racing track areas, which include SNAI San Siro (and gallop training centre) and SNAI La Maura (trot).

Milan horse racing track area is approximately 150 hectares located northwest, next to the Meazza football stadium and few kilometres away from city centre. As the crow flies distance between eastern boundaries of gallop track and Duomo Square is below four kilometres. On the

opposite side, the eastern boundaries of La Maura training track area have positive impacts to the ones produced by the green lung of Trenno Public Park.

**Ecosystem of Milan horse racing track areas, managed by Società Trenno S.r.l., represents a green lung for Milan municipality as well as an artistic and cultural layer subject to Arts Supervision Office. SNAI San Siro hosts invaluable sculpture monuments such as Leonardo's horse and important examples of liberty stile from early past century (Peso building and grandstands).**

Milan horse racing area includes a large green extension of racing and training tracks as well as centennial tall trees, a botanic park with rare and ancient essences and a lake hosting several species of birds (EN13).

Since an urban environment is measured on the quality of air as well as on the artistic and cultural offering, horse racing tracks area represents an important artistic and cultural place hosting monuments.

#### **BOTANIC PARK INSIDE SNAI SAN SIRO HORSE RACING TRACK**

The botanic park inside SNAI San Siro track has more than 72 arboreal species, including exotic ones. The area offers eight thematic paths to discover the most representative autochthone as well as unusual species in Milan.

Horse racing track areas contribution, especially for the Milan one, is extremely important in relation to the quality of air and mitigation of pollution agents and can be categorized in the following four segments:

- oxygen emission through vegetation photosynthesis;
- carbon and carbon dioxide sequestration;
- reduction of pollution agents such as ozone, micro particles, sulfur dioxide, nitrogen dioxide, carbon monoxide and lead;
- contribution to reduce urban microclimate during summer (Saito, Ishihara and Katayama, 1991).

The positive environmental impact produced by green areas of SNAITECH tracks may be measured through several research parameters typically adopted for green urban areas of US (Nowak 2007). The focus would be on Milan municipality where the pollution issue is by far worrying. Researches available estimate a tall trees oxygen production equivalent to 5.8 annual tons per hectare.

Given an overall surface of the horse racing track area of 16.2 hectares, an emission of 93.96 tons of oxygen may be estimated in a single year. CO2 sequestration is even more important from an environmental perspective, although it is more difficult to estimate such activity, given the sequestration process performed by vegetation over its entire life (Novak e McPherson 2008).

### **5.3 Environmental initiatives (EN6)**

The Company has undertaken three initiatives to rationalize its own activities and should have a positive environmental impact.

#### **Server Farm virtualization**

The project aims to: strengthen and rationalize Group IT services by centralizing hardware and enhancing systems performance; increase reliability and faults' tolerance by backup machines; achieving energy costs saving of Euro 75,000.

#### **Green Computing**

In 2016, Green Computing project started with the aim to replace in all offices the old desktop computers with new a generation of environment-friendly ones. The project includes also the reduction of desktops by providing laptop and docking station (versatile for desktop and laptop). New equipment is provided with Eco-Declaration.

#### **Dematerialization and process efficiency**

The program of dematerialization and process efficiency continued in 2016 with the goal to progressively reduce paper consumption. This is achieved by setting up a documents area, integrating information and documents, as well as digitalization of documents (even those ones arising from relationships with the distribution network and suppliers). Thanks to the gradual implementation of the program, paper consumption was reduced by 11.5%, compared to the previous year, corresponding to 5 tons.

#### **Paper consumption (EN1)**

	<b>2016</b>	<b>2015</b>
Tons of paper used	38.62	43.62

Scope: SNAITECH, Trenno, Teleippica, SRI (+ Finscom from the merger)

## 5.4 Energy consumption

SNAITECH energy consumption is originated by different sources although the largest share comes from electricity consumption.

Energy saving initiatives include those related to IT technology renewal (Server Farm virtualization and Green Computing), gradual replacement of traditional bulb with led ones as well as the replacement of old air conditioning systems, located in points of sales, with new and highly efficient ones.

In 2016, there was an increased consumption of oil, LPG for heating, diesel related to vehicles, electricity and district heating all mainly due the new basis of consolidation of the Group. 2016 figures include 51 points of sales of SNAI Rete Italia not included in 2015, since they were under a business unit lease agreement. Electricity, increased by 57% from last year, is the main source to lighten and air-condition point of sales. A more relevant year on year comparison would be available in the next report given the unchanged basis of consolidation.

### Energy consumption - scope 1 (EN3)

Direct consumption (not renewable)	UdM	2016	2015
Natural gas for heating	GJ	8,101.21	8,149.15
Gasoline for generators	GJ	413.38	358.76
LPG for heating	GJ	953.26	733.53
Diesel for vehicles	GJ	10,792.557	10,025.6
Gasoline for vehicles per	GJ	177.66	312.11
<b>Indirect consumption</b>			
Electricity purchased	GJ	41,185.22	27,732.15
<i>Of which from renewables</i>	GJ	16,714.41	9,942.01
District heating (renewable)	GJ	857.16	711.07
<b>Total</b>	GJ	42,060.41	28,443.22
<b>% Energy from renewables (electricity + District heating) on total indirect consumption</b>		41.77%	37.45%

2016 scope of work includes: SNAITECH, Trenno, SnaI Rete Italia+ Finscom.

2015 scope a work includes: SnaI+Cogatech (Nov-Dec), Trenno. SnaI Rete Italia+ Finscom are not included as they were not consolidated within SNAI Group.

2016 data for SNAITECH included Montecatini track. Therefore data from 2015 were re-elaborated.

Calculation on electricity from renewables depends from the input provided directly by suppliers and specifically:

- \_ for SNAI Rete Italia corresponds to the weighted average of: Enel 59.8% - Romagas&power 34.26% - Exergia: 27.11% (source: Enerprice) in 2015. Similar assumption was made in 2016 since no figures were provided by suppliers;
- \_ for SNAITECH equals to 31.25% in 2015 and 32.5% in 2016;
- \_ for Trenno equals to 44.96% both in 2015 and 2016.

## 5.5 Water consumption

The vast majority of water consumption of SNAITECH comes from the agriculture need of horse racing tracks, whose grass must be irrigated regularly during the whole racing season, and therefore relies on weather condition in Milan and to a less extend in Montecatini. Water consumption of Trenno weighted 98% of the overall SNAITECH consumption.

### Water consumption (EN8)

	UdM	2016	2015
<b>Total consumption</b>	mc	465,032	478,183
Municipal aqueduct	mc	102,050	70,457
Well extraction	mc	362,982	407,726
<b>Total discharge</b>	mc	273,451	266,378
Municipal drains	mc	91,960	62,515
Watering	mc	181,491	203,863

2016 scope: SNAITECH and Trenno

2015 scope: SnaI+Cogatech (Nov-Dec), Trenno

Water consumption of SRI network and Teleippica (Rome premise) are included in the condo consumption and therefore unavailable

The Company mandates regular chemical and microbiological analysis of water extracted from wells located in Trenno and is awarded with regular certifications.

Furthermore, to reduce pollution of cleaning products on water discharged from premises, the Company uses environment-friendly products.

## 5.6 Emissions

Services sector, where SNAITECH mainly performs its activities, does not produce relevant emissions. Direct activity requires limited energy consumption compared to industrial activity, therefore limited to Scope 2 emissions. Purchasing renewable energy, including also district heating, contributes to such Scope 2 emission. As highlighted in the energy consumption paragraph, the increase of emission in 2016 is due to the new basis of consolidation.

### Greenhouse gas emissions (T.CO<sub>2</sub>) - Scope 1 (EN15-EN16)

Direct consumption (not renewable)	UdM	2016	2015
Natural gas for heating	Tco <sub>2</sub>	452.54	455.02
Gasoline for generators	Tco <sub>2</sub>	30.41	23.73
LPG for heating	Tco <sub>2</sub>	62.52	48.11
Diesel for vehicles	Tco <sub>2</sub>	794.1	723.7
Gasoline for vehicles per	Tco <sub>2</sub>	13.03	12.7
<b>Indirect consumption</b>			
Electricity purchased	Tco <sub>2</sub>	4,107.08	2,765.52

2015 Scope: SnaI+Cogatech (Nov-Dec), Trenno

2016 Scope: SNAITECH (including Teleippica on Parcari premise), Trenno, SRI

SNAITECH launched a program to monitor indirect energy consumption (Scope 3), estimated by considering the employees travels on airplanes and trains. In 2016, consumption totalled tCO<sub>2</sub>eq of 179.01.

On this purpose, it must be mentioned that the Company is equipped with videoconference systems to minimize personnel travels between premises thus reducing the greenhouse gas emissions.

**Indirect Consumption (Scope 3) (EN17)**

	UdM	2016
Airplane travels	tCO <sub>2</sub> eq	59.28
Train travels	tCO <sub>2</sub> eq	119.73

SNAI scope from 1 April to 31 December + Cogetech from 1 January to 31 October 2016, Trenno, Teleippica, SR

**5.7 Responsible waste management**

The majority of waste produced by SNAITECH originates from Trenno S.r.l. activity, which adopts recovery, reuse and recycling criteria for the agriculture industry. Horse manure, weighting more than 98% of the total waste, is a valuable sub product used in mushroom farming.

Vegetable waste from green area maintenance is an important part of organic humid waste and is reused on dedicated plants, which produce natural fertilizers and renewable energy, through biogas production (Source: AMSA S.p.A. statement).

Waste produced by offices activity are composed mainly by paper, toner and electronic equipment discharged by specialised contractors.

Overall, waste management increased sensible in 2016 compared to the previous year. The weight of special waste decreased whereas recyclable waste increased.

**Waste by type (EN23)**

	UdM	2016	2015
Special waste	ton	6,336.59	11,763.90
<i>Of which hazardous waste</i>	ton	17.38	26.45
Waste sent to landfill	ton	60.2	3,153.55
Waste sent to reuse and recycling	ton	6,276.39	11,039.81
<b>Percentage of waste sent to reuse and recycling</b>		<b>99%</b>	<b>93%</b>

2016 Scope: SNAITECH, Trenno, SRI  
2015 Scope: Snai+Cogetech (Nov-Dec), Trenno

## METHODOLOGICAL NOTE

The Corporate Citizenship Report issued by SNAITECH S.p.A. annually and relates to 2016 with a comparison to 2015 figures. The comparison in this case is only indicative given the different basis of consolidation, following the extraordinary transaction occurred in 2016. The previous report, titled Corporate Social Responsibility is available on the company website [www.snaitech.it](http://www.snaitech.it). The report is prepared in accordance with the GRI G4 Standards: core option.

### Standards apply

The perimeter of the current Corporate Citizenship Report matches with the Consolidated Financial Statements of the Group as of 31 December 2016 (G4-17).

The basis of consolidation includes subsidiaries and premises in Milan, Rome and Porcari (LC) as well as horse racing tracks SNAI San Siro, La Maura in Milan and SNAI Sesana in Montecatini (PT). The current Corporate Citizen Report is prepared in accordance with the GRI Standards (core option), G4 version, applied for the first time ever (G4-32).

A detailed list of topics is shown on Content Index. Last year report, titled Corporate Social Responsibility, was prepared in accordance with CRI Standards, 3.1 versions.

The corporate denomination is SNAITECH S.p.A. with registered offices in Milan, Piazza della Repubblica 32 (G4-5). The Company operates business exclusively in Italy and has not operation abroad (G4-6).

In comparison with the previous report "Corporate Social Responsibility" the new Corporate Citizenship Report includes multiple relevant changes, due to the different basis of consolidation and the new goals and accounting Standards (G4-23).

Preparation principles implemented were preliminary analysed by a task force in charge of preparation activities, including Business Development divisional head and Communication office from Institutional Relationship division with the support of different corporate divisions and third parties advisory. The analysis was then reported to the Chief Executive Officer on 27 February 2017 (G4-18).

For the first time ever, the Company has even submitted the Corporate Citizenship Report to independent auditor, as requested by the Board of directors (G4-33).

Preparation period accounts a full calendar year (G4-30). The current report cover the period ending on 31 December 2016 (G4-28). When possible, data are compared to the 2015 ones contained in the previous report (G4-29).

For further information on Corporate Citizenship Report please contact [ufficiostampa@snaitech.it](mailto:ufficiostampa@snaitech.it) (G4-31).

### Identifying material topics for the report (G4-19)

GRI G4 Standards specify a set of material information to be included in the report and able to highlight relevant impacts on the company from an economical, environmental, social perspective and to influence assessments and decisions of stakeholders.

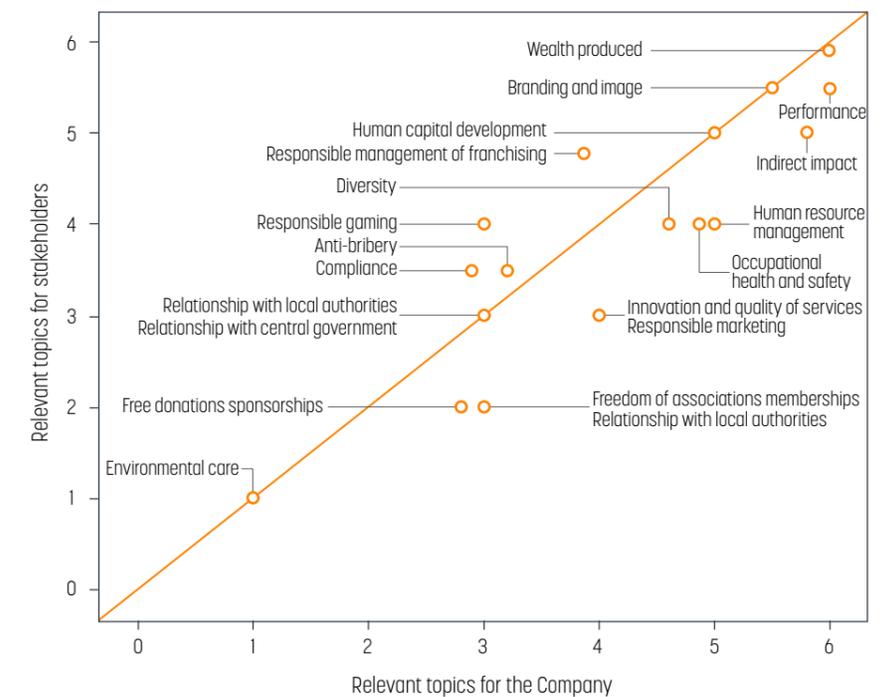
Standards require the Company to describe the process in use to determine material topics for the report. Such process should be divided in four stages: identification, prioritization, validation and revision.

The Company, when preparing the current report, set for the first time a matrix of materiality through the involvement of the Chief Executive Officer (from a management perspective) and the Head of Institutional Relationship (from the external stakeholders perspective) (G4-22). The aforementioned process to determine material topics has therefore complied with the GRI G4 procedure.

The procedure to identify relevant stakeholders relies on individual and group interviews, in person or conference call, to top management (Chief Executive Officer, divisional heads of HR, Legal, Institutional Relationship, Communication, Sale, Marketing, Audit, ICT, CEO of Trenno S.r.l.) (G4-25).

The procedure implemented to identify and assess material topics is extensively disclosed in the document "Methodology to measure material social aspects to be included in the report based on their relevant impact with stakeholders", which is part of the preliminary work performed at the beginning of 2017. Such document contains also perimeters of the report, which matches with the ones of the civil consolidated financial statements plus some additional specifics contained in table (G4-20). External perimeter of the report includes franchisee point of sales, in relation to responsible gaming compliance (G4-21).

### SNAITECH matrix of material topics (G4-19)



Environmental care topics include the following environmental aspects: energy consumption, water consumption, emissions, ecological efficiency, and biodiversity.

Human resource management topics include: relationships with labour unions, employment, and corporate reorganization.

## PERIMETER OF THE REPORT IN RELATION TO MATERIAL TOPICS

Topic	Perimeter
Performance	Consolidated Group
Wealth produced	Consolidated Group
Indirect impact	Consolidated Group
Branding and image	Consolidated Group
Corporate reorganization	Consolidated Group
Water consumption	MI, Rome, LU premises
Energy consumption/emissions	MI, Rome, LU premises, PoS, Trenno
Impact of transportation	MI, Roma, LU premises
Ecologic efficiency	MI, Roma, LU, Trenno premises
Biodiversity	Trenno S. r. l.
Human resource management	Consolidated Group
Occupational health and safety	Consolidated Group
Human capital development	Consolidated Group
Diversity and equal opportunity	Consolidated Group
Remuneration and gender	Consolidated Group
Freedom of associations memberships	Consolidated Group
Local Community involvement	Consolidated Group
Sponsoring free donations	Consolidated Group
Relationship with local authorities	Consolidated Group
Relationship with central government	Consolidated Group
Counteract underage gaming	Consolidated Group
Fostering responsible gaming	Consolidated Group
Compliance	Consolidated Group
Anti-bribery	Consolidated Group
Counteract illegal gaming	Consolidated Group
Innovation and quality of services	Consolidated Group
Responsible marketing	Consolidated Group
Responsible management of franchising	Consolidated Group

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CONTENT INDEX GRI - GENERAL STANDARD DISCLOSURE

Num.	Disclosure	Pag.	Chapter - paragraphs	D.Lgs 254/2016
<b>Strategy and Analysis</b>				
G4-1	Statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	Pag. 5	CEO letter to stakeholders	x
G4-2	Description of key impacts, risks, and opportunities.	Pag.33	Economical, social and environmental context of SNAITECH	x
<b>Organizational Profile</b>				
G4-3	Name of the organization.	Pag.25;27	Group profile - Organizational structure	x
G4-4	Primary brands, products, and services.	Pag. 39;66	SNAITECH addressable market - Gaming product portfolio.	x
G4-5	Location of the organization's headquarters).	Pag. 27	Group profile - Organizational structure	x
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	Pag. 25;27	Group profile - Organizational structure	x
G4-7	Nature of ownership and legal form.	Pag. 60	Shareholders and Investors	x
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	Pag. 39;66	SNAITECH addressable market and positioning Gaming product portfolio	x
G4-9	Scale of the organization, including: - total number of employees, - total number of operations, - total capitalization, - quantity of products or services provided.	Pag. 8;9;25;39	SNAITECH profile - SNAITECH addressable market and positioning	x
G4-10	Total number of employees by employment contract and gender. Total number of permanent employees by employment type and gender. Total workforce by region and gender. Significant variations in employment numbers (eg. seasonality).	Pag. 51;52;53;54	Personnel - Personnel composition	x
G4-11	Percentage of total employees covered by collective contracts.	Pag. 54	Personnel - Personnel composition	x
G4-12	Organization's supply chain.	Pag. 74	Suppliers	x

Num.	Disclosure	Pag.	Chapter - paragraphs	D.Lgs 254/2016
<b>Organizational Profile</b>				
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain, including: 1) location of, or changes in, operations, including facility openings, closings, and expansions; 2) changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations).	Pag. 25	Group profile - For more details on the merger transaction and changes on the basis of consolidation occurred in 2016, please refer to the following link: <a href="http://snaitech.it/sites/devsnaitech/files/fascicolo_bilancio_2016.pdf">http://snaitech.it/sites/devsnaitech/files/fascicolo_bilancio_2016.pdf</a>	x
G4-14	If and how the precautionary approach or principle is addressed by the organization - (Principle 15 - the Rio Declaration on Environment and Development).	Pag. 32;83	Internal Control and Risks management System - Environmental responsibility - (the Company has not expressed formal view on principle 15 - the Rio Declaration on Environment and Development)	
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	Pag. 15;73;76;77	Responsible gaming- Relationship with retailers - Community	
G4-16	Memberships of associations (such as industry associations) and national or international advocacy. Organizations in which the organization holds a position on the governance body; participates in projects or committees; provides substantive funding beyond routine membership dues; views membership as strategic.	Pag. 50	Central State and institutions - ACADI	
<b>Identified material aspects and boundaries</b>				
G4-17	Entities included in the organization's consolidated financial statements.	Pag. 90	Methodological note - Preparation standards applied	
G4-18	Process for defining the report content and the Aspect Boundaries.	Pag. 90	Methodological note - Preparation standards applied	
G4-19	List all the material Aspects identified in the process for defining report content.	Pag. 90	Methodological note - Material topics definition	x
G4-20	Boundary within the organization related to each material Aspect internal the organization.	Pag.91;92	Methodological note - Material topics definition	
G4-21	Boundary within the organization related to each material Aspect outside the organization.	Pag. 91;92	Methodological note - Material topics definition	
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements.	Pag. 91	Methodological note - Material topics definition	
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	Pag. 90	Methodological note - Preparation standards applied	

Num.	Disclosure	Pag.	Chapter - paragraphs	D.Lgs 254/2016
<b>Stakeholder Engagement</b>				
G4-24	List of stakeholder groups engaged by the organization.	Pag. 18	Communication with stakeholder- Stakeholders scheme	
G4-25	Basis for identification and selection of stakeholders with whom to engage.	Pag. 91	Methodological note - Material topics definition	
	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Pag. 15	Responsible gaming	
G4-26	Indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	Pag. 18;19;20	Communication with stakeholder- Stakeholders scheme - Rights and duties towards stakeholders  (Relationships with stakeholders are constantly held by the relevant corporate functions. No external stakeholders were involved in the preparation of the report)	
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Pag. 15;18;20	Responsible gaming - Communication with stakeholder	
<b>Report Profile</b>				
G4-28	Reporting period for information provided.	Pag. 90	Methodological note - Preparation standards applied	
G4-29	Date of most recent previous report.	Pag. 90	Methodological note - Preparation standards applied	
G4-30	Reporting cycle.	Pag. 90	Methodological note - Preparation standards applied	
G4-31	Contact point for questions regarding the report or its contents.	Pag.90	Methodological note - Preparation standards applied	
G4-32	Type of "in accordance" option chosen by the organization.	Pag. 90	Methodological note - Preparation standards applied - "in accordance" option chosen	
G4-33	Organization's policy and current practice with regard to seeking external assurance for the report.	Pag. 104	Methodological note - Preparation standards applied - Assurance is performed by independent auditor <i>PriceWaterhouseCoopers</i>	

Num.	Disclosure	Pag.	Chapter - paragraphs	D.Lgs 254/2016
<b>Corporate Governance</b>				
G4-34	Governance structure of the organization, including committees of the highest governance body.	Pag. 30	Governance	x
G4-45	Procedures to assess and manage risks and opportunities (risk management).	Pag. 32	Internal Control and Risks Management System	x
<b>Ethics and Integrity</b>				
G4-56	Organization's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	Pag. 13	SNAITECH identity - The Company and its principles	x
G4-58	Concerns about unethical or unlawful behaviour.		In 2016 there were no infraction of Ethical Code	x

CONTENT INDEX GRI - SPECIFIC STANDARD DISCLOSURE

Category: Economic

Num.	Disclosure	Pag.	Chapter - paragraphs	Omission	Comment	D.Lgs 254/2016
<b>Aspects: economic performance</b>						
G4-DMA	Management Approach.	Pag. 25	Group profile			x
G4-EC1	Direct economic value generated and distributed including revenues, operating costs, Employee wages and benefits -Payments to providers of capital -Payments to government (by country) -Community investments.	Pag. 39;42;44	Economical responsibility - Value creation for the community - Distribution of value added			x
G4-EC3	Defined benefit/contribution plan's liabilities and their management with the organization's general resources.	Pag. 58	Personnel - Welfare			
<b>Aspect: Indirect Economic Impacts</b>						
G4-EC8	Significant identified positive and negative indirect economic impacts on the organization.	Pag. 15;50; 74;75;76	Social responsibility - Central State and Institutions			x
G4-EC9	Proportion of spending on local suppliers.	Pag. 75	Suppliers - Remuneration of suppliers	Partial	Percentage related only to local suppliers of tracks management undertakings	

Category: Social

Labor practices and decent work

Num.	Disclosure	Pag.	Chapter - paragraphs	Omission	Comment	D.Lgs 254/2016
<b>Aspect: Employment</b>						
G4 DMA	Management Approach.	Pag. 51	Personnel			x
G4-LA1	Total number and rate of employee turnover.	Pag. 51	Personnel - Personnel composition	Partial	No breakdown by gender, age and region was provided due to the changes occurred in the basis of consolidation following the merger transaction	x
G4-LA2	Benefits to full-time employees.	Pag. 58	Personnel - Welfare			x
G4-LA3	Work and retention rates after parental leave, by gender.	Pag. 59	Personnel - Equal opportunity	Total	No calculation was provided due to the changes occurred in the basis of consolidation following the merger transaction	x
<b>Aspect: Occupational Health and Safety</b>						
G4-LA6	Injuries, occupational diseases and absenteeism.	Pag. 58	Personnel - Occupation health and safety	Partial	No breakdown by gender, age and region was provided due to the changes occurred in the basis of consolidation following the merger transaction	x
G4-LA8	Formal agreements with trade unions covering health and safety.	Pag. 57	Personnel - Occupation health and safety			x

Num.	Disclosure	Pag.	Chapter - paragraphs	Omission	Comment	D.Lgs 254/2016
<b>Aspect: Training and education</b>						
G4-LA9	Training dispensed to the organization's employees during the reporting period by category.	Pag. 56	Personnel - Training			x
G4-LA10	Programs implemented and assistance provided to upgrade employee skills.	Pag. 56	Personnel - Training	Partial	Limited to training needed from internal relocation	x
<b>Aspect: Diversity and equal opportunity</b>						
G4-LA12	Composition of governance bodies and breakdown of employees by gender.	Pag. 30;51	Personnel - Personnel composition - Governance			x
<b>Aspect: Equal remuneration across gender</b>						
G4-LA13	Ratio of the basic salary and remuneration of women to men.	Pag. 59	Personnel - Equal opportunities	Partial	Data not available for contractual category	x
<b>Aspect: Labor practices grievance mechanisms</b>						
G4-LA16	Total number of grievances about labour practices.	Pag. 60	Personnel - Relationships with labour unions			x

#### Category: Social

##### Human rights

Num.	Disclosure	Pag.	Chapter - paragraphs	Omission	Comment	D.Lgs 254/2016
<b>Aspect: non-discrimination</b>						
G4-HR3	Number of grievances related to discrimination and corrective actions taken.				No grievances occurred in 2016	x
<b>Aspect: Freedom of association and collective bargaining</b>						
G4-HR4	Freedom of association.				SNAITECH runs at national level with a tight regulation on freedom of association. Therefore, it deems minimal the risk for the Group and its suppliers	x

#### Category: Social

##### Society

Num.	Disclosure	Pag.	Chapter - paragraphs	Omission	Comment	D.Lgs 254/2016
G4-DMA	Management approach.	Pag. 13;15	Corporate Citizenship in SNAITECH - Responsible gaming			x
<b>Aspect: Local communities</b>						
G4-S01	Operation with implemented local community engagement, impact assessments, and development programs	Pag. 15;49; 72;76	Responsible gaming - Central State and institutions - Community			x
G4-S02	Operations with significant actual and potential negative impacts on local communities	Pag. 15;49;76	Gioco Responsabile - Stato e Istituzioni - La comunità			x
<b>Aspect: anti-bribery</b>						
G4-S03	Total number and percentage of operations assessed for risks related to corruption.	Pag.34	Governance - Auditing			x
G4-S04	Communication and training on anti-corruption policies and procedures	Pag. 32;57	Governance - Personnel - Training			x
G4-S05	Confirmed incidents of corruption and actions taken.				The Company is not aware of any incident occurred in 2016	x
<b>Aspect: anti-competitive behaviour</b>						
G4-S07	Number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices.				In 2016, there were no legal actions related to anti-competitive behaviours. On 5 October 2016, it was closed the procedure notified to SNAI S.p.A. on 18 December 2014 by Market Authority on "request of information on new agreement between concessioners and PoS owners". For further details: <a href="http://snaitech.it/sites/devsnaifiles/fascicolo_bilancio_2016.pdf">http://snaitech.it/sites/devsnaifiles/fascicolo_bilancio_2016.pdf</a>	x
<b>Aspect: compliance</b>						
G4-S08	Significant fines and non-monetary sanctions for non-compliance with laws and regulations.				No fines were received in 2016 due to non-compliance with laws and regulations	x

**Category: Social**

**Product responsibility**

Num.	Disclosure	Pag.	Chapter - paragraphs	Omission	Comment	D.Lgs 254/2016
G4-DMA	Management Approach.	Pag. 13,15	Corporate citizenship in SNAITECH - Responsible gaming			x
<b>Aspect: Customer Health and Safety</b>						
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	Pag.68	Customer protection and safe gaming principles		Customer protection and safe gaming principles - (100% - all gaming products are preliminary assessed on their impact, as requested by law)	x
<b>Aspect: Product and Service Labelling</b>						
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements.	Pag. 15,68	Responsible gaming - Customer protection and safe gaming principles			x
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling.				No incidences occurred in 2016 due to non-compliance with regulations and voluntary codes concerning product and service information and labelling	x
G4-PR5	Results or key conclusions of customer satisfaction surveys.			Total	No relevant surveys of customer satisfaction were conducted in 2016	x
<b>Aspect: marketing and communication</b>						
G4-PR6	Sale of banned or disputed products.	Pag.15	Responsible gaming			x
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship.				No incidences occurred in 2016 due to non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship	x
G4-PR8	Total number of claims on customer privacy violation and data lost.				No incidences occurred in 2016 due customer privacy violation and data lost	x
<b>Aspect: compliance</b>						
G4-PR9	Total monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.				No incidences occurred in 2016 due to non-compliance with laws and regulations concerning the provision and use of products and services	x

**Category: Environmental**

Num.	Disclosure	Pag.	Chapter - paragraphs	Omission	Comment	D.Lgs 254/2016
G4-DMA	Management Approach.	Pag. 83	Environmental responsibility - Environmental policy			x
<b>Aspect: materials</b>						
G4-EN1	Materials used by weight or volume.	Pag. 85	Environmental responsibility - Paper consumption			
<b>Aspect: energy</b>						
G4-EN3	Energy consumption.	Pag.86	Environmental responsibility - Energy consumption			x
G4-EN6	Reduction of energy consumption.	Pag. 85	Environmental responsibility - Environmental plans	Partial	Data includes economical saving but energy consumption saving (not relevant given the change in the basis of consolidation)	
<b>Aspect: water</b>						
G4-EN8	Water withdrawal by source.	Pag. 87	Environmental responsibility - Water consumption			x
<b>Aspect: biodiversity</b>						
G4-EN13	Protected or restored habitats.	Pag.83	Environmental responsibility - Horse racing tracks management			
<b>Aspect: emissions</b>						
G4-EN15	Direct greenhouse gas emissions (scope 1).	Pag. 87	Environmental responsibility - Emissions			x
G4-EN16	Energy indirect greenhouse gas emissions (scope 2).	Pag. 87	Environmental responsibility - Emissions			x
G4-EN17	Other indirect greenhouse gas emissions (scope 3).	Pag. 88	Environmental responsibility - Emissions	Partial	Only 2016	x
G4-EN23	Weight of waste by type and disposal method.	Pag. 88	Environmental responsibility - Waste			x



## SNAITECH GROUP

### INDEPENDENT REPORT ON THE LIMITED ASSURANCE ENGAGEMENT OF THE CORPORATE CITIZENSHIP REPORT 2016



### INDEPENDENT REPORT ON THE LIMITED ASSURANCE ENGAGEMENT OF THE CORPORATE CITIZENSHIP REPORT 2016

To the Shareholders of  
Snaitech SpA

We have carried out a limited assurance engagement on the Corporate Citizenship Report (hereinafter the "Report") of the Snaitech Group (hereinafter the "Group") for the year ended 31 December 2016.

#### Responsibility of the Directors for the Report

The Directors are responsible for preparing the Report in compliance with the *G4 Sustainability Reporting Guidelines* defined in 2013 by the *GRI - Global Reporting Initiative*, as indicated in the paragraph "Methodological note" of the Report, and for that part of internal control that they consider necessary to prepare the Corporate Citizenship Report that is free from material misstatement, whether due to fraud or unintentional behaviours or events. The Directors are also responsible for defining the sustainability performance targets of the Snaitech Group, for reporting the sustainability results, as well as for identifying the stakeholders and the significant aspects to be reported.

#### Auditor's responsibility

We are responsible for the preparation of this report on the basis of the work performed. We conducted our engagement in accordance with *International Standard on Assurance Engagements 3000 (Revised) - Assurance Engagements other than Audits or Reviews of Historical Information (ISAE 3000)*, issued by the IAASB (*International Auditing and Assurance Standards Board*) for limited assurance engagements. The standard requires that we comply with applicable ethical requirements, including professional independence, and that we plan and perform our work to obtain limited assurance that the Report is free from material misstatement. The procedures consisted in interviews, primarily of company personnel responsible for the preparation of the information presented in the Report, analysis of documents, recalculations and other verification procedures.

#### PricewaterhouseCoopers Advisory SpA

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Società soggetta all'attività di direzione e coordinamento della PricewaterhouseCoopers Italia Srl  
[www.pwc.com/it](http://www.pwc.com/it)



Our company applies the *International Standard on Quality Control 1 (ISQC (Italy) 1)* and, therefore, maintains an overall quality control system that includes directives and procedures on the compliance with the ethical principles, with the professional principles and with the applicable laws and regulations.

The procedures we performed consisted in verifying compliance of the Report with the principles for defining the content and the quality of a sustainability report set out in the *G4 Sustainability Reporting Guidelines*, and are summarised as follows:

- comparing the financial information reported in chapter “The Economic Dimension” of the Report with the information included in the Group’s consolidated financial statements as of 31 December 2016 on which we issued our audit opinion, in accordance with articles 14 and 16 of legislative decree n° 39 of 27 January 2010, on 28 April 2017;
- analysing, through inquiries, the governance system and the process for managing the corporate citizenship issues relating to the Group’s strategy and operations;
- analysing the process aimed at defining the significant reporting areas to be disclosed in the Report, with regard to the methods for their identification, in terms of priority for the various stakeholders, as well as the internal validation of the process findings;
- analysing the processes underlying the generation, recording and management of quantitative data included in the Report. In detail, for Snaitech SpA, Trenno SpA, Snai Rete Italia SpA and Teleippica SpA, we carried out:
  - meetings and interviews with management, to achieve a general understanding of the information, accounting and reporting systems in use to prepare the Report, as well as of the internal control processes and procedures supporting the collection, aggregation, processing and submission of the information to the function responsible for the Report preparation;
  - a sample-based analysis of the documents supporting the preparation of the Report, in order to obtain evidence of the reliability of processes in place and of the internal control system underlying the treatment of the information relating to the objectives disclosed in the Report;
- analysing the internal consistency of the qualitative information described in the Report and its compliance with the guidelines identified in the preceding paragraph “Responsibility of the Directors for the Report”;
- obtaining a representation letter, signed by the managing director of Snaitech SpA, on the compliance of the Report with the guidelines identified in the paragraph “Responsibility of the Directors for the Report”, as well as the reliability and completeness of the disclosed information.

Our limited assurance work was less in scope than a reasonable assurance engagement performed in accordance with ISAE 3000 (*reasonable assurance engagement*) and, consequently, it does not provide us with a sufficient level of assurance necessary to become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.



## Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the Corporate Citizenship Report of the Snaitech Group as of 31 December 2016 has not been prepared, in all material respects, in compliance with the *G4 Sustainability Reporting Guidelines* defined in 2013 by the *GRI - Global Reporting Initiative* as disclosed in the paragraph “Methodological note” of the Report.

26 June 2017

PricewaterhouseCoopers Advisory SpA

*Signed by*

Paolo Bersani  
(Partner)

*This report has been translated from the original, which was issued in Italian, solely for the convenience of international readers.*

**Concept, drafting and publishing**

SNAITECH's Business Development and Institutional Affairs

**Graphics and Layout**

The Visual Agency

**Printing**

Multimedia Publishing

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