

SUSTAINABILITY REPORT



SZERENCSEJÁTÉK ZRT.

2020

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SUMMARY

The purpose of the sustainability report is to give a comprehensive account of the operation of our company to all stakeholders and to describe the impact we exert on our narrower and broader environment. Experiences gained during the preparation of the report, including feedback received with respect to the report, will be used to improve our sustainability performance.

Szerencsejáték Zrt. is a gaming organiser company owned 100% by the Hungarian State and, based on its annual sales revenue, it is one of the largest economic operators in Hungary and an outstanding participant of the national economy.

The mission of our Company is to offer experience and create value. Our new strategic targets are centred on our players and accordingly, our guiding principle is to meet the gambling entertainment needs of the Hungarian population at the highest standard through constant product and service developments.

“The mission of our Company is to offer experience and create value”

The key values of our Company include

- responsible gaming,
- excellent product and service quality,
- reliability, and
- social responsibility.

These values, combined, lay the foundation for sustainable and moderate growth.

It is indicative of the social value of Szerencsejáték Zrt. that nearly half of the proceeds generated by gaming are used to provide special support to domestic culture (National Cultural Fund). Year after year, we support the implementation of numerous cultural, sports, health, educational and youth protection programmes organised by our non-profit subsidiary.

Financial results



In addition, we create jobs and contribute, directly or indirectly, to maintaining around 13,000 jobs across Hungary.

BUSINESS OBJECTIVES:

- sustainable growth based on responsible gaming,
- technological advancement laying the foundations for our future operation,
- cost-efficient operation with a view to improving customer experience, and the creation of social value.

Products

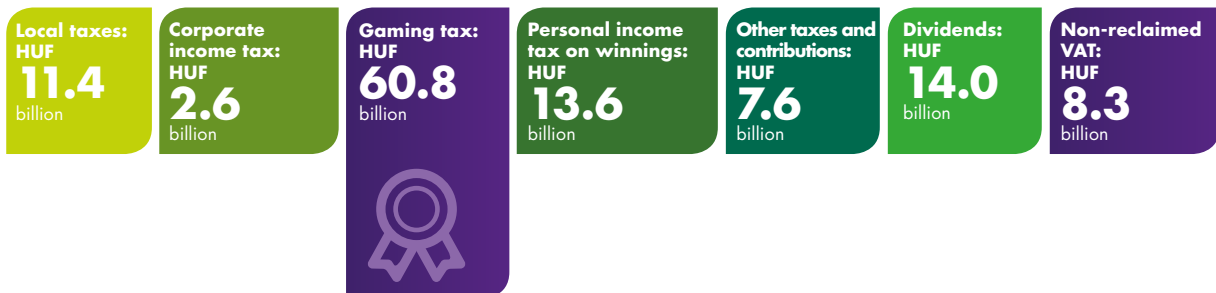
The company has the exclusive right to sell draw games and pari-mutuel betting games in the territory of Hungary; moreover, it is the only company licensed to organise bookmaker type and fixed odds sports betting in the form of remote gambling. The company sells the Kincsem+ Tuti horse racing game and offers mobile phone top-ups across its entire sales network under cooperation agreements.

Due to the pandemic, in 2020 our first priority was to develop new online games. E-sports events were added to our Tippmix and TippmixPro sports betting selection in August, and the sale of e-scratch cards was launched at the end of October. In addition, seven years after its introduction, the online sports betting interface was given an overhaul.

Nationwide sales coverage

In the nationwide sales network of Szerencsejáték Zrt., the full spectrum of our games is available at a total of 4,545 points of sale, of which the company continued to operate 280 own lottery shops in 2020 as well. Combined with locations that offer scratch cards only, the lottery operator and its sales partners run a total of 7,621 points of sale nationwide, representing one of the largest retail networks in Hungary.

Indirect contribution to public expenditures: HUF 118.3 billion





Dr Alex Bozóky, Chief Executive Officer

LETTER FROM THE CEO

What were the most decisive milestones for Szerencsejáték Zrt. in 2020? How did the pandemic impact the operation and results of the Company?

The national lottery operator kicked off 2020 with an ambitious business plan, and the revenue figures for the first 10 weeks justified the plan already, as indeed, even these heightened revenue expectations were surpassed by 13%. However, the pandemic situation brought about a radical change from mid-March, bringing events – primarily live sports – to a standstill in the first couple of weeks and, following the curfew restrictions, our daily revenues dropped by a staggering 60–70%.

We drew up and adopted a prompt and fast action plan in order to secure, at least in the short run, the continuity of our business, to save jobs and launch the developments necessary to prepare our network and operation for the period following the subsiding of the pandemic. To this end, we implemented projects and developments that helped mitigate our exposure and serve the long-term profitability of Szerencsejáték Zrt.

By maintaining continuous operation and stepping up innovation and developments, the upward trend of Szerencsejáték Zrt.'s economic performance did not falter, and the performance of the Company surpassed the results recorded for 2019 by 6% in 2020, despite the pandemic.

This was achieved without any downsizing; in fact, the introduction of various health preservation action plans noticeably improved the working conditions of employees. In addition to profitable operation, our responsibilities towards the industry and our suppliers were also given considerable emphasis.

How did you close 2020 financially?

Owing to the above measures, the national lottery operator outperformed its 2019 business results even in the face of the pandemic: our net sales revenues stood at HUF 575.4 billion, representing a 6% (HUF 32.8 billion) increase year-on-year, whereas our business plan (which was adjusted during the year due to the pandemic) was exceeded by 7.5% (by HUF 40.2 billion). In addition, exceeding our target by 6.3% (HUF 11.2 billion), our net gaming revenues rose to HUF 190 billion.

This increase also enabled us to contribute an unprecedented HUF 118.3 billion towards public expenditure in 2020 in the form of various taxes, contributions, fees and dividends.

As I was witnessing the achievement of these results I was still a member of the Company's Board of Directors and the Head of the Central Management Coordination Centre; therefore, I would like to take this opportunity to thank my predecessor, former CEO Dr Gábor Czepek, for his work of strategic importance during the toughest period of the pandemic.

How does the operation of Szerencsejáték Zrt. reflect the sustainability approach adopted by the Company? What does social and environmental sustainability mean for a company operating in the gaming industry, and what objectives have you defined in this respect?

Regarding the social context of the issue, we primarily need to keep responsible gambling operation and the inclusion of persons with disabilities in mind. From an economic point of view, our strategic objectives are stable operation and the greatest possible contribution to public expenditures. Regarding sustainability, our priority is to shape the awareness and attitude of our employees.

Gaming as a special industry also confers special responsibility on companies that are active in this sector.

As a national company, Szerencsejáték Zrt. has greater opportunities and hence, greater responsibilities for safeguarding the mental health of our players, and this is the focus of our sustainability activity.

Although our games do not fall into the category of risky, addictive gambling, we are continuously working towards strengthening responsible gaming awareness.

What are the most important, strategic corporate social responsibility principles and targets for Szerencsejáték Zrt.?

In 2015 Szerencsejáték Zrt. was among the first to join the trans-continental initiative of the European State Lotteries and Toto Association ('European Lotteries') and the European Disability Forum; under the initiative, the parties launched a joint mission to promote and facilitate the inclusion of nearly 80 million disabled persons across the European Union. Under the framework agreement we pledged to support the open market employment of people with reduced capacity to work, and to contribute actively to the positive social perception and inclusion of disabled people. These principles have remained the key social responsibility principles of our Company to date.

We were able to achieve considerable results in both areas.

I am proud to report that Szerencsejáték Zrt. employs around 170 persons with various kinds of disabilities, including reduced mobility, deafness, hearing impairment or reduced capacity to work due to permanent health damage.

In addition, we have also been present in the field of awareness raising and integration since 2017 with our 'Playing Connects Us!' scheme. In 2020 we opened 5 additional inclusive community spaces, bringing the total number of such playgrounds to 13 nationwide. Expanding year after year and reinforced by strong awareness-raising communication, our scheme offers opportunities to more than 10,000 able-bodied and disabled children to play together.

What are the most important strategic objectives of Szerencsejáték Zrt. for the coming period and why?

In parallel with the expansion of the gaming market, our company has undergone ongoing organic development over the last decade that could not be broken even by the pandemic. This is precisely why we used the pandemic to formulate our new corporate strategy for the 2021–2025 period, which outlines the minimum goals and tools that are necessary in order to achieve long-term, sustainable growth in a sector faced with increasing challenges.

The sound professional basis we have developed in the last 30 years provides us with an adequately stable foundation: the pandemic situation is the latest example to prove that we are able to cope even with the most formidable challenges. Consequently, over the medium and long term we define Szerencsejáték Zrt. as a regional player that, relying on domestic stability, has the potential to be competitive abroad.

Moreover, we are also addressing the presence of unlicensed gaming operators in Hungary and their impact on our sales revenues. Indeed, because of them we already operate in a competitive environment and accordingly, our primary interest is to boost our competitiveness compared to illegal market players.

How far has the Company progressed in recent decades?

Over the past 30 years, Szerencsejáték Zrt. as a gaming operator has proven that the company is a predictable and reliable partner in providing a refined gaming experience to the general public. The company has delivered on these expectations without any service interruptions from the onset. Simultaneously, in terms of net gaming revenue measured at per capita purchasing power parity, we rank sixth according to the statement of European Lotteries, outpacing all other regional competitors. In addition, we are also in the vanguard based on the level of community contributions. This gives our organisation confidence, and we also have the necessary experience and capitalisation to embark on a new growth path as evidenced by the achievements secured in 2021 so far.

What is your vision for the future of the gaming industry: where will this sector be in 10–15 years?

As in numerous other walks of life, digitalisation is gaining ground and plays a pivotal role in the gaming industry as well, along with the new challenges it entails. We are well aware that the younger generation is seeking another type of gaming experience than that preferred by the older generation. Therefore, we need to be more efficient in entering this segment, providing it, as it were, with a first-class integrated gaming experience in both the terrestrial network and online. At the same time, we should not forget enthusiasts of more traditional games. Many players have enjoyed our games for several decades and they are expected to stay with us for another 10 to 15 years.

In summary, our task is really exciting as we not only need to respond to the changing needs of the modern era (e.g. by developing the sports betting segment) but we should also seek to preserve the proportions of our well-balanced product range. I think it is especially important to accelerate our IT developments and improve our ability to respond to changing market needs. Meanwhile, however, we should continue to adhere to our responsible gambling principles – the backbone of our operation – to the greatest possible extent going forward.





SUSTAINIBILITY FOR SZERENCSEJÁTÉK ZRT.

The strategic mission of our Company is to offer experience and create value.

We have outlined the sustainability targets of our Company in alignment with our corporate strategy, the marketing and communication plan and the environmental programme. For the purposes of their implementation, the primary aspect is the company's financial sustainability and business development, which lay the foundations for the adequate financing of a sustainable business operation. We set annual targets for selected material subjects and areas. They are reviewed by management every year, and the status of their completion can be monitored in the publicly available sustainability report.

Szerencsejáték Zrt.'s corporate social responsibility activity focuses on responsible gaming. This means that the mindful operation of the national lottery operator goes even beyond legislative requirements in protecting its players from the harmful consequences of excessive gaming and the future generation from developing such addictions.

The Company does this even though its games are not classified in the risky or addictive category. Moreover, our Company feels responsible for the environment, protects its players and offers its employees, suppliers and business partners fair treatment.



1.1 Materiality

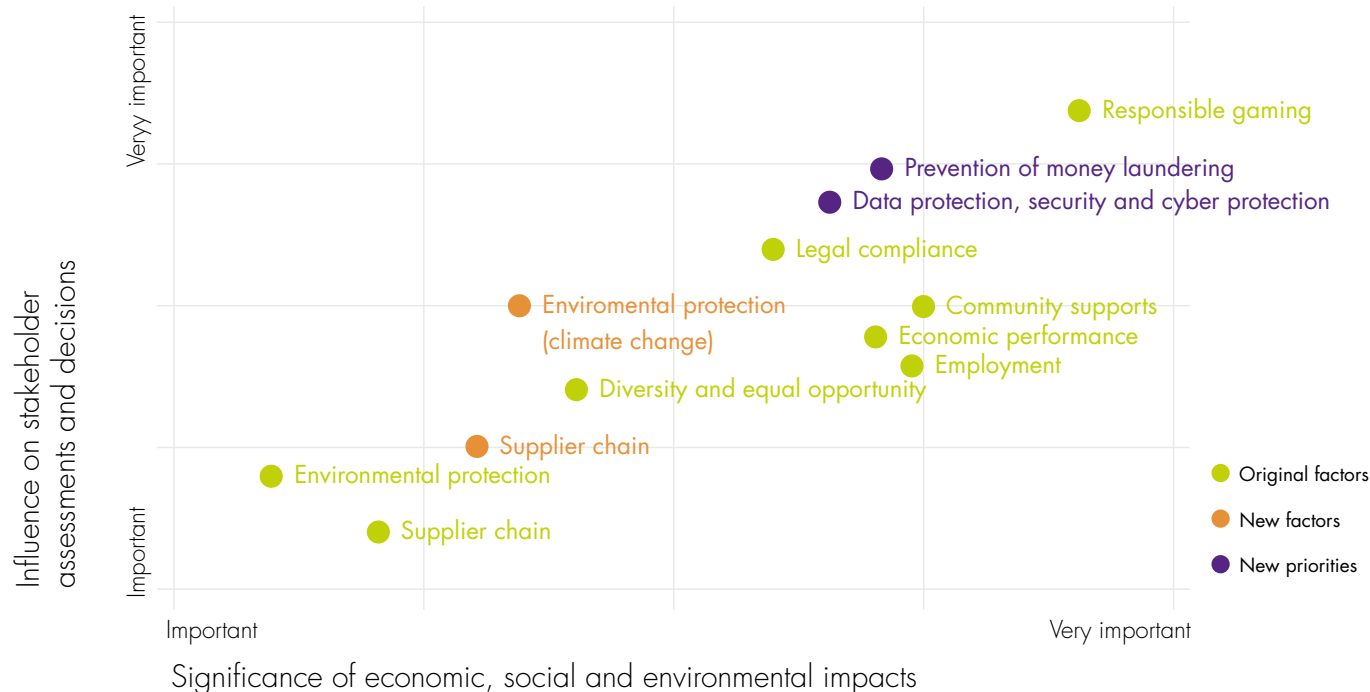
The sustainability report of Szerencsejáték Zrt. was prepared on the basis of the GRI Standard¹, and its content corresponds to the 'core' level of application. The GRI content index can be accessed on our website at <https://rolunk.szerencsejatek.hu/hu/jelentesek>.

We have reviewed the materiality analysis presented in the sustainability report of the previous year. The review was based on a benchmark analysis that scrutinised the sustainability report of 16 international gaming and lottery operators.

We discuss material themes in relation to the own activities of Szerencsejáték Zrt.; however, regarding responsible selling practices and, to a certain extent, market presence, our sales partners' practices are also discussed in the report. Under community sponsorships, we also present the activities of Szerencsejáték Service Nonprofit Kft.

The **explanation of material sustainability topics**, including a detailed list of relevant GRI topics and a presentation of the stakeholders concerned, are included in the annex to the report.

Materiality map



1.2 Connection with the UN Sustainable Development Goals (SDGs)

The 17 Sustainable Development Goals (SDGs) of the UN Sustainable Development Cooperation Framework for 2030 were adopted in 2015 by a total of 193 countries. These goals include, primarily, the elimination of poverty and inequalities and the protection of the Earth's environmental systems.

Szerencsejáték Zrt. is committed to accomplishing the goals and its activities are primed to achieve the following objectives.

The companies analysed have typically included the following SDGs in their report



Compared to the practices analysed, Szerencsejáték Zrt. did not include the following UN SDGs in its sustainability report:





Interview: Zsófia Bánhegyi, Marketing and Communications Director



Due to the phenomenon of greenwashing, the traditional perception of CSR has deteriorated considerably in recent years. In your opinion, what is the responsibility and the duty of marketing communication today in the case of Szerencsejáték Zrt. when it comes to talking about sustainability? What is the connection between marketing and sustainability?

Any company taking this lightly by adopting pretence measures to tackle the fundamental issues of sustainability may see its goodwill depreciate even in the short term as the expectations of clients and consumers have heightened incredibly in this regard, especially among younger generations.

As global social and consumer confidence has faltered on a global scale during the pandemic, it has become even more important for large corporations to make the overall sustainability approach one of the focus points of their strategy. The corporate sector should not hesitate to face this challenge head-on and focus on sustainability and climate protection measures.

In parallel to this, the inclusion of empathy and responsibility in marketing, corporate management and social responsibility activities may well become a competitive advantage. We can support this by sharing reliable pieces of information and by way of ethical and transparent communication. The sustainability approach of Szerencsejáték Zrt. is headed in the same direction, accompanied by the sector's remarkably high community contribution and responsible gaming operation.

What does responsible communication mean in the case of Szerencsejáték Zrt.? What do you consider to be your primary duty?

Within the framework of its responsible gambling operation strategy, for more than a decade now Szerencsejáték Zrt. has followed ethical guidelines that go beyond domestic legislation. The main directions of this approach are set out in the Company's Code of Advertising Ethics, which also applies to and is mandatory for all of our external contractual partners (including, for example, advertising and media agencies). Our ethical activity covers the proper use of marketing communication messages and tools, the use of the media, the promotion of sales and the regulation of draw games. The Code also includes theoretical guidelines for sponsorship and support activities. It identifies the vulnerable target groups we need to protect, such as minors and other groups that, based on their social situation or addiction, are considered vulnerable.

Being a large Hungarian company boasting one of the most predominant retail confidence indexes, in the course of providing games of chance we establish and nurture a strong connection with our players. The responsible management of this connection is one of the most important capabilities of the company that overrides the support of profit and sales revenue expectations. It is backed by our marketing and communication activities, which are designed and implemented along the lines of ethical principles that are unparalleled in Hungary.

What kind of sustainability-related activities have you been involved in during 2020?

In 2020 our wide-ranging sustainability activities were characterised by three core areas within our social,

environmental and corporate governance framework. In order to combat the new challenges posed by the pandemic, we strengthened – and even elevated – our responsible gaming operator activities. Essentially, the time spent at home with digital games has increased, which created a need for strengthening the relevant tools and preventive player communication and information, while also moving them into the online sphere. By conducting a more efficient nationwide awareness raising campaign and constructing additional inclusive playgrounds, we were able to expand our large volume social responsibility schemes that are aimed at promoting the social inclusion of people with disabilities.

As one of the largest state-owned companies, we considered it our duty to allocate a significant part of our financial resources to overcoming pandemic-related difficulties.

By doing so we contributed to preserving not only the health security of our employees but also salary levels and jobs. Under our network protection scheme we made available substantial additional resources to our small and medium-sized commercial partners with a total of nearly 10,000 employees to help them maintain their business continuity.





Our broader social responsibility scheme assisted three major pandemic hospitals and several disadvantaged families. Based on the results, we managed to instigate a positive change and, according to the employee survey conducted in September 2020, we won the Employer of the Year Award. In addition, following the initial shock, the sales revenues of our lottery network reached an outstanding level by the end of the year.

What are the plans for the future?

The future is set for the directions specified in our new corporate strategy for the 2021–2025 period, which translate to focused sustainability aligned with the ESG principles: discharging our responsible gaming operator activities to the highest possible standards, increasing the value of our community contribution, extending the scope of stakeholders and raising awareness on environmental sustainability, including its practical implementation.

In 2021 we are launching a new, long-term communication and CSR platform aimed at fostering the domestic inclusion – and boosting the employment – of persons with reduced capacity to work, whereby we are set to assume a flagship role in the large corporate sector.

Did your cooperation with HAB change last year (if yes, how)?

In 2020 we took our cooperation with the Hungarian Advertising Self-Regulatory Board (HAB) to a new level and expanded it in the field of ethical and responsible marketing activities. The Code of Advertising Ethics of the national lottery operator is stricter than the domestic legal and advertising ethics rules in force. Verification of compliance with the Code was entrusted to an independent organisation, HAB, in the framework of a longer-term cooperation. Even before, as a member of the body we had undertaken to also comply with the provisions of the Hungarian Code of Advertising Ethics in addition to those imposed by law.

This new cooperation, however, also includes the external audit of compliance with the company's internal code and as such, it is of historic significance in the Hungarian practice of self-regulation.

In Hungary this agreement is considered a milestone; as Kálmán Molnár, Chairman of HAB has put it: 'I am proud to see that Szerencsejáték Zrt, a company held in such high regard, is the first to set an example for the industry'.



What impact does digitalisation have on gambling?

The disruptive effect of digitalisation also shows in this sector and due to the outbreak of the pandemic, its pace accelerated significantly: even in Hungary, it took only a few months to leap forward several years. In recent years Szerencsejáték Zrt. has been ranked fifth among the 76 members of European Lotteries in terms of digital growth. Having said that, the ratio of our 'interactive' sales revenue is still 21% only, which puts us in the middle of the pack in Europe. As regards gaming experience, the expectations of the young adult generation are totally different from those observed just 5–7 years ago in terms of sales platforms, game types and digital

customer experience alike. Unlicensed gaming organisers operating in Hungary have made the latest device and channel systems, digital advertising forms and CRM activities available to Hungarian bettors.

The proper leveraging of digitalisation is one of the priority areas of the Hungarian national lottery operator's new strategy as well; it determines competitiveness for years to come and as such, our future success hinges on it.

2



RESPONSIBLE CORPORATE GOVERNANCE

Our company is and remains a permanently state-owned company; its governance and operational frameworks are subject to numerous pieces of legislation. Owner's rights and obligations are exercised by the minister without portfolio responsible for the management of national assets (Shareholder). The by-laws laying down the governance structure of Szerencsejáték Zrt. are adopted by the Board of Directors. The current version is available on our website.

Compared to 2019, the most important change in the organisation's governance structure was the integration of the 'Compliance Support' function into the internal control system.

In this context, composed of compliance advisor(s), the Compliance Support function discharges the duties stipulated by law directly reporting to the Chief Executive Officer.

The Company develops its business processes in consideration of international standards. It holds the ISO 27001 compliance certificate required for selling the Eurojackpot international lottery game, and has also obtained WLA-SCS certification under the WLA Security Control Standard, which is based on the former. The Company's activity complies with the voluntary norms of responsible gaming operation developed jointly and

The performance of Szerencsejáték Zrt. improves year after year, enabling it to make predictable contributions to the economic growth of the country. In addition to being one of the largest Hungarian taxpayers, it is among the most profitable units of the national corporate portfolio.

coordinated by the international associations of lottery operators.

It predominantly uses domestic services; its partners include a number of state-owned companies, including the Hungarian Post Office, Antenna Hungária Zrt. (a broadcasting and telecom company), MVM Group (the national electricity company) and Díjbeszedő Holding Zrt. (a utility fee collection company). It has been cooperating with Magyar Lóversenyfogadást-szervező Kft., the organiser of horse-race betting, since 2016. Thousands of entrepreneurs participate in the sale of games of chance. Consequently, the Company contributes, directly or indirectly, to maintaining around 13,000 jobs across the country. The Company holds a Bisnode Platinum Excellence grade certificate, demonstrating that it is an extremely stable and reliable company financially. Its operation is transparent to the Owner, the general public, and supervisory authorities and bodies alike.

³ Including Act XXXIV of 1991 on Gambling Operations, Act CXCVI of 2011 on National Assets and Act CVI of 2007 on State Property





Interview: Dr József Bodor, Director for Legal and Controlling Affairs

Compliance is a new domain within Szerencsejáték Zrt. What are the main tasks and targets of the compliance function?

Very briefly, the duty of compliance is to ensure external and internal compliance. When I say external compliance, I mean compliance with relevant legislation, supervisory and official requirements and market standards.

While in the past publicly owned companies had not been required by law to set up and operate an internal control system, the national assets managed and public funds used by them clearly warranted such a statutory requirement.

In order to eliminate this failing, the Act on the more economical operation of state-owned companies was amended as of 1 January 2020, adding new provisions on the internal control system. The implementing regulation of the Act has also come into effect with the necessary detailed rules.

The new regulation includes the requirements of international internal control standards adapted to the operating environment of publicly owned companies. The regulation was also designed to ensure that the requirements prescribed in the Act and in the Decree include safeguards and principles that guarantee compliance with the above standards. In addition, the regulation also sets out the approach that emphasizes

commitment to compliance with legislation, and the methods of ensuring compliance. The objective of the latter is to introduce the already proven best practices of the market sector to the system of state asset management, including our company.

Internal compliance, in turn, should be understood as the adaptation of the above into the practices of the Company for properly functioning internal regulations.

It should be noted, however, that aggravating the already existing over-regulation within the company can neither be the objective nor the result of compliance.

As regards the creation of internal norms, it is indispensable to find a clear focus to ensure that the activities supervised by individual internal regulations are managed by more flexible tools (i.e. other than internal organisational norms), while other tasks, powers and processes should be subject to stricter regulations.

In any event, I would like to stress that it is not only a compliance task to ensure that a company's operation complies with the rules.

Compliance acts as a second line of defence, as it were, a control function that safeguards compliant operation.

Primary compliance is the task of co-workers working in the 'frontline'. Obviously, the compliance function provides

efficient support to them, ensuring that the activities pursued by the Company are in line with legislation, as well as the Company's objectives, values and principles.

It is also very important to highlight that the compliance function plays a critical role in ensuring that the Company operates in an ethical manner. For a company in such a special position – being less constrained by market competition – this is tremendously important.

How can compliance, as an area and as a function, contribute to the sustainability objectives of the company?

I would like to answer this question from two sides. On the one hand, sustainability-related legislation is expected to impose a multitude of tasks on all economic stakeholders going forward, and this is especially true for large-revenue companies with a sizeable workforce. Therefore, we can expect numerous new statutory requirements on external compliance, and the compliance function should obviously take on an active role in their adaptation. In certain market sectors (such as the financial industry where ESG requirements also entail specific legislative expectations), it is often the compliance function that is responsible for the practical implementation of these requirements.

On the other hand, sustainability is an integral part of the ethical corporate operation underlined earlier, thus the compliance function must be closely involved in this regard, as well. It needs to be stressed that sustainability means more than ecological aspects; it also signifies



values that have already been documented in the Company's Code of Ethics, such as equal treatment or a healthy work environment. The verification of compliance with these requirements and the investigation of potential abuses are also compliance activities.

What systems have been or will be set up to address internal compliance, and what are the best market practices to follow?

We have recently revised the Company's Code of Ethics, and designed the channels to be used for reporting violations of integrity and the procedure for investigating such incidents.

Since the tasks carried out by this function and the related powers are brand new within the Company, we can expect numerous duties in the future, even more so because they are also new in the state-owned sector.

In general, our primary goal is to ensure that the Company operates in a 'compliance-aware' fashion and that the area finds its place and has a voice within the organisation.

I can reveal that in the near future, the Company intends to place strong emphasis on developing this culture, training and raising awareness.

What challenges do you expect to face in the future?

As I have mentioned, this activity is totally new within the Company, so one of the most formidable challenges will be to develop the operational framework. I want to add that this is both easy and difficult, as we are free to shape the area as we like.

There is still a long way to go but I am convinced that with a lot of work and with the support of other domains, compliance can find its place and role within the organisation and contribute to creating the image of a company that operates in a compliant and ethical manner. In order to get there, it will be indispensable to exchange positions, engage in debates, support and assist each other and, as a result, implement the best possible corporate operation.



2.1 Legal compliance

TARGET FOR 2020:

*Establishment of policy on legal compliance.
Establishment of a whistle-blowing system.*

- Status: **Completed.** ✓
- Related target for 2021: *Overview of organisational integrity, assessment of risks and, on this basis, development of a uniform regulatory system on incidents breaching the Company's integrity, on provisions concerning gifts and donations and on the provisions of the Code of Ethics. Full scope review of the Company's regulatory system and internal regulations, reduction of the number of regulations, creation of a more transparent system, deregulation.*

Although the monitoring of legislation is a permanent task, due to the challenges posed by the situation in 2020, we paid increased attention to monitoring – the often daily – changes in legislation. We immediately reported amendments in legislation to management in order to enable the Company to react as fast as possible – even in a rapidly changing legislative and economic environment – to changing needs and the expectations of sales partners.

Nevertheless – as in previous years – we also supported the work of individual departments without any disruption, and provided them with legal advice to address the issues arising.

In order to ensure a high level of legal compliance, employees of the Legal Department undertake regular professional training to obtain adequate information and acquire the latest legal insight.

Compliance Support (Compliance)

In accordance with the legislative changes applicable to the internal control system, Szerencsejáték Zrt. amended its internal policies relevant to the ethical operation of the Company (By-laws, Code of Ethics, the regulation on organisational integrity), and updated its By-laws with Compliance as a function operating in the internal audit framework. We completed the assessment of the corruption risks of Szerencsejáték Zrt. and prepared the training materials that are based on the new internal rules on ethical operation. The mandatory training required for employees will start in 2021; in 2020 neither employees, nor management received training on this subject.

It should be noted that the Company applies procedures at multiple security levels (basic, increased, enhanced). Our Company classifies players into various risk levels which, in turn, determine the scope of customer due diligence.

2.2 Responsible purchasing

Szerencsejáték Zrt. cooperated with close to 1,400 supplier partners in 2020, in line with the owner's requirement for the Zrt. – as a state-owned company – stipulating a preference for domestic products and services. Bet slips and thermo-rolls are supplied by ANY Biztonsági Nyomda Nyrt., while our partners in their weekly delivery to the points of sale and in broadcasting/signal transmission are Magyar Posta Zrt. and Antenna Hungária Zrt., respectively. Scientific Games (SG), which provides the IT systems required for the distribution of our products, is one of our most important international suppliers.

We require our partners to comply with labour law, occupational health and safety and environmental provisions, which has been stipulated in our contractual terms and conditions as well.

In addition, in individual purchases we strive to purchase recycled/reused products or products that were produced using clean technologies.

We are planning to review the criteria system for suppliers in the near future with a view to achieving more sustainable purchasing.



2.3 Safe and healthy work performance

TARGET FOR 2020:

Extension of the use of personal protective equipment and security devices to positions where the slightest risk of accident exists.

- Status: **Completed.** ✓
- Related target for 2021: *Ongoing introduction and monitoring of best practices concerning the management of pandemic situations.*

In 2020, there were no work-related accidents at Szerencsejáték Zrt. that would constitute a major accident under the Occupational Health and Safety Act. We regularly inspect the Company's workplaces from the perspectives of occupational health and safety and fire safety as well, with special regard to workplaces where personal protective equipment is used routinely. At the annual safety at work training we always call attention to the risks of typical work-related accidents and explain how to avoid them.

We personally investigate accidents (occupational, road or workplace accidents) within the time limit stipulated by law. We always discuss the documents with the company's social insurance experts and, if necessary, the labour law specialist. After the processing of workplace accidents, we present accident statistics during the safety at the work training and, if necessary, take **preventive measures**. For example, stickers are placed on safes warning of the risk of hand injury. Since taking this measure, we have not had any accidents causing hand injuries involving safes.

Partly owing to preventive measures, in 2020 we recorded a low rate of occupational and road accidents among our employees.

Due to occupational or road accidents, a total of twelve employees lost their capacity to work; no occupational, road or workplace accident resulted in death.

In an effort to protect our employees and players in the pandemic, **we established the conditions for pandemic-proof purchases and work performance**. As part of our health-protection measures, we required our employees working at the points of sale to wear masks and disposable gloves while serving customers. Floor stickers were applied to warn customers to keep the recommended distance. We installed Plexiglas stands on counters and cleaned our premises several times a day using disinfectants. We have temporarily suspended the operation of our charity scratch card sales network that employs nearly 170 co-workers with a reduced capacity to work, while we continued to maintain uninterrupted, daily contact with colleagues with disabilities. In consideration of the specific characteristics of the positions involved, our administrative employees were permitted to work from home, for which we put in place the necessary IT infrastructure.

We took out a health insurance policy for the Company's employees from the Hungarian branch of Medcover Försakrings AB which, besides securing the mandatory



occupational health background, simplifies the use of health services by employees (screening, counselling, psychological counselling hotline); indeed such services were particularly important in 2020. The insurance policy secured for employees can be extended to cover their family members subject to specific criteria, enabling them to access a broader scope of health services.

As the establishment of safe working conditions and the maintenance of business continuity are special priorities, the multi-level action plan in effect during the pandemic enables employees to take PCR tests as well as serological tests.

2.4 Ethical operation

TARGET FOR 2020:

Review of the Code of Advertising Ethics of Szerencsejáték Zrt., and ensuring its compliance with the most recent digital trends and gambler attitudes. Extension of the strategic cooperation with the Hungarian Advertising Self-Regulatory Board (HAB).

- Status: **Completed.** ✓
- Related target for 2021: *Independent external audit review of the operation in accordance with the Code of Advertising Ethics and our new agreement with HAB.*

In order to implement **consumer protection** on a broader scale, we have revised the Code of Advertising Ethics taking into account the framework of the EL certificate, and extended its scope to digital advertisements beyond Internet banners.

Under the extended cooperation with the Hungarian Advertising Self-Regulatory Board (HAB), HAB inspects our advertisements in advance and comments on the television programmes of draw games and on external communication devices.

Our **Code of Ethics** lays down our set of values as well as the standards of conduct that promote the implementation and enforcement thereof. Our Company is in agreement with the recommendation of the Code of Ethics of Hungarian National Asset Management Inc., pursuant to which serving the **public good** – also including work

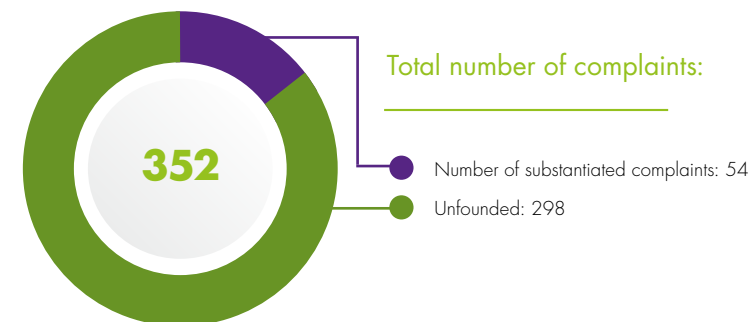
performed at state-owned business associations – **in itself has moral value and demands stricter criteria.**

Anyone can report violations of the Code of Ethics directly through the whistle-blowing channels. In 2020, no report was received by the Ethics Committee that would have necessitated the initiation of an ethical procedure at Szerencsejáték Zrt.

The **Ethics Committee** was set up by management for the purpose of monitoring compliance with the corporate standards undertaken in the Code of Ethics. The Committee takes a position on the ethical issues submitted to it, and notifies the employees concerned, the CEO and the manager exercising employer's rights.

Complaint handling

Our Company makes available multiple channels for the submission of customer observations and complaints, and the investigation of complaints is subject to strict regulations. For substantiated complaints, we take measures in each and every case to eliminate the given negligence and existing condition or to remedy the error. The functional areas and the Company's management receive monthly information on all reports received, and we also send separate notification to the given functional areas on recurring complaints.



Year-on-year change in the number of complaints lodged:

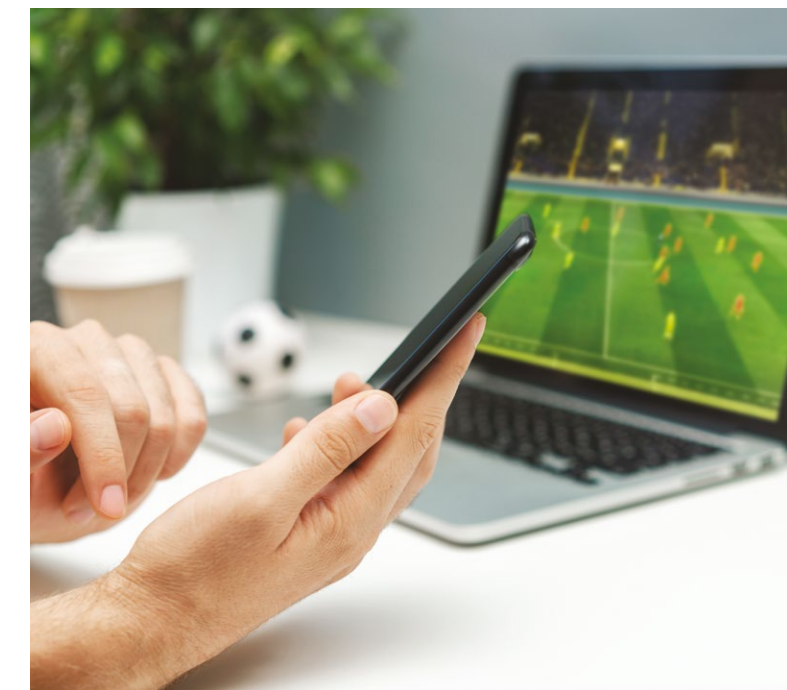
-7%

2.5 Prevention of money laundering

TARGETS FOR 2020:

Concluding a cooperation agreement with the Hungarian Football Federation serving ethical sports betting and the prevention of money laundering. Updating company-level risk assessment relating to money laundering. Ensuring compliance with the new provisions of the Anti-Money Laundering Act.

- Status: **Completed.** ✓
- Related target for 2021: *Concluding cooperation agreements with other sports federations in order to facilitate ethical sports betting and the prevention of money laundering.*





Interview: Zoltán Horváth, Head of the Odds Center (sports betting)



What were the focus areas of product development last year? How did the COVID-19 pandemic affect product development, and which new products have been introduced as a result?

We had thought that 2020 would be a particularly important and exciting year for sports betting. Eventually it was, but not for the reason we had expected. We had been preparing for the European Football Championship and the Summer Olympic Games with an unprecedented diversity in the betting selection, while one of the big plans for the year was to significantly increase the win pool, i.e. the 'payback rate'. Then in March, everything changed all of a sudden. The sports world literally came to a halt. One after another, competition organisers, sports federations and leagues announced the suspension of series of competitions.

It was a challenge to even retain a few items in our sports betting offer at all, let alone the most popular competitions and competitors preferred and expected by bettors.

Like other industry players, we reallocated our resources to locating available sports events during the pandemic and matching them to our betting offer. As a result, sports and competitions that previously had little or no prominence have come to the fore. Table tennis became a driving force as it was the fastest to respond to the changes, and darts, baseball and volleyball, for example, also played a more important role. It is important to stress that none of these represented the most prestigious series of competitions. Therefore, responsible gambling operation aspects were given an even more important role than before.

In terms of monitoring matches and betting on them, we raised the level of readiness and reduced the value of the bets placed on each betting market.

In addition to gambling operation measures, we reconsidered our development priorities. We looked for solutions that could reduce our sports downtime exposure and could be brought to market quickly.

Our primary goal was to strengthen our betting offer, and to introduce games and betting methods that not only allowed us to adjust our short-term financial results, but also to ensure long-term, sustainable operation.

As a result, we launched e-sports betting in August 2020 and, in parallel, commenced the development of virtual betting, which will go live in 2021.

Although the pandemic did not induce the renewal of the TippmixPro site, online sales remained steady and even intensified during the pandemic, which was also a very important development in 2020.

What are the forward-looking international gambling trends that point towards quality and sustainability?

It is commonly said that these days you can bet on almost anything. And indeed, during the pandemic, the range of sports and championships available expanded even further.

One area of competition between betting agencies is the number of matches offered. Let's be realistic, though: with the exception of a few dozen gamblers, most players are unimpressed by most of these matches. Yet, the assumption is that if you are unable to compete in the number of matches, you will fall behind.

I believe that with the development of technology and the use of artificial intelligence and various data-driven algorithms, increasingly, bettors and betting agencies compete not so much in the field of sports insights as in the use of the right technology.

Anyone who has faster access to reliable information benefits without any sports knowledge. The mission of Szerencsejáték Zrt. is safe entertainment. We do not want our customers to be disadvantaged because they do not have access to the right information and do not have the ability to trade. We would like to give players an opportunity to measure their sports knowledge, hunches and luck. Therefore, we continue to optimise for quality rather than quantity, and both our product selection and the related services are designed to ensure responsible gaming.

How can the gaming selection be designed to direct gamblers to safe and legal gambling operators? What benefits does this offer to gamblers?

The question underpins one of the big dilemmas of Szerencsejáték Zrt. and responsible gambling operators: how to offer a betting opportunity without relegating to the background the protection of the integrity of sports?

In my book, a responsible operator should also strive to be present in the betting market with a competitive, attractive offer to make sure that poorer selections and lower levels of service do not divert gamblers to illegally operating service providers.

Therefore, we also do our best to provide an attractive alternative to potential gamblers. We need to find a healthy balance which enables us to achieve both goals. As a matter of fact, our research and customer feedback show that our customers appreciate this effort. They accept that we exercise self-restraint in certain areas (for example, we do not offer events for people below the age of 18 or betting opportunities where the risk of manipulation is significant), and recognise that our operating model is not about making profit at all costs. Consequently, they can view Szerencsejáték Zrt. as a company committed to social responsibility and providing safe entertainment.

What are the dangers of gaming at unlicensed gambling companies? Where does the money spent on these betting sites go?

Competing gambling operators are looking for a regulatory environment that least impairs their competitiveness: wherever licensing fees are lowest, the tax rate is low, the disclosure obligation is negligible and the supervisory authority does not pester them hindering their business operations. Therefore, they typically obtain their international operating license in offshore countries where the tax revenue collected from the operator is the most important item in the target system of the authority, and where the aspects of gambler protection are put on the back burner. It is no coincidence that operators

operating in such jurisdictions grant unlimited rights to themselves and hardly any rights to gamblers in their rules of participation regulating their relationship with gamblers. We must also consider how administration is done when a Hungarian bettor has to lodge a complaint with the gambling authority in Malta, Gibraltar or the Isle of Man. In my opinion, a Hungarian bettor can only feel completely safe if he can count on the help of the Hungarian jurisdiction and the Hungarian gambling supervisory authority. And they can only get this with Szerencsejáték Zrt.

How can you organise sports betting responsibly? How do you select sports betting events?

When operating sports betting, the primary goal is to provide gamblers with an entertaining, meticulous gaming experience. To do this, we have to put together a betting offer in which, if possible, everyone can find the betting option that interests them. As a responsible gambling operator, Szerencsejáték Zrt. seeks to ensure this while keeping in mind the protection of the sport's integrity.

We do everything we can to ensure that sports events are not manipulated in relation to our gambling operation activities.

We carefully select the sports events offered for betting, classify them into risk rating categories, and then offer more or less betting options based on the result. Where we have doubts about the integrity of betting or we sense danger based on preliminary information or previous experience, we drop the event. We use matches with real sports value and real stakes, arranged in the framework of a reliable series of competitions, and offer markets that are aimed at relevant and positive performance.

Anti-corruption action

Our Company is committed to combatting corruption. Our goal is a correct and transparent, law-abiding operation both at the organisational and the individual level.

From 2020 to 3 March 2021, Szerencsejáték Zrt. conducted a procedure to assess and evaluate corruption risks. The risk assessment report summarises deviations from the requirements of the MSZ ISO 37001:2019 standard in the Anti-Corruption System of Szerencsejáték; in addition, it offers recommendations for remedying such deviations. In the framework of the assessment, we defined our control improvement recommendations for each risk area based on the difference between net risk and target risk, and examined two high-risk areas in more depth.

Action against money laundering and terrorist financing

The Security Directorate works closely with the NTCA Anti-Money Laundering and Anti-Terrorist Financing Office, and the Directorate for Legal and Controlling Affairs is in constant contact with the Gambling Supervision Board.

In 2020, we submitted a total of thirty-eight reports to the NTCA. We received a response to one report to the effect that it was used effectively; we considered this information positive feedback.

2.6 Data protection and cyber security, cyber protection

TARGET FOR 2020:
Formulation of a security strategy, implementation of a uniform identity and access management (IAM) system and the roll-out of data loss prevention (DLP) technology to other directorates.

- Status: **Completed.** ✓
- Related 2021 target: Implementation of the action plans contained in the security strategy





Interview: Róbert Duba, Director of Security



What are the biggest challenges and dangers for Szerencsejáték Zrt. in the field of security?

To answer this question, information security and general aspects of security need to be examined. For us, the most important factors in the field of information security – given that we increasingly direct our gamblers to the digital world – are the security, availability and integrity of our gamblers' data. The use of popular cloud services also poses a serious challenge for the Company. In this context, we have to ensure the proper protection, integrity and reliable availability of our gaming systems. Cyber attacks, phishing and data theft can be a challenge and a risk, but we provide annually updated information security training to our employees.

As regards general safety, in our lottery shops we have to increasingly deal with frustrated, rowdy and disorderly gamblers. We can provide stress training for such situations. All in all, I can say that there is a growing number of risks to be addressed, but we are doing our best not to leave security to chance.

One of the keys to the operation of Szerencsejáték Zrt. is security, including information security. How do you ensure IT security during the operation of the Company? What new solutions have been introduced?

On the one hand, the Company's security strategy includes short-term and long-term information security goals and actions, and on the other hand, our Company ensures its enforcement by maintaining the information

security management system rating (IBIR, ISO 27001 and WLA SCS).

We enhance our (gambling-specific) processes and systems as a result of numerous external and internal audits, which is also verified and audited annually by an independent third-party review and a renewal audit.

We are constantly scrutinising our activities. It is not advisable to talk about our new solutions for information security reasons as I would reveal the fields in need of improvement; I can say, however, that we are in the process of introducing new solutions in the field of incident management.

How do you ensure the protection of customers' personal data?

In the course of the Company's data processing activities, we rely on all available technical and organisational measures that are aimed at data protection and ensure the confidentiality, integrity and availability of all personal data related to the gambling operation. We are also committed to applying the regulations, recommendations and procedures that secure and solidify the security of our gambling operation. We take this into account even when preparing for projects, and design our processes and the personal data involved in them in accordance with the applicable Hungarian legislation, our Company's internal regulations, the recommendations, resolutions and

decisions of the Hungarian National Authority for Data Protection and Freedom of Information, the General Data Protection Regulation (GDPR) of the European Union and the guidelines of the European Data Protection Board.

Why is data protection important from the point of view of sustainability?

Because nothing is more important to us than the confidence of our gamblers.

In fact, our entire livelihood depends on the confidence of our gamblers; nothing is more important in the gambling industry.

A possible loss of reputation would undermine our perception. We make every effort to prevent the data of our gamblers from falling into unauthorised hands; indeed, a high-risk data breach may have unpredictable consequences for the privacy of our gamblers.

What is the current level of information security in terms of the general preparedness of employees?

We have been preparing our employees for 10 years with various exam courses and attitude-shaping internal trainings, so we may say that the awareness of our employees has significantly improved during this time. In addition, we draw their attention through numerous channels to phishing and fraud worldwide and the importance of using the right password, just to give you a few examples. In parallel, we also conduct social

engineering inspections designed to point out areas for improvement.

Has the general sense of danger caused by COVID-19 changed how professionals and employees behave in the field of information awareness? Has security awareness increased?

As the coronavirus pandemic has resulted in a global shift to home working worldwide, the use of home networks has made companies more vulnerable to cyber attacks. 100 per cent safety does not exist; however, we have provided our employees with instructions regarding proper and safe work practices and behaviour during this period. Among other things, we determined which conference tools and applications were safe to use and we used various channels to advise them on how to pay attention to information security on a consistent basis.

What are your experiences regarding the impact of the COVID-19 pandemic on health and safety at work?

I think that protecting the health of our employees has become more important. We have experienced what it means to have many employees on sickness leave all of a sudden or taking time off work for the protection of the health of others.



RESPONSIBLE GAMING

Responsible gaming should be understood as guidelines and requirements designed to protect gamblers from the harmful effects of excessive gambling. This approach is at the core of our corporate operations: it is incorporated into the Code of Ethics and the Code of Advertising Ethics of Szerencsejáték Zrt. and, in the form of gambler protection measures, into the rules of participation and game plans.

Our company is committed to enforcing responsible gaming not only on paper but also in practice. To this end, we organise regular trainings for our employees. All of our colleagues take part in training on responsible gaming once a year and new employees upon entry, at the end of which they take an electronic examination to test the knowledge acquired. The examination is mandatory for all employees. Passing this examination is monitored in a continuously updated database; any employee whose annual retake of the training and test becomes due is notified and called on to fulfil this obligation. A key part of the training material is information on the options, institutions and contact details available to gamblers or their family members if they need help in connection with gambling addiction.

The focus of our activities is to increase gambling awareness, prevent the development of problem gambling, and protect minors and groups that are vulnerable to gambling.



Interview: Dr Eszter Kiss, Lawyer, Senior CSR Expert



How can you make a gambling operation practice sustainable? What challenges do you have to face and how can you respond to these challenges?

The proliferation of international trends and digitalisation clearly determines the direction of gambling operations. Sustainability is a key factor in our responsibility to society, the environment, our gamblers and our employees.

Creating a high-quality, high-level gaming experience, introducing innovative games, creating community value, putting ethical corporate governance and a green approach at the forefront and creating a safe work environment are all challenges that arise in combination in the life of a modern company.

In 2010, Szerencsejáték Zrt., as a responsible gambling operator, embarked on a path that follows these principles. As a member of the European Lotteries, we are committed to complying with the regulations set out in the European Responsible Gaming Standard, and we submit ourselves to independent certification to verify compliance with the requirements of the standard. Every year since 2010, we have been able to meet the increasingly stringent regulations of the Standard successfully; most recently in 2019, we once again obtained the internationally certified responsible gambling operator certificate.

How did the responsible gambling operation practice change in 2020, and to what extent did it affect gamblers?

In 2020 the pandemic dominated everything, which also had an impact on our responsible gambling operation practice. Amid the changed living conditions, the role of digitalisation became even more prominent: people worked from home during the lockdown, managed their daily lives or did their shopping through smart devices, even went to the theatre from the comfort of their sofa. As for gambling, they also gave priority to gambling online from home, but in our case, we balanced the communication of gambling opportunities with responsible messages drawing attention to the harmful consequences of excessive gambling.

Considering that it is easier to lose time perception in the online space, and the physical absence of money can also reduce the significance of the value of money in the gambler's mind, we paid special attention to warning gamblers of these dangers.

In order to ensure the continuous availability of the ELTE Help Hotline for Gambling to help gamblers, we provided a Skype line, which was not fixed to a specific location, thus those seeking help could reach the hotline smoothly. The Information Points operated under the Gaming within Limits programme provided individual online therapy opportunities to problem gamblers and their relatives.

What were the main aspects of responsible gambling operation with regards to the introduction of new games?

In 2020, the range of gambling services and products of Szerencsejáték Zrt. was expanded by two new, innovative products: e-sports and e-lottery scratch cards. E-sports contain similar game elements to traditional sports; therefore, its introduction was based on the principles of responsible gambling operation used in classic sports betting. In marketing communications for the introduction of e-sports we placed special emphasis on banning gamblers below the age of 18 and on considering the interests of vulnerable groups. We avoided excessive violence in the creative materials of the campaign, such as the use of weapons, and the characters imitating soldiers were less prominent despite the fact that this imagery is closely related to e-sports as a product. We requested comments from the Advertising Self-Regulatory Board on the visual display and the main messages, ensuring the maximum protection of minors in the advertising channels used.

The e-lottery scratch card is a game that realises the gambling experience of traditional scratch cards in an online environment. Both the purchase of an e-lottery scratch card and the game itself can be finished in just a few minutes. This is a risk factor to which we paid close attention when designing the game; therefore, for example, we stipulated that e-lottery scratch cards can only be purchased one at a time.

Of course, before their introduction we tested the risks of both games by using GamGard, the international responsible gambling operation rating system; both games were rated medium risk.

We continue to adhere to the principle that we do not introduce games that pose the greatest danger in terms of problem gambling, i.e. games with a high risk rating.

Which gambler protection tools do you consider to be the most effective?

Szerencsejáték Zrt. provides its gamblers with a wide range of gambler protection tools, which allow players to set their own alerts. For example, if they have spent too much time playing a game they may take a break, set a spending or loss limit, or even exclude themselves from the game for a while, whichever is appropriate. These self-restraint and self-exclusion features are freely selected by gamblers and can be set according to their own game and needs.

Gamblers with adequate gambling awareness can responsibly assess how much money and time they want to spend on gambling; they are aware that winning or losing in a game solely or predominantly happens by chance, and that there is no foolproof system in a game.

Based on this principle, I consider gambler education to be the most effective tool. By displaying responsible gambling operation messages and by communicating the available gambler protection tools to gamblers, we

enable gamblers to make responsible decisions about their own gambling habits and hence, control their own game. Our goal is to get to know the gambling habits of our gamblers as much as possible so that we can deliver our responsible gambling operation messages to them in a targeted and personalised way.

How consciously do you play?

I am very aware in many areas of my life, I consciously plan and make decisions, especially if a decision has financial implications. The same is true of gambling, although I must admit that I rarely play. I have one rule that I have followed for decades: if luck shines down on me and I win, no matter how big the win is, I cash it in and do not buy another game from it.

TARGET FOR 2020:
Repeated testing of all draw games and pre-launch testing of new online products on GamGard⁵

- Status: **Completed.** ✓
- Related targets for 2021: *Testing the e-lottery scratch cards to be introduced and all scratch cards to be introduced in the terrestrial network. Testing V-Sport and V-Sport Pro as new products (online and offline); retesting Tippmix, TippmixPro, Toto and Goal Toto.*

⁵ GamGard has been developed by internationally recognised psychologists researching gambling with the goal of making gambling safer based on a unified set of criteria.

3.1 Responsible marketing and selling

Responsible selling – one of the most important areas of responsible gambling operation – is based on strict legal obligations, the most important regulation of which is the **explicit ban on the participation of persons in gambling below the age of 18**. Accordingly, the gambling operator must provide awareness-raising information on the gambling ban for persons below the age of 18 and take measures to ensure that persons below 18 are banned from gambling in accordance with the principle of responsible gambling operation.

In accordance with legal obligations,

- it is prohibited to serve people below the age of 18 in the sales network of Szerencsejáték Zrt.;
- it is not possible to register persons below the age of 18 for remote gambling;
- the Company does not address anyone below the age of 18 in its commercial marketing communication.

Any games with auxiliary coupons must display a pictogram indicating that the age limit is 18.

In the case of betting at a point of sale, if the seller is unable to decide clearly whether the buyer is over 18, he or she is entitled to check the buyer's identity card. If the customer refuses to do so or is below 18, the salesperson must refuse:

- the gambler's participation in the game or betting;
- to sell scratch cards and Lucky Cards to the gambler;
- verification of the scratch card winning by proof of receipt;
- Game Card registration in the lottery shop; and
- payment of the winnings.

Our Company also strives to do everything possible to comply with age restrictions through online interfaces. Pictograms and other warning signs (Keep it a game! pictogram or #keepitagame sign, directing to the maradjonjatek.hu website) on the website indicate that the Company's gambling products may only be used over the age of 18. In addition, the gambler's age is checked during the registration process in the online gambling and betting system.

An additional guarantee during the registration is the verified entry of users' data based on their uploaded ID card. Only a real postcode can be entered for remote gambling, if a non-existent postcode is entered, the background check sends a sign and the registration process cannot be continued. The data and documents provided are checked with the assistance of the online casino database operated by the Ministry of the Interior, and in the absence of confirmation, the users are not allowed to bet on the Tippmixpro.hu site.

Responsible selling audits

We expect responsible selling not only from our employees but also from our external sales staff; many of our regulations, such as the Lottery Shop Rules of Procedure and the Sales Regulations, contain provisions in this regard. Observance of the principle of responsible selling practices is checked and controlled by the employees of the sales regions and by network control on a regular basis, and by internal audit, as required. As part of the network audit, all sales partners are audited at least once every six months, and outlets with terminals at least on a quarterly basis. The audit also covers the tools of providing gambler protection information.

Number of audits:

52,236



Value of audited pay-outs:

HUF 9.5 billion



Number of blocked registrations:

3,399

(of which 50% are duplicate registrations)



Audit in numbers

Audit categories

- Big win – small win
- Remote gambling: Pay-outs over HUF 50,000
- TippmixPro, Toto, Goal Toto: Pay-outs reaching or exceeding HUF 600,000





Interview: Péter Kompolti, Director of Sales



What was the biggest challenge to trade in 2020? How did you cope with the challenges posed by the pandemic?

The biggest challenge in 2020 was the new pandemic situation. Our primary goal was to maintain and develop our sales network, to reduce pandemic-related revenue losses through increased sales incentives, and to facilitate the maintenance of the related jobs.

To support the achievement of all these goals, our Company developed the Network Protection and Development Action Plan for 2020–2021, which was joined by nearly 90 per cent of our partners.

We are proud that the terrestrial network and interactive sales platforms achieved record revenues in 2020 again, despite the pandemic.

How did you ensure the smooth running of lottery shops during the pandemic?

We continuously adjusted the opening hours of our own points of sale to comply with the restrictive regulations. If it was necessary, we ensured the normal operation of our busiest lottery shops by reallocating our workforce. Obviously, the epidemiological measures also affected the opening hours of our partners' points of sale, especially those in the catering sector, which were forced to close for a longer period. In order to keep our partners up-to-date, we informed them regularly on changes in legislation

relevant to their operations. In order to protect the health of our employees, sales partners and players, we provided Plexiglas boards, face masks, disposable gloves, floor stickers and various information materials for the points of sale.

What does responsible selling mean for Szerencsejáték Zrt.?

In addition to responsible gambling operation regulations, we must meet ever-increasing revenue expectations, yet we cannot encourage our gamblers to spend too much or gamble excessively. We expect responsible selling from every salesperson and included this requirement in many of our policies both for our partner salespersons and our own co-workers. In addition to regulations, our salespersons take part in training; in the case of our co-workers the completion of training requires an examination.

We would like to provide more training opportunities to our sales partners. Therefore, in addition to on-site trainings, we are planning to develop additional online trainings that are better adapted to the pandemic.

What measures and tools have been used to help the sales network and the work of salespersons and partners to maintain stable and safe operations?

We have launched the previously mentioned Network Protection and Development Action Plan with the main goal of helping our partners to retain their workforce.

We sought to achieve the pre-pandemic level of economic performance as soon as possible to ensure that the sales network resumes operating at full capacity after the accelerated recovery.

The goal of improving the service level is to ensure that terrestrial network sales continue with better quality and at a high level of preparedness in the future. Under the programme, our Company provided bonus commissions in excess of HUF 2 billion.

In addition to the programme, we introduced a compensation commission and a premium commission scheme for our partners, and we announced a revenue overrun incentive for our regional representatives.

What results have you achieved under the Network Protection and Development Action Plan?

Thanks to the action plan, the number of our terminal-equipped points of sale did not decrease; in fact, it increased compared to the previous year. We enabled our gamblers to pay by bank card at the partner points of sale, to connect to the Internet with their smart devices, and to monitor expected jackpots on the portal displays installed in shop windows. Overall, the quality of the service has improved significantly, increasing the customer experience of our gamblers.

3.2 Gambler protection and prevention

TARGETS FOR 2020:

Raising publicity of the ELTE Help Hotline service. Renewal of the *maradjonjatek.hu* website and development of an expert chat function. Introduction of individual advisory service in the context of the Gaming within Limits programme, in Budapest, Debrecen, Kaposvár, Miskolc, Sopron and Szolnok.

- Status: **Partly implemented.**
- Related targets for 2021: *Renewal of the maradjonjatek.hu website as a carry-over task. Development of a methodology for the online feasibility of the Gaming within Limits programme.*

Szerencsejáték Help Hotline

We have been operating the help hotline service for many years in cooperation with the Department of Clinical Psychology and Addiction of the Faculty of Education and Psychology at Eötvös Loránd University and the Pro Psychology Foundation. As a result of the pandemic situation, we supplemented the previous telephone and e-mail contact details with a Skype platform; specialists can be reached now even outside of the department.

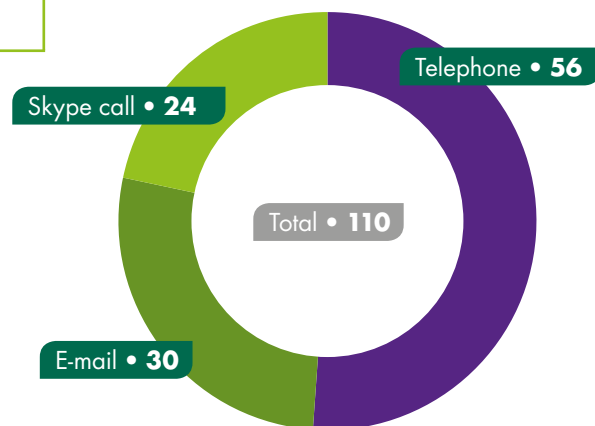
'Játék határokkal!' (in English: Gaming within Limits) programme

Our relationship with the Hungarian Interchurch Aid goes back many years. In 2020, aid workers were present in 24 special school programmes under the 'Gaming within Limits' prevention programme. In the pandemic situation, the focus shifted from schools to running info points and individual counselling instead of group sessions for problem gamblers and their families.

The isolation and uncertainty of the pandemic period made it more difficult for those struggling with addiction, or the problem may have become clearer to relatives sooner.

As a result, telephone hotlines were available at the info points throughout the pandemic.

Inquiries through different channels for the period 2020 are detailed in the figure above:



Once again, requests for general information about the programme and the opportunities it offers to people struggling with problem gambling issues were the most common reason for the inquiries. However, there were also calls from people seeking help to overcome the anxiety caused by the epidemic.

The info points are in constant contact with members and partners of the social and healthcare system; posters and leaflets are constantly available and displayed, and the referrals of problem gamblers are also continuous. However, it posed a major challenge that many social and health institutions only accepted clients in crisis during the coronavirus pandemic, while services were suspended for others.

The need for organising individual treatments had arisen before and the virus situation only confirmed it.

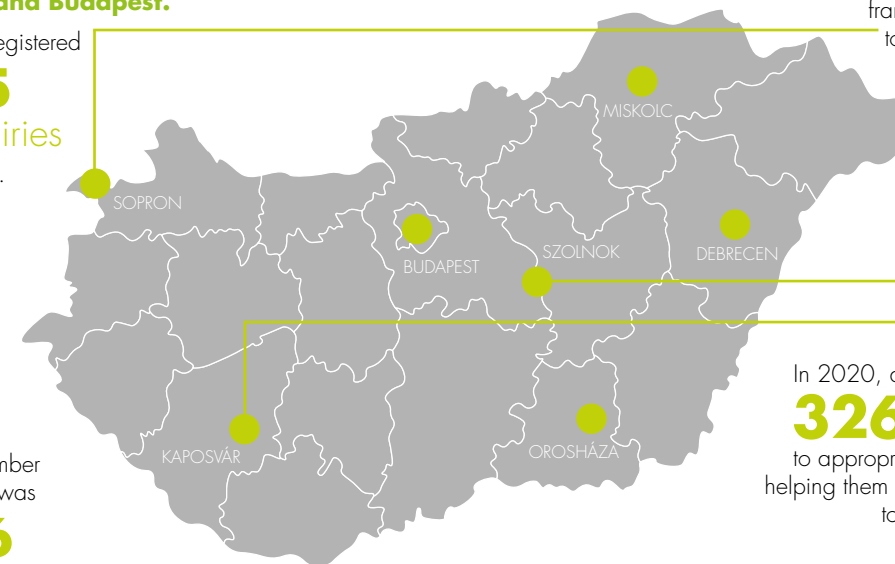
The info points continued to be available at 7 locations throughout the country: in Debrecen, Orosháza, Sopron, Miskolc, Szolnok, Kaposvár and Budapest.

The info points registered

385
new inquiries
in 2020.

The total number of contacts was

726



Group workshops within the framework of the project continue to be held in Szolnok, Sopron and Kaposvár.

In 2020, aid workers referred **326 cases** to appropriate specialist care, helping them to embark on the road to recovery.

Therefore, starting from March aid workers offered one-on-one consultations online or over the phone and from the beginning of June also in person to those who were more comfortable opening up in a face-to-face conversation with a professional. The experience of one-on-one sessions confirmed that the method was indeed more effective for some clients.

Personalised treatments also provide an opportunity for professionals to consult with clients more frequently on a temporary basis in the event of a possible relapse into addiction (a typical dynamic until final recovery is achieved), and to maintain closer contact with them during more critical periods, providing a framework of safety and security to clients.

3.3 Research into problem gambling

Since 2009, our company has commissioned a triennial survey on the prevalence of problem gambling in Hungary and on public attitudes towards addiction and the role of Szerencsejáték Zrt, which was complemented by qualitative research in 2014 and 2020.

The goal of the 2020 survey was to confirm the patterns identified in previous research, to show any changes, and to explore the public's perception of the extent of our corporate responsibility. The focus of the research is on excessive gambling addiction, and it also examines the public's attitudes towards gambling and the corporate image of Szerencsejáték Zrt.

In terms of help with problem gambling, respondents felt that the emphasis should be on the responsibility of the individual, with 41% of the total sample saying that those suffering from problem gambling should cover any assistance from their own funds. The majority of respondents also thought that the individual, i.e. the gambler was to be blamed for developing a gambling addiction.

Important feedback for us is that the website and publications of Szerencsejáték Zrt. were found to be a useful source of information on problem gambling.

Gambling addiction rate:

3.8%⁶

One in 10 problem gamblers comes to recognise the problem.

One third of addicts believe that there is no game that they could become addicted to.

3.4 Responsible gaming audit

Szerencsejáték Zrt. annually renews the 'recommended responsible gaming operator qualification' issued by the Gambling Supervision Board. The international industry certifications, the EL and WLA Responsible Gaming Operator accreditations are reviewed every three years.

The most recent audit took place in 2019; its details can be found in last year's report.





OUR EMPLOYEES

4.1 Employee commitment

The Company recognises that its long-standing, **dedicated employees** are the cornerstone of its operations. To retain them, we regularly partake in external employer assessments, the results of which are beyond the control of the Company's management. **We have once again achieved first place in the Kincentric Best Workplace Survey** in the large company category, but the result is not only important for its own sake for the Company, the related analysis is reviewed and used by individual directorates to drive further development.

In 2020, 475 of our 1,741 employees took advantage of working part-time. Working part-time is also a popular option for our charity scratch card salespersons and those returning from maternity leave. 85% of young mothers return to the Company following maternity leave, and 100% of those returning remained with Szerencsejáték Zrt. during 2020.

TARGET FOR 2020:

Implementation of an employee ambassador programme to strengthen the informal flow of professional information. We founded the 'Szerencsejáték' Academy, which is aimed at informal knowledge development and inspiration outside working hours. We will set up a new external career site to build employer branding by engaging employees.

- Status: **Partly implemented.**
- Related target for 2021: *Further development of leadership skills*

	2019		2020	
	Men	Women	Men	Women
Employees eligible for parental leave (No. of persons)	3	110	2	123
Employees taking parental leave (No. of persons)	3	95	2	98
Number of employees returning after parental leave (No. of persons)	1	19	0	17
Number of employees who did not return after parental leave (No. of persons)	0	4	0	3
Ratio of returning employees	100%	83%	100%	85%
Number of employees returning to work after parental leave who were still employed 12 months after returning (No. of persons)	0	15	1	19
Retention rate	0%	94%	100%	100%

4.2 Training and employee retention programmes

Our company continued to give priority to the **training of employees and teams and the development of their competences** in 2020, as we believe that we can only become a more successful company through the steadily improving skills of our workforce.

In 2020, we also started to remodel our **leadership development programme**. A detailed proposal was put forward, the first steps of which were to provide ten coaching sessions to managers, and an opportunity to the management teams of each directorate to participate in training sessions to improve collaboration.

To attract and retain the right quality of human capital, 2020 saw the start of the **formulation of a new remuneration strategy for the Company**. One major task of the strategy is to support the transformation of Szerencsejáték Zrt. into a modern, innovative national company. As part of this, in 2020 we piloted the use of SMART targets within the performance appraisal system, which will provide more objective performance measurement and focused development to colleagues in the future.

Management considers it important to keep employees apprised of the Company's objectives and achievements. A tool for this is the company's intranet, which provides access to up-to-date company news, organisational information and all policies.

In response to the 2020 pandemic, many of our programmes were implemented online, but large-scale, face-to-face activities such as the Games of Chance Academy were postponed.

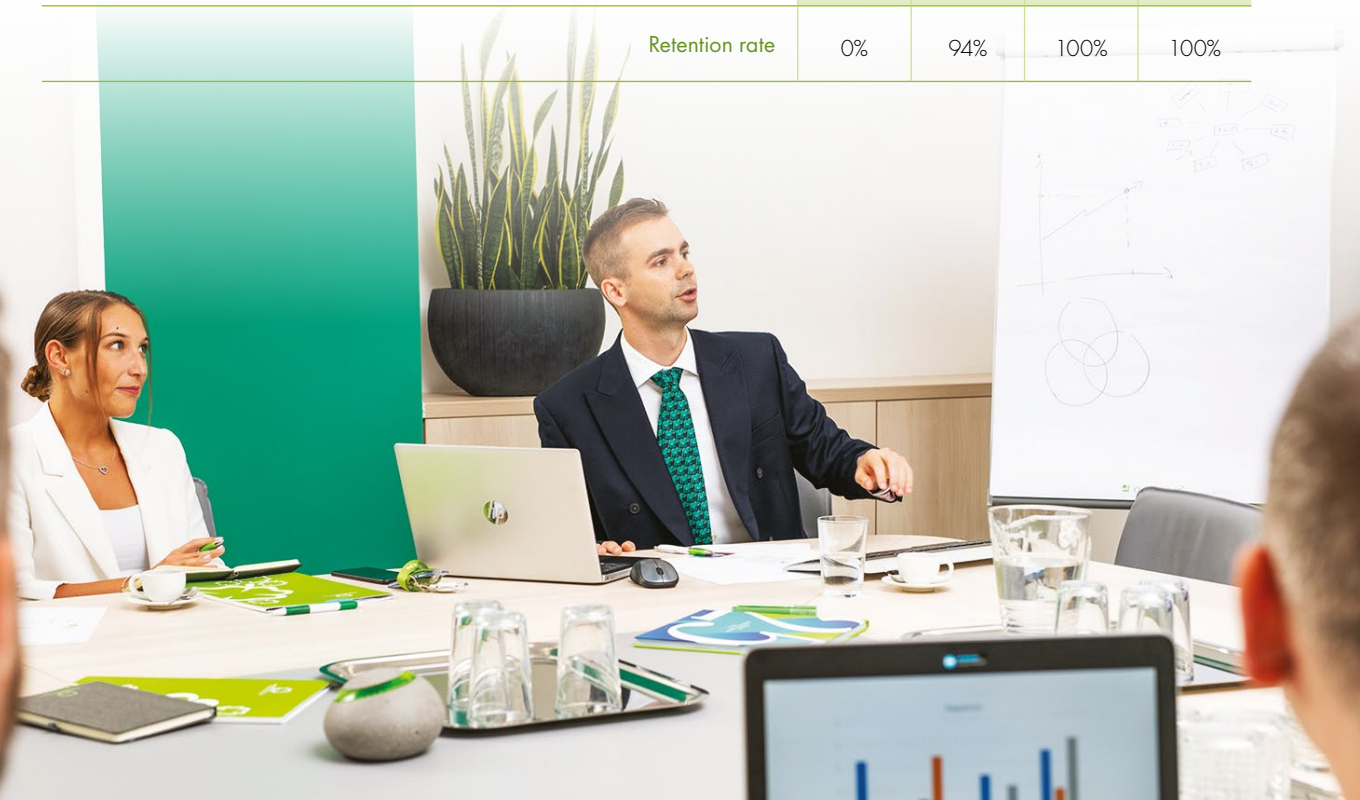
4.3 Increase in employee headcount, flexible working hours

TARGET FOR 2020:

Reinforcing the service provider approach of the Human Resources Directorate through a substantial increase in employee headcount.

- Status: **Completed.**
- Related target for 2021: *Formulation and implementation of working from home and flexible working arrangements as a pilot project.*

To strengthen the service approach of the Human Resources Directorate, in 2020 strategic and operational activities were separated. Using the contemporary market practice, we created an HR partnership system that enables more efficient and effective collaboration between HR and staff and managers through one-stop communication. New colleagues with extensive market experience in organisational development will also help support our human resources partners.



Interview: Miklós Cseh, Human Resources Director



What changes has the COVID-19 pandemic brought to the Company's HR processes?

The epidemic has dramatically transformed our internal workflows, and we strived to respond quickly to the challenges presented by the new situation. In March, we started working on longer-term measures: we increased the working time bank for our employees to 52 weeks, and later to 104 weeks. The charity sales network was closed down to protect our colleagues with reduced capacity to work. To reduce their loss of earnings, we paid them 'downtime' and did the same for our employees over 60 who, because of the nature of their work, could not work remotely. During school closures, we provided 50% pay in lieu of unpaid leave to employees with children under 12 years of age during their absence.

I think that we reacted quickly and flexibly to the unusual situation, with the interests of both the employer and the employees in mind, so that we managed to protect the jobs of all our colleagues and, through unconventional measures, we were able to provide income for colleagues who were in a difficult situation for whatever reason.

Social sustainability is a fundamental pillar of sustainability. What sustainability programmes exist at Szerencsejáték Zrt for employees? What future programmes are envisaged?

As a responsible employer, it is important for our company to be involved in solving social problems. Since 2003, we have maintained a charity network for employees with reduced capacity to work. It employs around 10 per cent of our employees, i.e. about 170 scratch card salespersons. I am absolutely certain that a ratio this high is unprecedented among large companies.

In parallel with the virus situation, due to the uncertain opening hours and the resulting insecurity about the working hours that can be completed, we introduced a new form of remuneration: from 1 April 2020, together with the increased working hour bank, we switched from hourly to monthly pay for sales, shop managers and charity scratch card employees.

In response to extra labour and payroll needs, we were one of the first employers in Hungary to introduce a new cafeteria item, the 'purchased day off', and to allow employees to change the allocation of their remaining cafeteria allowance at the end of the year to take account of changed circumstances.

After realising that several of our colleagues were feeling insecure due to social circumstances they had not experienced before, we launched our Employee Support Programme, which provides our employees with anonymous legal, financial and psychological advice in cooperation with an external service provider.

We maintained our previous benefits in the pandemic situation, including a back-to-school allowance for our employees with children, and every year we provide gifts to colleagues who have retired from Szerencsejáték Zrt. as part of our retirement scheme.

In the coming years, we plan to launch a complex series of programmes to support new mothers and to organise, the pandemic situation permitting, face-to-face meetings once again as part of our retirement programme.

Do you get external feedback on the activities of Szerencsejáték Zrt. as an employer?

It is important for all of us to measure our work and get regular feedback on it. It feels even better when the effort we put in is recognised with professional awards. Fortunately, there has been no shortage of that in the recent period.

In 2020, we won the 'Most Attractive Employer of the Year' Randstad Award in the 'Services' sector for the third time.

Also in 2020, and for the third time, we won the Kincentric Best Workplace Award in the Large Company category. The real added value of this award for us is that we won it based on positive feedback from our own employees despite the fact that the survey was conducted during the second wave of the pandemic.

What the joint assessment of the two awards shows me is that our work is highly rated by both our internal staff and by people from the outside, i.e. our potential employees.

What makes the Level UP! future talent and internship programme unique?

Szerencsejáték Zrt. turned 30 years old in 2021, and there is no doubt that during this period a vast amount of knowledge and experience has been accumulated in the company; meanwhile, the gambling industry also underwent a major transformation. Therefore, it is crucial that we attract the best of the young, bright-eyed talented professionals so that we can combine the efforts of multiple generations to provide the right answers to the challenges ahead. To ensure the long-term effectiveness and success of the Company, 2021 will see the launch of a three-year succession and a one-year internship programme called Level UP!, with 20 trainees and 10 interns envisaged to participate.

In 2020, we took a close look at similar large company schemes already in place. We tried to incorporate the best practices into the design and add a number of new features.

The programme is not a one-off event; we plan to have around 20 more succession candidates and around 10 more interns each year in the coming years; consequently, by 2023 we will be able to work with around 70–80 recent graduates and colleagues with higher education training. This will ensure that we can continuously identify young talents who will strengthen our long-term development and contribute to the realisation of the Company's long-term strategic plans.

Participants in the succession programme are involved in a 3-year career development process, where they take part in day-to-day work for around 80 per cent of their working hours, with 20 per cent of their time spent in skills training, learning about public company and ownership operations, receiving mentoring support and being involved in cross-departmental projects. Each participant will have an intensive individual learning and development plan and will receive feedback on its implementation.

To ensure that the programme works effectively, we have contacted the most popular higher education institutions in Hungary. We intend to strengthen our long-term partnerships further by engaging in university education.

We will develop the programme over the next 3–5 years based on feedback and initial experiences.

It is the undisguised goal of Szerencsejáték Zrt. to develop and successfully nurture an incubation programme that is able to provide public companies with the most talented young employees on a continuous basis.

We are confident that in a short time Level UP! will be recognised as one of the best, most sustainable and most useful future talent programmes in the country.



TARGET FOR 2020:

Launching a complex talent management programme and renewing leadership development by taking past experiences and organisation development trends into consideration. Employee satisfaction survey.

- Status: **Completed.** ✓
- Related target for 2021: *Launch of the Level UP! programme in 2021. As additional steps in leadership development, we aim to launch a Leadership Academy training series and provide additional coaching opportunities.*

DIVERSITY AND EQUAL OPPORTUNITY

5.1 Charity scratch card seller network

Szerencsejáték Zrt. is committed to equal opportunities in employment and social affairs. To promote the social integration of persons with disabilities, we have been operating a charity scratch card sales network since 2003, which enables the employment of hearing-impaired, disabled and health impaired persons. The network is based on international good practice and the decades of experience accumulated by ONCE (Spanish National Organisation of the Blind).

In 2020, due to the COVID-19 emergency, Szerencsejáték Zrt. suspended the work of charity scratch card sellers on its own authority with a view to protecting the health of its employees.

Charity network in figures (2020)



Number of charity salespersons:
166



Part-timers:
100%

TARGETS FOR 2020:

Pilot introduction of working on tablets to prepare for online sales. Expansion of the KONTAKT sign language interpretation service in our lottery shop network, infocommunication accessibility

- Status: **Partly implemented.**
- Related targets for 2021: *Full online migration of the charity network as a carry-over task.*

Making the KONTAKT Interpreting Service for the deaf and hard of hearing available in 60 lottery shops.

Improvements

In 2020, we made significant technological and process organisational changes in preparation for the transition to an online system. The main objective of the project is to enable charity scratch card sellers to manage their inventories and sell their scratch cards online using digital tools, whereby claiming the winnings becomes safer and an up-to-date solution becomes available for inventory management.

Thanks to adjustable font size options, sales on tablets will help our short-sighted colleagues and customers, and later on, will create employment opportunities for the blind and visually impaired through screen reading software.



Number of points of sale:
123 db



Interview: Imre Rosner, Head of the Charity Department



What were the plans for 2020?

For nearly all our 170-strong staff in the charity network, the main task for 2020 was the successful transition to selling scratch cards on tablets. With the well-prepared technology upgrade, our scratch card salespersons replaced offline sales with digital sales. Most of our Company's departments were involved in the project as we developed a completely new sales model. As a first step to prepare for online sales, twenty of our colleagues were to use tablets for their daily work as a pilot run in 2020, but the pandemic intervened and the programme was postponed to 2021.

What were the biggest hurdles/challenges that the pandemic caused for the charity network?

To protect the health of our staff with reduced capacity to work, the national lottery operator suspended the network for 13 weeks in spring 2020 due to the pandemic. During this period, we maintained close and regular contact by telephone with our vendors; for many vendors, we were the only personal point of contact during this extremely difficult period. We set up a system for the continuous provision of appropriate protective equipment (masks, gloves, disinfectant, Plexiglas barriers) and promoted the most effective method of protection within the network: vaccination. All of our employees were kept informed of the infection rate within the entire network and of the company's measures through internal communication. This gave the right sense of security to ensure that our staff returned to work in due time and that we closed a successful year in 2020.

The charity network goes back almost two decades. What do you see as its main role in shaping social attitudes?

As an organisation that employs people with reduced capacity to work and as an organisation that has constructed and supported effective disability awareness programmes, our Company considers it of utmost importance to regularly share its good practices with other companies and civil society actors. The main objective is to promote positive attitude changes to help people with disabilities to be perceived correctly and without prejudice.

Our success in shaping attitudes is demonstrated by the Disability-Friendly Workplace award, one of the highest national professional awards, which we won for the fifth time in 2018, complemented in 2019 by the Champion Award in recognition of a decade of work in this field.

The Ministry of Human Resources is also involved in granting this award as one of the hosts of the programme.

Are there any trends emerging in the open labour market in the employment of people with reduced capacity to work?

In the early 2000s, multinational companies in Hungary were at the forefront of the open market employment of people with reduced capacity to work. They often adopted the CSR policy of the parent company and implemented programmes that had already proved successful abroad. For a long time, the motivation of domestic companies to employ people with reduced capacity to work tended to be motivated by the avoidance of negative incentives (e.g. the obligation to pay rehabilitation contributions).

However, over the last decade, the spread of CSR has seen more and more Hungarian companies and organisations working in open market conditions become proactive. These companies have opened up to the employment of people with reduced capacity to work by creating appropriate jobs and accessible, inclusive working conditions.

Today, the open labour market employment rate for people with reduced capacity to work is over 40%, three times higher than 15 years ago.

Nowadays, having earned the Disability Friendly Workplace title is a true recognition of a company or organisation. All this shows that the open labour market employment of people with disabilities will be a successful programme for employers and employees in the future.

What are the major developments/future plans in charity scratch card sales?

Building on our success with employing the deaf and hard of hearing, we plan to reach out to the blind and partially sighted in the medium term, following the best practice of our Spanish industry partner ONCE. To support this, our sales approach on tablets will create infocommunication accessibility opportunities and thus jobs for blind and partially sighted people (with screen reading software).

In addition to accessibility, our Company is making efforts to promote social and employment inclusion, continuing the practice of previous years by organising awareness-raising programmes.

5.2 'Adj egy ötöst!' (Give me five!) programme

As in previous years, the 'Give me five!' school awareness-raising programme was organised in 2020 as well, with participating students planning joint activities with children and adults with disabilities. In the 2019/2020 funding application period, an outstanding number of schools – 115 in total – wanted to join our initiative and sent us their programme plans. However, the emergency situation caused by COVID-19 overrode our plans significantly, making it difficult to implement projects based on personal contact and shared programmes.

Due to the pandemic situation, we had to close the funding application programme early in order to protect the health of the applicants and mentors. Despite the difficulties and the short deadline, 36 schools completed their projects.



5.3 'A játék összeköt!' (Playing connects us) programme

TARGET FOR 2020:

Construction of five playgrounds under the 'Playing connects us' programme

- Status: **Completed.** ✓
- Related target for 2021: construction and delivery of five new inclusive playgrounds

Szerencsejáték Zrt. was one of the first in the Central and Eastern European region to spearhead an initiative launched by European Lotteries.

The main purpose of the 'Playing connects us' programme is that a portion of the proceeds from our annual limited edition 'Nagykarácsony' scratch card is used to **build inclusive playgrounds** across the country.

In 2020, five new inclusive playgrounds were built with the support of our Company in Debrecen, Kaposvár, Homok, and Districts XXI and XVI in Budapest.

The major development of the initiative has resulted in an expanded and more complete content of playgrounds, with each site having its own theme with tailor-made games: the wildlife of Csepel Island, story elements of Lúdas Matyi and Süsü the Dragon fairy tales, or the special features of the Castle Garden provide the backdrop for the joint play of disabled and able-bodied children.

In addition, for a more aesthetically pleasing look, the Company also focused on environmental design, complementary and decorative elements, as well as the installation of uniformly styled parent information boards.



CHARITY AND SPONSORSHIP

Our Company supports community sports, cultural, educational, health and other programmes in the form of donations and under sponsorship agreements through Szerencsejáték Service Nonprofit Kft., a wholly owned subsidiary founded for this purpose in 2015.

Szerencsejáték Service Nonprofit Kft. spent a total of HUF 3.1 billion on subsidies and operating costs in the 2020 financial year.

The main focus of donations is on creating social value and supporting the truly needy.

Among healthcare subsidies, a total of HUF 150 million was allocated in 2020 to **fight the coronavirus**. Three hospitals in Budapest were able to use the funds to purchase special devices and equipment for combatting the pandemic effectively. The hospitals supported:

- South-Pest Hospital Centre – National Institute for Infectology and Haematology
- Szent Imre University Teaching Hospital and the North-Central Buda Centre
- Foundations of Új Szent János Hospital and Specialist Clinic.

We offered HUF 50 million in **emergency aid** to Hungarian Interchurch Aid – our partner for many years – to **help families and children facing difficulties** as a result of the pandemic. In September, we joined the aid organisation's 'Starting school together' aid campaign: thanks to our colleagues, we donated several hundred thousand forints worth of school supplies to Hungarian Interchurch Aid.

In the autumn of 2020, Szerencsejáték Zrt. signed a cooperation agreement with the Hungarian Olympic Committee, thus **becoming an official strategic partner of the Hungarian Olympic Team**. The objective of the cooperation is to support and promote national sports and Olympic athletes. The social objective of the partnership is to bring the healthy lifestyle and the love of sports – which Szerencsejáték Zrt. is committed to promoting and advertising – even closer to the people and to support the preparation of the Hungarian team in the difficult pandemic situation. At the end of 2020, we also supported the **Hungarian Paralympic Committee** in the implementation of a programme for the purchase of equipment to help the mobility of Paralympic athletes.

7



ENVIRONMENTAL PROTECTION

The GHG Protocol sets out a three-tiered system that divides greenhouse gas emissions into ‘scopes’. Szerencsejáték Zrt. reports emissions data from the first two scopes for the first time this year, with the intention of including these figures in future years’ reports and introducing additional indicators to better assess the environmental impact. We also report incomplete data on indirect (Scope 3) emissions related to goods and services.

Our Company’s direct and indirect environmental impact is relatively moderate, and arises primarily from the operation of buildings (and the properties of sales partners) (energy use and municipal waste generation) and the significant amount of paper use associated with games of chance. That notwithstanding, reducing our relatively low environmental footprint is a priority, which we intend to achieve by

- enhancing energy efficiency and the use of renewable energy sources, and
- steadily increasing the proportion of recyclable materials and equipment.

In the interest of reducing energy consumption and pollutant emissions, at our own office building and lottery shops we strive to use up-to-date heating and cooling systems, gradually replacing less efficient equipment. Replacement

of windows and doors in our lottery shops is ongoing. Greenhouse gas-fired on-off air-conditioning systems are being replaced with modern inverter systems, and heating systems are being replaced with condensing boilers or heat pump chillers. In 2020, it was only for district heating that the energy consumption related to building operations decreased compared to 2019.

TARGET FOR 2020:

Continuing our measures aimed at improving energy efficiency. Integration of our environmental protection programme, including our environmental communication plan, into our business strategy.

- Status: **Completed.** ✓
- Related target for 2021: *Setting quantified medium and long-term greenhouse gas emission targets (for Scope 1⁷ and Scope 2⁸ emissions) that will ensure the implementation of further environmental measures.*

Annual quantity used	2019	2020	% change	tCO ₂ e (2019)	tCO ₂ e (2020)	% change
Natural gas consumption (MWh) (Scope-1)	3,333.89	3,393.90	1.80%	673.45	685.57	1.80%
Electricity consumption, electrical energy (MWh) (Scope-2)	4,134.58	4,174.24	0.96%	1,008.84	1,018.51	0.96%
District heating (MWh) (Scope-2)	1,136.94	916.79	-19.36%	245.58	198.03	-19.36%

⁷ Scope 1 includes direct emissions whose source can be linked to company-owned or managed sites, plants, office buildings or vehicle fleets.

⁸ Scope 2 covers greenhouse gas emissions from the indirect use of energy carriers (oil, coal, gas) (e.g. electricity, district heating).

In order to reduce greenhouse gas emissions, four lottery shops are equipped with solar systems, and we aim to meet the entire electricity needs of these lotteries from renewable energy sources. We also operate solar hot water systems at some of our facilities.

Direct emissions also include emissions from company cars. Partly due to the restrictions resulting from the pandemic situation, the utilisation of the car fleet has decreased. We use electrically powered vehicles for deliveries and purchases in Budapest.

	Rented and leased cars		% change	tCO ₂ e (2019)	tCO ₂ e (2020)	% change
	2019	2020				
Number of diesel vehicles (units)	18	18	0.00%			
Mileage of diesel vehicles (km)	533,723	395,209	-25.95%	65.27	48.33	-25.95%
Number of petrol vehicles (units)	58	58	0.00%			
Mileage of petrol vehicles (km)	1,210,822	1,018,731	-15.86%	148.08	124.59	-15.86%
Number of electric vehicles (units)	1	1	0.00%			
Mileage of electric vehicles (km)	5,512	5,370	-2.58%	0.67	0.66	-2.58%

Another objective of Szerencsejáték Zrt. is to monitor CO₂ emissions related to its products and services. Currently, out of the 15 categories defined by the GHG Protocol, emissions related to 'Scope 6: Business Travel' are calculated and reported. This primarily implies the emissions of business trips by air. In 2020, these trips resulted in 1.62 tonnes of CO₂ emissions based on airline data.

In addition to business travel, in the future, we plan to calculate emissions from the energy consumption of our partner network, delivery tasks and paper purchases as well.

The continuous reduction of paper use has cut our paper waste and municipal waste by around 20 per cent. The amount of other waste has also decreased significantly, by over 40 per cent, which is due to the fact that the waste generated during renovation and maintenance activities on real estate does not create an obligation for our company directly – it is the partner carrying out the activity who includes it in its own waste report.

While the office buildings have continuous selective waste collection in place, this is not feasible at points of sale due to the lack of space and collection at shops, apartment blocks and shopping centres.

	Annual quantity (t)	2019	2020	% change
Hazardous waste		12,978	23,819	+83.53%
Paper waste		83,625	67,09	-19.77%
Municipal waste		4,471.08	3,584.16	-19.84%
Other waste		37.49	20.47	-45.40%

All of our scratch cards are made from recycled paper. Our publications and scratch cards are made from raw materials from controlled sources that meet the criteria for environmentally and socially responsible production and manufacturing.

In addition to the reduction of energy use and waste, water use also decreased compared to the previous year. Our company uses only piped water at its sites.

	Annual volume used (m ³)	2019	2020	% change
Water usage		11,639	11,356	-2.43%

ANNEXES

Key sustainability issues and areas

The result of the analysis identifying the material sustainability themes of Szerencsejáték Zrt is presented in the 'Materiality' section of the Report. The explanation of each topic, its boundaries and its link to the GRI standard (in line with the GRI 103-1 indicator) are described below.

Human rights, equal opportunities

- GRI topic: Non-discrimination (406)
- To promote the social inclusion of persons with disabilities, we have been running our charity scratch card network since 2003.

Legal compliance

- GRI topic: Anti-corruption (205), Prevention of anti-competitive behaviour (206), Socioeconomic compliance (419), Prevention of fraud/abuse
- The activity is strictly regulated by the legal framework for the activity of gambling organisers and the targeted audits carried out by the Gambling Supervision Board. In 2020, the company included the Compliance function in the internal audit framework in its by-laws.

Economic performance

- GRI topic: Direct economic value generated and distributed (201)
- Indirect contribution to public expenditure in Hungary: HUF 118.3 billion in 2020, an unprecedented record in the history of Szerencsejáték Zrt.

Community supports

- Through Szerencsejáték Service Nonprofit Kft., Szerencsejáték Zrt. supports community sports, cultural, educational, health and other programmes in the form of donations and under sponsorship agreements.

Employment

- GRI topic: Employment (401), Market presence (202), Occupational health and safety (403)
- Directly or indirectly, the Company contributes to the maintenance of more than 13,000 domestic jobs.

Responsible gaming

- GRI topic: Customer health and safety (416), Labelling of products and services (417)
- For more than a decade now we have followed ethical guidelines that go beyond domestic legislation. The Company's Code of Advertising Ethics is also binding on external contractual partners.

Data protection, security and cyber protection

- GRI topic: Protection of customers' personal data (418)
- As the online market share grows, so does the priority given to data protection

Prevention of money laundering

- Topic: Prevention of money laundering
- From a reputational point of view, combating money laundering is a priority. Compliance with the new provisions of the Anti-Money Laundering Act is a priority.

Supplier chain

- Topic: Responsible selling practices
- Expansion of responsible supplier requirements is recommended (e.g. with regard to energy use and greenhouse gas emissions).

Environmental protection (climate change)

- GRI topics: Water (303), Emissions (305), Wastewater and Waste (306)
- In addition to a more complex approach to waste management (e.g. e-waste treatment), mitigation of climate change impacts (own and supplier) should be prioritised, in line with the EU Fit for 55 and the National Energy and Climate Plan.

Our stakeholders

In defining the material sustainability issues arising from our company's operations, we identified stakeholders based on their impact on the Company, as well as the intensity of the reliance of the group concerned on our Company. In our stakeholder relationships, with the exception of unlicensed gambling operators, we strive to maximise commitment and social capital, to minimise conflicts and to protect the interests of vulnerable groups.

Stakeholders with a material impact on our company:

- **Entity exercising the owner's rights**
- **Players**
- **Employees**
- Suppliers
- Sales partners
- Authorities, legislators
- Industry organisations (European Lotteries, World Lotteries Association⁹ and 15 other organisations)
- Media
- Unlicensed gambling operators

Actors on which the operation of our Company has a significant impact:

- **Entity exercising the owner's rights**
- **Players**
- **Employees**
- Problem gamblers and their relatives
- Minors, their parents, teachers and at-risk persons
- Organisations and experts dealing with prevention and addiction cooperating with the Company
- Supported organisations

⁹ We consider our memberships of professional organisations of the international industry (European Lotteries and World Lotteries Association) to be of crucial significance because they ensure the most efficient knowledge transfer.

Audit report

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Registered by the Capital Court of Registration
Company Registration Number: 01-09-071057

INDEPENDENT ASSURANCE REPORT

To the management of Szerencsejáték Zrt.

This report has been prepared in accordance with the terms of our contract dated 16 December 2021 in order to report on the independent external party examination of Szerencsejáték Zrt.'s Sustainability Report 2020 document (hereinafter "Report") presenting the non-financial performance and sustainable operation of Szerencsejáték Zrt.

The responsibility of Szerencsejáték Zrt's management

The Management of Szerencsejáték Zrt. is responsible for the preparation of the Report in accordance with the Global Reporting Initiative (GRI) Standard, Core option, as described in the guideline to the Report.

This responsibility includes the selection and application of appropriate methods to prepare the Report and the use of assumptions and estimates which are reasonable in the given circumstances. The Management of Szerencsejáték Zrt. is also responsible to maintain an internal monitoring system, which the management deems adequate to enable the preparation of a Report free from material misstatement, whether due to fraud or error.

The scope of the examination, its criteria and its limitations

The aim of this limited assurance engagement is to express a conclusion whether the selected sustainability performance indicators of the Report prepared for the year ended 31 December 2020 are prepared by the Management of Szerencsejáték Zrt. in line with the GRI criteria and that the Report overall fulfils the criteria of the GRI in accordance Core option.

The limitations of our examination

During our examination we have not fully examined all the sustainability performance indicators and textual information stated in the Report. The scope of our examination included solely the selected sustainable performance indicators stated in the Report. Our examination solely included the compliance of the data reporting procedure with GRI principles and the sample-based testing of the data sources for the selected sustainability performance indicators.

Our examination of numerical data included in the Report was limited to the sustainability indicators

- 102-41: Collective bargaining agreement
- 305-2: Other indirect (Scope 3) GHG emissions
- 401-3: Parental leave

together with the testing of the data sources. The examination of the other numerical data presented in the Report has not been performed.

Our report has been prepared for the Management of Szerencsejáték Zrt. solely for the purpose described in the first section of this report and it shall not be used for other purposes or be published in other documents.

Our responsibility

Our responsibility is to report on the selected data and information included in the Report of 2020.

We conducted our engagement in accordance with the International Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" ("ISAE 3000"). This standard requires that we comply with the ethical requirements as well as plan and perform the assurance engagement to obtain limited assurance whether the selected information and data included in the Report of 2020 have been prepared, in all material respects, in accordance with the GRI criteria.

We apply the provisions of the international standard on "Quality control for firms that perform audits and reviews of financial statements, and other assurance and related services engagements" (ISQC 1), and, accordingly, we sustain a comprehensive quality assurance system, including documented policies and procedures that comply with the ethical requirements, professional standards and the relevant Regulatory requirements.

We comply with the independence and other ethical requirements referred to in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants, based on the principles of fairness, objectivity, professional competence and due care, confidentiality and behaviour worthy of the profession.

Summary of the work performed

The verification process, the examination and evaluation of the Report have been prepared following the ISAE 3000 and according to the GRI Standards and its Financial Services Sector Supplement.

Procedures performed:

1. Assessment of the GRI in accordance Core level
 - Examination of the completeness and appropriate application of indicators used in the Report.
 - Definitional examination of the use of GRI indicators stated in the Report.
 - The evaluation of the Report's compliance with GRI principles.
2. Data level assessment of three indicators, providing limited assurance
 - Examination of the proper collection of basic data, examination of on-site aggregation and conversion of basic data, examination of the adequacy of data provision.
 - Checking whether the data was generated according to the definition of the respective indicator
3. To confirm and to complete the statements above, we have conducted the following interviews at the selected departments connected to the verification of the Report of 2020: Human Resources Directorate, Marketing and Communication Directorate, Central Operations Directorate.

In engagements providing limited assurance, the evidence-gathering procedures are more limited than for a reasonable assurance engagement, therefore, less assurance is obtained, than in case of a reasonable assurance engagement.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our limited assurance engagement, nothing has come to our attention that would cause us to believe that the selected sustainability performance indicators of the Report have not been prepared, in all material respects, in accordance with the Core option of GRI Standard, and the Report would overall not comply with the GRI in accordance Core option.

Budapest, 14 January 2022



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