



SUSTAINABILITY REPORT 2019



SZERENCSEJÁTÉK ZRT.



This report contains an account of the sustainability performance of Szerencsejáték Zrt. in 2019. It complies with the requirements and criteria of the European Lotteries Responsible Gaming Standards. This report has been prepared in accordance with the GRI Standards: Core option.

It covers the activity of the national lottery operator, and it discusses the operations of the Company's subsidiary, that is, Szerencsejáték Service Nonprofit Kft. only in relation to community sponsorship. The activities of Szerencsejáték Service Nonprofit Kft. are not included in the company's consolidated financial report. This report does not cover its inactive, 'hibernated' subsidiary called Belvárosi Kaszinó Kft., which is financially consolidated with the results of Szerencsejáték Zrt.

The annual sustainability report of Szerencsejáték Zrt. presents many of the data for the past three years to give an overview of the relevant trends, showing facts together with the available industry data and comparative evaluation.

Notes and questions relating to the report may be sent by e-mail to csr@szerencsejatek.hu.

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GREETINGS TO THE READER

“A game is truly operated well if it helps participants learn to behave responsibly and reliably without any special effort, because its very essence is that everyone should play it clean,” said Szerencsejáték Zrt’s CEO, dr. Gábor Czepek, in his Greeting Interview in the Sustainability Report among other matters, including the record revenues in the Company’s first year under his leadership, a renewal adapting to the needs and requirements of young adults, developments, international cooperation, social responsibility, possibilities and opportunities.

What is your opinion about global developments and what main trends would you identify in the gambling market?

We are living exciting times, full of challenges for the industry. In addition to conventional games, players also go for exciting new ones; millennials often seek games that are more complex than the conventional ones. And it makes a world of difference from the aspect of adding value to society, the community, whether such consumer demand is met by conventional, in many cases national, lottery operators or the black market. Regulations are growing increasingly stronger and tighter in most places worldwide, but this still does not appear to be sufficient for curbing the activities of online gambling operators without licences in Hungary; cooperation among legal and professional participants is just as important. This is why I see Szerencsejáték Zrt.’s membership important in international organisations, for instance, the European Lotteries or the World Lottery Association, because in alliance, and by joining forces with them, we can fight more effectively for responsible gaming and cleaning up the market.

2019 was your first year at the helm of Szerencsejáték Zrt. What was this year mainly about and what results were accomplished by the Company?

This was a record year for the Company in terms of revenues and the amounts paid to players as well as its contributions to the national budget. At the same time, on account of the prevailing situation outlined above, we focused primarily on renewing the Company and preparing for the future, as we need to offer interesting and attractive games and arrangements for young adults as well. Consequently, 2019 was first and foremost a year of organisation building. I am convinced that this team, and we must think in terms of a team comprising all my colleagues, will be able to deliver even more value to society in its newly designed and built structure. This is the objective of our corporate strategy worked out this year for the period up to 2030, setting out a long-term sustainable growth path for ourselves.

What challenges are to be faced by Szerencsejáték Zrt. in the coming years?

We are entangled in an increasingly tough competition with illegal market participants whose decisions are determined solely by short-term profiteering. Whereas we plan for the long-term upholding principles and values, in accordance with our deepest convictions. Playing games is a liberating form of people coming together, one of the means of community building. At the same time, games must also raise awareness in players that it must not be played excessively, and that clean and fair play is paramount because no game can be played without partners. It is with these principles in mind that large-scale programmes

of Szerencsejáték Zrt. promote responsible gaming, ranking first among the national lottery operator’s social responsibilities. We must ensure the joy of the game which is, at the same time, inseparable from knowing ourselves and our limitations, as well as our respect of the rules of the game. It is in this spirit that we have to compete with other participants of the online market, implementing major development projects to enhance our competitiveness in the coming period, in both our sales network and IT systems.

Which of the Company’s social responsibility activities are you most proud of?

I could mention the efforts of Ökumenikus Segélyszervezet (Hungarian Interchurch Aid) our cooperation aimed at preventing and fighting problem gambling. The programme called “Gaming within Limits” is suitable for addressing pupils, and we also lay emphasis on delivering the programme to all kinds of schools in Hungary’s most disadvantaged regions; for those young people are also regarded as the most vulnerable to, and at risk of, addiction that is, problem gambling.

Szerencsejáték Zrt. does have adequate knowledge and resources, also possibilities and opportunities, to start and drive real changes through approaching the concept of sustainability in a complex manner. Our activities, dating back to 15 years, aimed at providing equal opportunities for persons with disabilities, and our prevention programmes focusing on those exposed to the risk of problem gambling are conducted in the same spirit.

But talking about social responsibility is far from being enough;



dr. Gábor Czepek
Chief Executive Officer
Szerencsejáték Zrt.

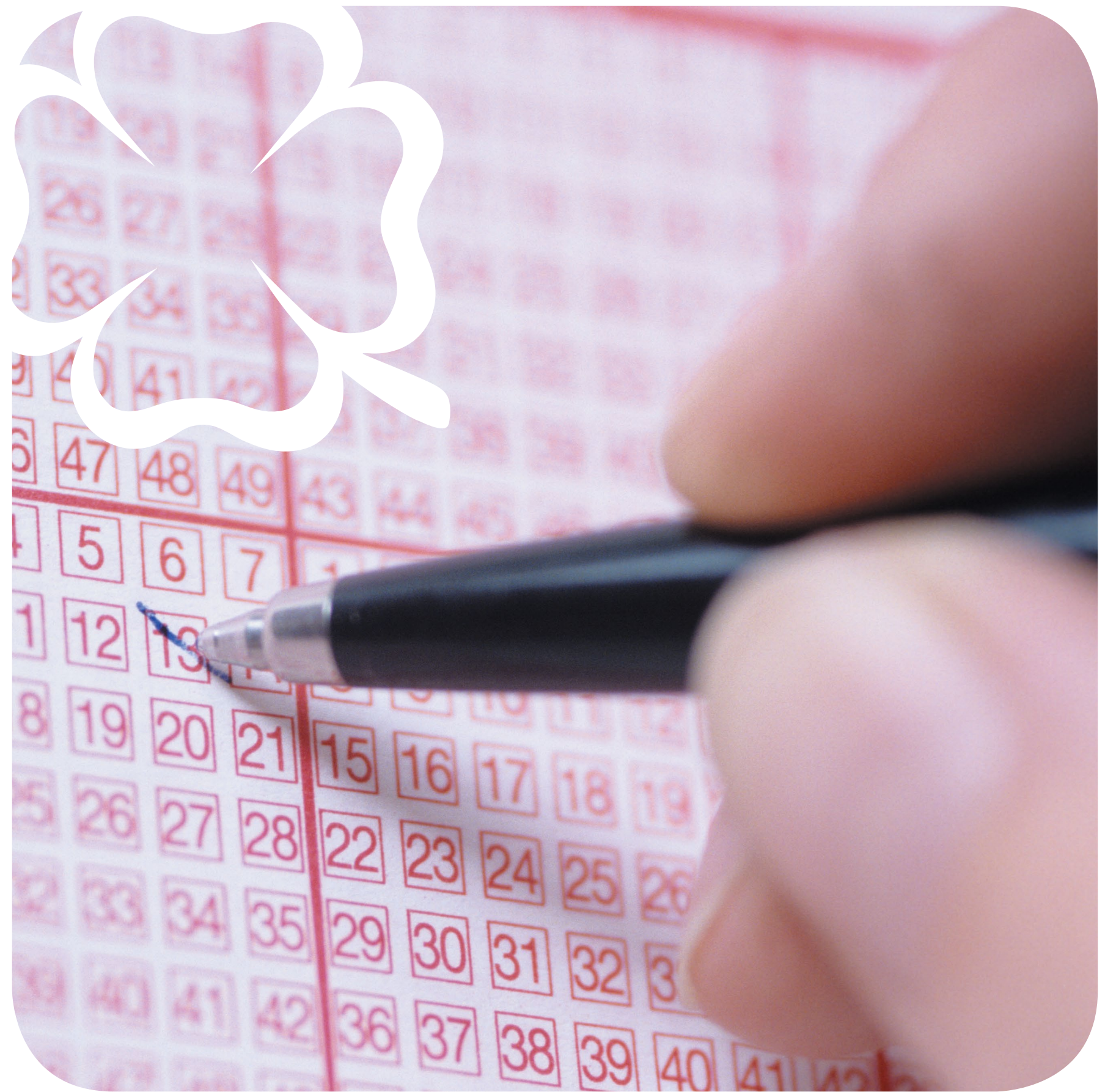
one needs to act as well, and that is what Szerencsejáték Zrt. is doing, continuously developing and expanding its activities in this direction.

To what extent is gaming part of your life, as a private individual?

Playing games is an important shared experience in my family and while doing so we learn time and time again that games are only worth playing if played seriously and with honesty.

SZERENCSEJÁTÉK ZRT.
IN FIGURES

01%



Szerencsejáték Zrt., an operator of games of chance, solely owned by the Hungarian State, is one of the largest economic operators in Hungary in terms of its annual sales revenue and an outstanding participant of the national economy.

“We give the joy of play and add value”

Our mission is to operate exciting and entertaining games while operating a safe and secure gambling market in Hungary; our continuous product and service development efforts are aimed at satisfying the Hungarian population’s demand for gaming experience, at the highest possible standards. Our business objective is to achieve sustainable growth based on responsible gaming and to implement technological development laying down foundations for our future operations. Szerencsejáték Zrt. makes major contributions to Hungary’s economic growth and to financing public expenditures, year after year.

Key values¹ of Szerencsejáték Zrt.:

- ▶ reliability
- ▶ stability
- ▶ responsible gaming
- ▶ standing for quality

¹ Values that are held by our employees and partners to be the most characteristic ones of the Company.
² Wins payable to players.

Our main performance indicators	2017	2018	2019
Gaming revenue (HUF million)	435 832	490 384	541 598
Net amount of winnings due (HUF million)	278 387	319 322	354 601
Contributions to public expenditures (HUF million)	100 253	105 319	114 445
Number of tickets sold (million)	1 999	2 208	2 441
Number of own points of sale (own lottery branches and charity sales points)	407	407	402
Number of partner points of sale	7253	7205	7277
Buyer satisfaction index	75	74	77
Number of employees (closing figure at year-end)	1 669	1 728	1 712

Our products

Szerencsejáték Zrt. is the only participant in most segments of the legal gaming market: the only one that can obtain licences in the segments of draw games and pari-mutuel betting³ and the Company is the only entity licensed to organise fixed odds sports betting and sell scratch cards in Hungary. The range of draw games and betting products remained unchanged in 2019; however, as many as 9 new scratch card types were introduced that year.

The Company’s record sales revenue in 2019 was driven by each game category without a single exception:

- The sale of draw games, the oldest product family, was up 9.7% year-on-year.
- Sports betting games delivered an outstanding 10.4% growth, despite the fact that no major global football event of outstanding betting importance took place during the year.
- The revenue from the sale of scratch cards increased by 11.9%, exceeding the growth of the above two segments.

³ A form of betting where all bets are pooled and a proportion of this amount, specified in the game plan, is distributed as wins, in accordance with the rules laid down in the same plan.

Paying HUF **114** billion to Hungary’s central budget

3879 of our players resorted to self-limitation in 2019

2.4 billion tickets sold

14 of our games were renewed

9.7% of our employees are persons with reduced capacity to work

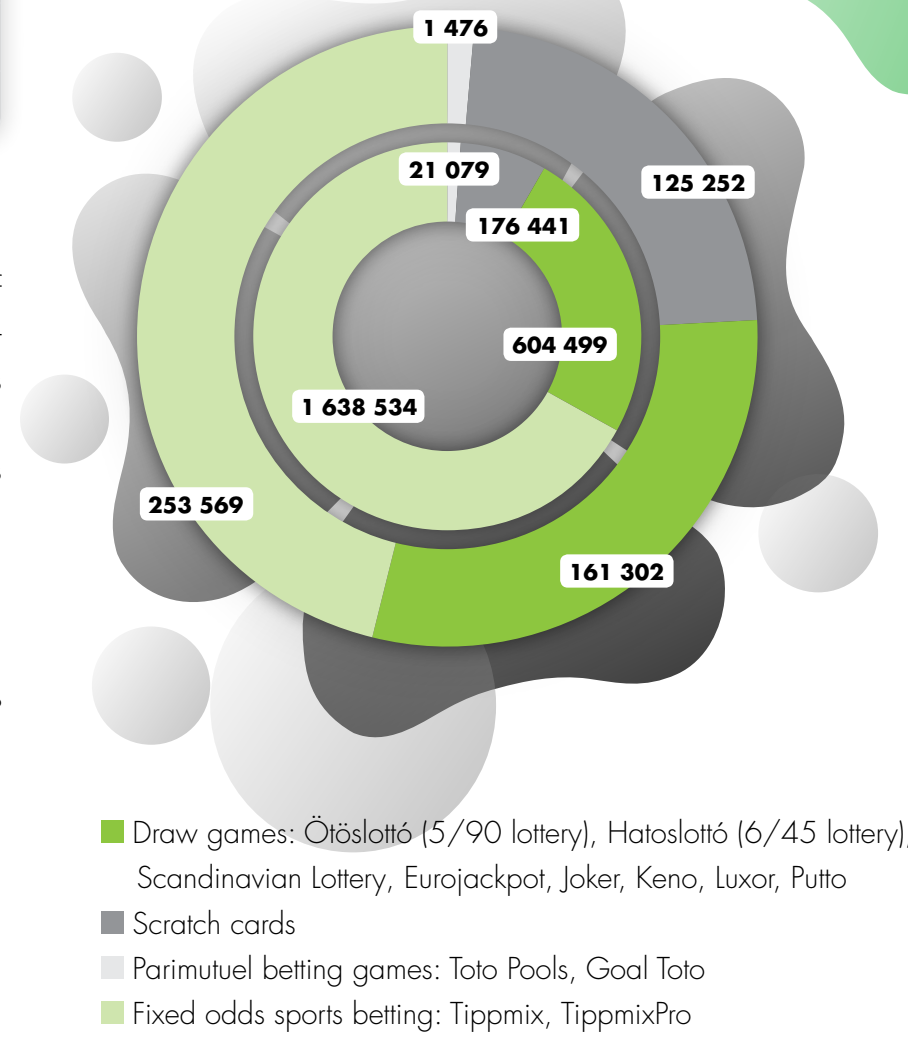
Payment of **229** wins in amounts exceeding HUF 10 million apiece

Our players took home a total of net HUF **355** billion in winnings²

20 000 salespersons in our land-based sales network

Breakdown of product types

in 2019
 Outside: number of games, in thousands
 Inside: sales revenue, HUF million



Points of sale

Szerencsejáték Zrt. is licensed to perform its gambling operator activities only in Hungary. Our games are sold through a land-based network and through interactive (online, SMS-based, ATM) channels. Land-based selling takes place in five regions: the Budapest, the North Transdanubia, the Miskolc, the Pécs and the Szeged Sales Regions. No material change took place regarding the points of sale in 2019.

Land-based sales	Interactive sales
Own lottery shops	Web: szerencsejatek.hu, tippmixpro.hu
Partner network <ul style="list-style-type: none"> • Magyar Posta • Lapker • Mol • Spar • Entrepreneurs 	<ul style="list-style-type: none"> • mobile phone • SMS (text messages) • Okoslottó, Tippmix Radar, Üzletkereső (shop search) application • OTP Bank ATM terminals
Proportions of the total sales revenue: 85%	Proportions of the total sales revenue: 15%

Our players

Most of our players participate in our draw games, particularly in the 5/90 lottery and the 6/45 lottery games. The number of regular scratch card buyers is nearly as large as that of those playing the 5/90 lottery game; however, occasional players make up a significantly larger proportion of scratch card buyers.

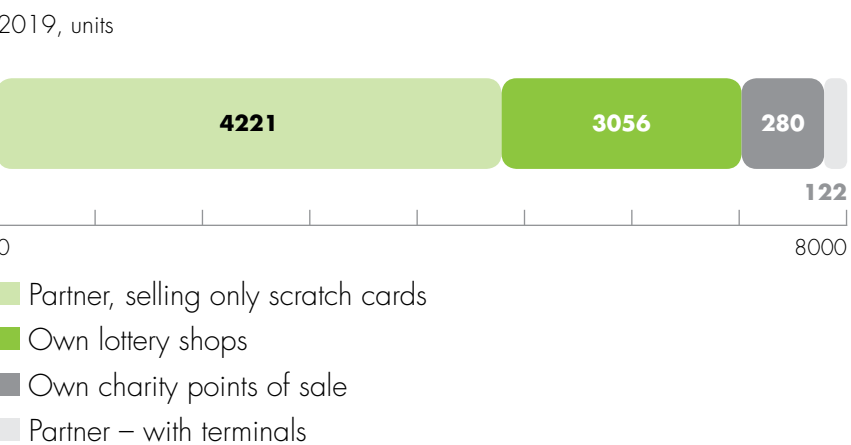
Committed players: those playing at least once a week, with (at least) one game operated by Szerencsejáték Zrt. (n=620; N=3,345,367).

Players playing periodically: those playing 1-3 times a month, with any Szerencsejáték Zrt. game (n=300; N=1,618,484)

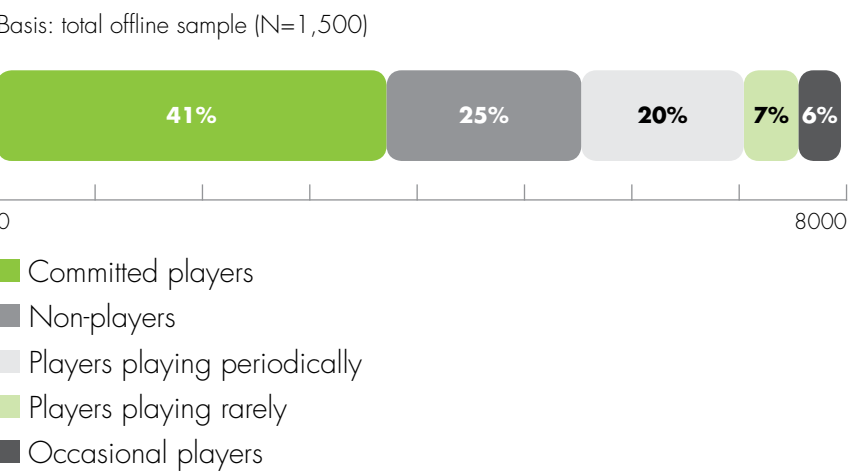
Occasional players: those playing about once a month with one Szerencsejáték Zrt. game (n=96; N=515,245)

Approximately 20,000 salespersons work in the land-based sales network (13,000 of them are active terminal operators), of whom nearly 1000 are own sales employees of Szerencsejáték Zrt.

Land-based points of sale



Players

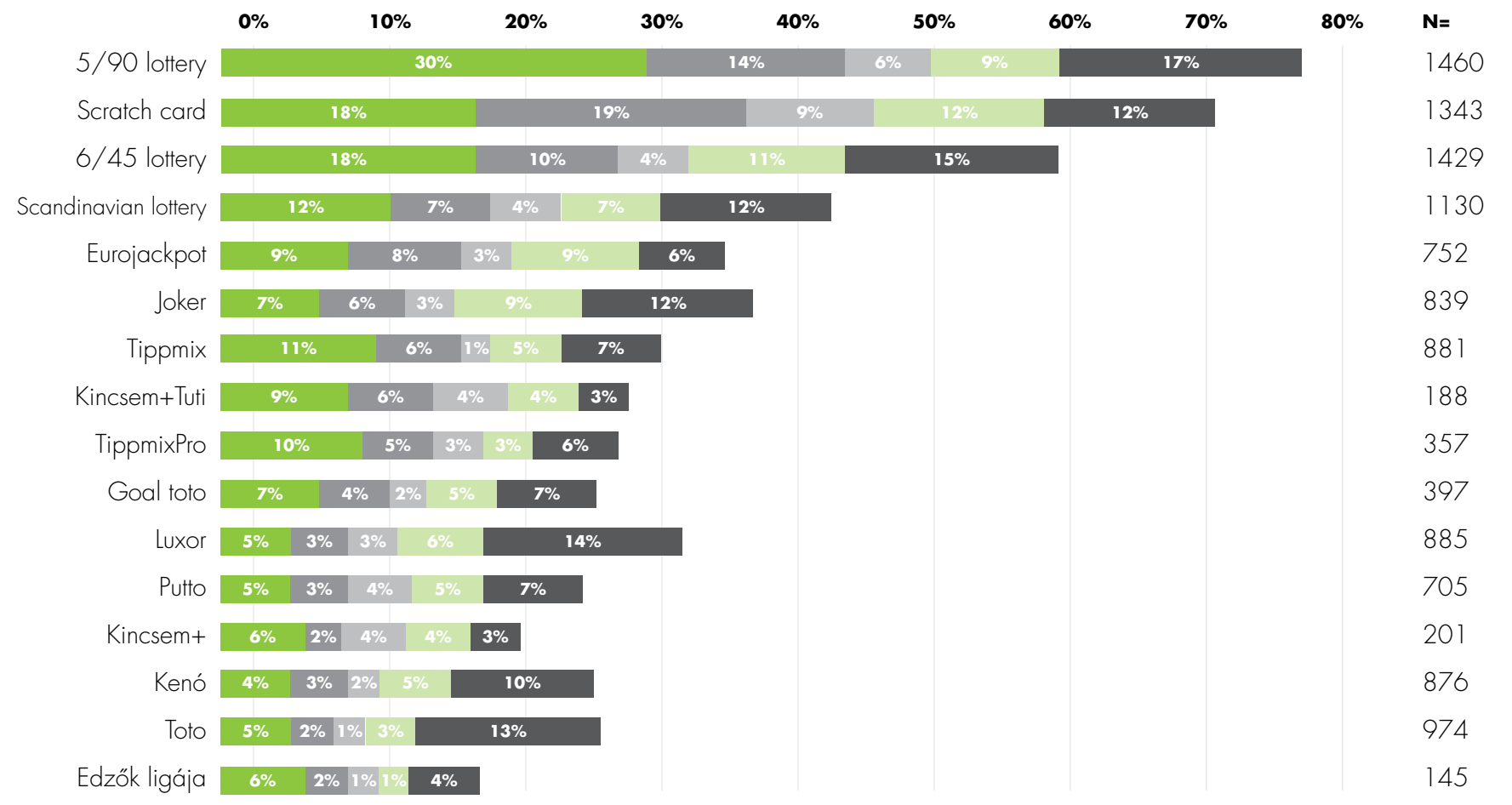


Players playing rarely: those participating in games of Szerencsejáték Zrt. 1-2 times a year, or even more rarely (n=105; N=567,819)

Frequency of playing – Games of Szerencsejáték Zrt

2019, units

It is the awareness of the 5/90 lottery and the scratch cards that has the most profound effect on their respective players, because about 3/5 (60% and 58%, respectively) of the people knowing these particular games actually play them. The highest proportions of committed players are to be found among those playing the online game “coaches’ league” (Edzők ligája) and the 5/90 lottery (67% and 51%, respectively), i.e. these were the games that managed to activate their players the most during the quarter under review.



Committed players | Players playing periodically | Occasional players | Players playing rarely | Former player

Basis: those knowing the various games | Source: KUTATÓPONT - Member of Nézópont Group

Our draw games are widely popular across the society with a varied distribution in terms of age, sex and income position:

- The weekly draw-games tend to be more attractive to middle-aged and elderly players;
- younger people prefer quicker products from which they get instant gaming experience;
- scratch cards are popular in each demographic group, particularly in rural Hungary;
- sports betting is more popular among men. Fixed odds sports betting (Tippmix, TippmixPro) is highly popular among men below the age of 30.

A total of 1.2 million

people play draw games in Hungary on an average week (including cross plays)



53%

this proportion, that is, more than half, of the Hungarian population, consider themselves lucky.



Some interesting facts about our players

- 31% of our players always spend the same amount on games of chance.
- Among young adults the TippmixPro, among middle-aged people the Scandinavian lottery and among older player the 5/90 lottery is the most popular game.
- The 5/90 lottery game is not only our most widely known game, but also one of Hungary's most widely known products, known to 98% of the local population.
- It is the 5/90 lottery game that is played by the highest proportion (58%) of the population, followed by scratch cards (54%) and the 6/45 lottery (38%).
- The majority (78%) of our players purchase our products at lottery shops. Also frequently visited by our players are post offices (46%) and news stands (20%).
- The main motives driving players to take a chance with lottery and draw games are respect of traditions and the jackpot. Sports betting is driven primarily by players' desire to put their knowledge to the test and the collective nature and experience of betting, while scratching cards as well as the Putto game are primarily motivated by the possibility of a quick win.



New corporate strategy

Having reviewed the previous plan (for 2017-2022) it was at the end of 2019 that we adopted the Company's new corporate strategy, determining the directions of development for the period until 2030.

Possibilities for progress were identified in the following areas:

Games: In addition to introducing new games and renewing existing ones we are planning to standardise the parameters of the games. Other important goals include development of selling modes, digitalisation along with enhanced customer experience.

Sales network: Coordinating, and ensuring the interoperability of, the various sales channels is one of the most important tasks ahead. Moreover, we are also planning to create new types of special points of sale, focusing on specific product groups, in response to consumer demand. We aim to renew the sales support function.

Organisation: It is paramount that we offer an attractive perspective, as an employer, for all generations, train and improve our workforce and build-up our employer brand.

IT background: The need appearing in the sales network for supporting the scratch card sales function with IT instruments and system, and the growing importance of online gaming results in a definite increase in our IT-related tasks. Our strategy is aimed at carrying them out in an optimised way which may lead to more involvement of external partners, if necessary.

At the same time, possibilities for international expansion have also been explored, as part of strategy building.

CHARACTERISTICS OF THE GAMBLING MARKET

02 /



Characteristics of the sales of games of chance

Land-based distribution continues to be the dominant form, but the share of online sales within our total annual sales turnover has been growing steadily. Our extensive land-based sales network provides nationwide coverage, similarly to the average of EU lottery operators.

Products with higher payback rates (amounts paid on wins off the product price) are typically more attractive to players but the amount of the jackpot also affects their choice. Sports betting games provide the highest payback rate, while draw games provide the lowest in our portfolio.

International trends can be observed in the domestic market: demand for quick games (those enabling immediate participation and payment of wins) (e.g. fixed odds sports betting, scratch cards) has been growing, while demand for products with weekly drawing cycles (e.g. lottery types) has been stagnating or decreasing.

According to the latest available net gaming revenue (Hungarian: TJB)⁵ figures, the domestic legal market of games of chance increased by 10% in 2018, year-on-year. Szerencsejáték Zrt. had an 81% market share, 1 percentage point down year-on-year, following a pattern of several years. Other major participants of the market include casinos whose market share increased in 2018 by more than one percentage point to 18% (also following a trend of several year), primarily due to the increase in their number.

The total domestic market of games of chance

The online market is extremely difficult to size up. The most important

authoritative independent foreign sources provide no estimated figures for Hungary. Surveys based on results of self-assessment questionnaires estimate an HUF 20-40 billion value illegal online gambling market in Hungary; but, based on the assumed activity of illegal operators and their visibility ratios, the above figure may be an underestimation.

Restrictions by law and the competent authorities

People below the age of 18 are not permitted to participate in games of chance.
Vulnerable individuals are not permitted to participate in remote gambling⁴.

The domestic legal market of games of chance
The participant of the legal gambling market
Operators of draw games, parimutuel and fixed odds sports betting as well as scratch card games: Szerencsejáték Zrt.
Casinos
Card rooms
Horseshoe-betting operator

⁴ Vulnerable person: A person below the age of 18, a player under self-limiting or self-excluding measure regarding one or more types of gambling or regarding multiple operators, or a person under guardianship with full restriction of their capacity to act, according to a court ruling, or a person whose capacity to act is partly restricted by court ruling regarding their legal declarations concerning games of chance. Remote gambling: Sports betting, card games or casino games, provided they are organised and operated through communication devices and system.

⁵ Gross sales revenue net of the wins paid, that is, the net sales revenue after the payment of wins

Despite of the applicable statutory regulations, our products sold online face fierce competition on account of the presence of a sizeable unlicensed market. Competition is particularly intense among participants of the market of fixed odds sports betting. Hungary is urging for unified action at an EU level against unlicensed operators.

65.5%

At Szerencsejáték Zrt. the average net win payback rate equalled 65.5% in 2019.

81%

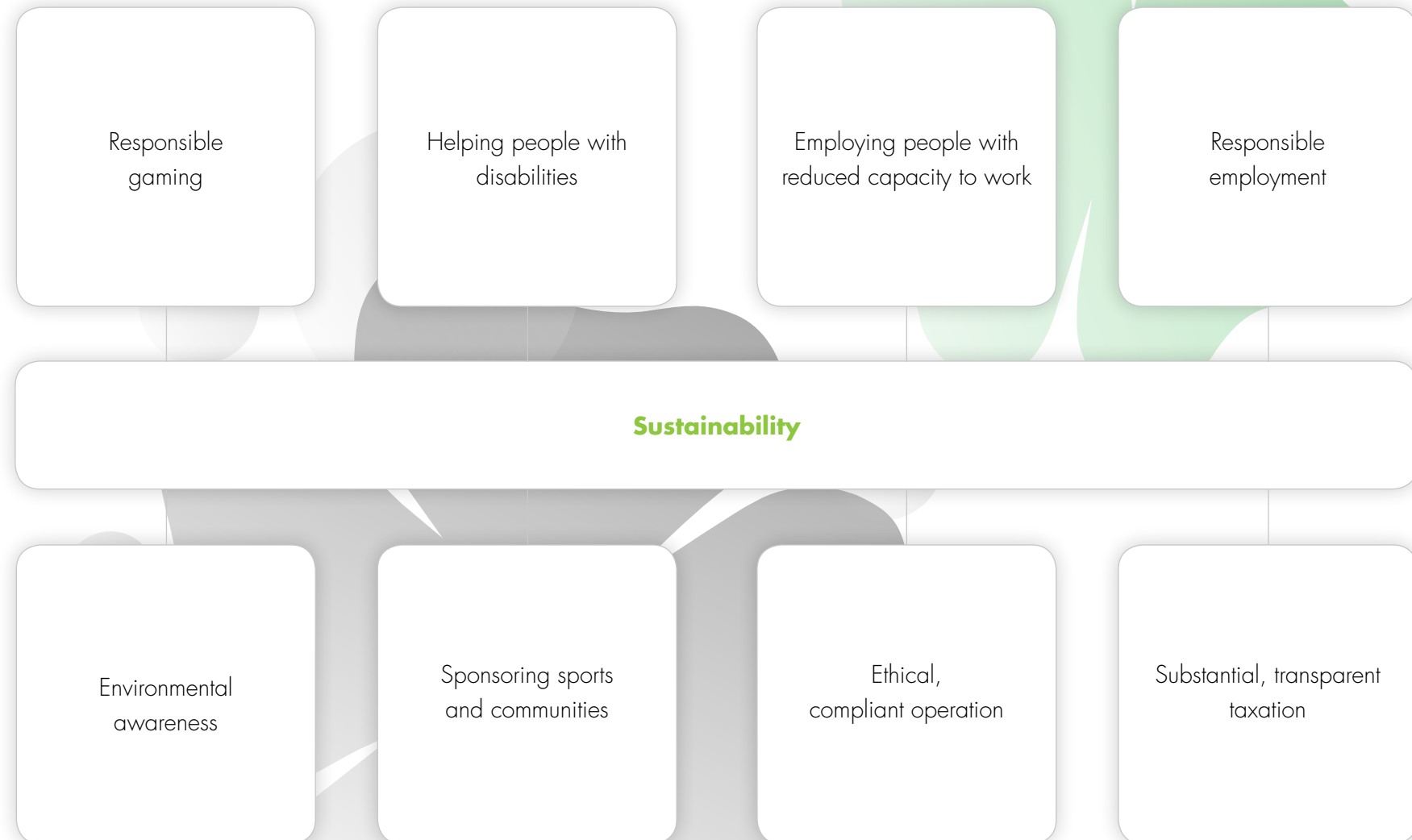
In terms of net revenue from gaming in the legal market of games of chance the Company had an 81% share in 2018.

WHAT IS SUSTAINABILITY
FOR SZERENCSEJÁTÉK ZRT.?

03 /



Responsible gaming is the foundation on which the national lottery operator's sustainability endeavours are based. This creates the foundations for our ability to contribute to other aspects of sustainability as well.



What is responsible gaming?

Responsible gaming involves the entirety of the following activities:

- responsible gaming,
- adequate information,
- raising awareness of the negative consequences of excessive gambling,
- responsible self-controlled sales and responsible marketing,
- increased protection of vulnerable persons,
- training our employees,
- providing assistance to individuals facing addiction issues.

The details of our responsible gaming operations are discussed in section 4.

Sustainability and games of chance








The risks, the potentially harmful effects of gambling and the gaming industry on the community and individuals are widely known. The risks can be minimised by commitment and due care, while the benefits for society (such as the large amounts of taxes paid), are significant at a community level.

To achieve sustainability, a wide variety of current local and global issues, including, for instance, climate change and poverty, need not only to be managed but also resolved, as far as possible. Szerencsejáték Zrt. is typically less profoundly affected by these challenges, but it plays a significant role in resolving them from various perspectives.

3.1 CONNECTION WITH THE UN SUSTAINABLE DEVELOPMENT GOALS (SDGS)

The 17 Sustainable Development Goals of the UN sustainable development framework for 2030 were adopted in 2015 by a total of 193 countries. These goals include, primarily, 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.

SDG	Activity	Effect
 NO POVERTY	Tax payment Charity and sponsorship	<ul style="list-style-type: none"> as a major taxpayer, contribution to the operation of the state institution system and the social security network financial assistance aimed primarily at preventing problem gambling and sponsorship to support sports in Hungary
 GOOD HEALTH AND WELL-BEING	Responsible gaming	<ul style="list-style-type: none"> assistance to prevent problem gambling and help treat affected players
 QUALITY EDUCATION	Awareness raising Training employees	<ul style="list-style-type: none"> increasing knowledge of matters of equal opportunities, through awareness raising campaigns providing equal opportunities to accessing trainings, for all employees
 GENDER EQUALITY	Employment	<ul style="list-style-type: none"> equal opportunities across the entire process of employment
 DECENT WORK AND ECONOMIC GROWTH	Employment Employment of persons with reduced capacity to work Sales network Successful economic operation	<ul style="list-style-type: none"> employment where employees' rights are respected, where safe working conditions are guaranteed, with fair compensation job creation through the sales network economic effectiveness for sustainable economic growth
 PEACE, JUSTICE AND STRONG INSTITUTIONS	Prevention of abuse	<ul style="list-style-type: none"> effective action against money laundering, corruption, and bribery protection of personal data
 PARTNERSHIPS TOWARDS ACCOMPLISHING GOALS	Partnership Legal compliance Tax payment	<ul style="list-style-type: none"> active participation in industry organisations promoting responsible gaming and, consequently, sustainable development observance of, and compliance with, legal regulations promoting the accomplishment of community goals through taxes paid

3.2 MATERIAL SUSTAINABILITY ISSUES

The Company specified the themes of relevance to sustainability for Szerencsejáték Zrt., also covered in this report, with the involvement of a wide range of stakeholders in the first half of 2020. Based on the analysis, we reviewed our previous sustainability reporting practice

and the results obtained were used in determining the focuses and structure of the report.

Materiality analysis

The material sustainability issues were identified with the help of an online questionnaire. In addition to assessing the activities of our company and the effects and impacts of its operation, we also took into account the themes of the GRI Standards the CSR Guidelines of the EL (European Lotteries), the sector-specific indicators of the SASB (Sustainability Accounting Standards Board) along with sustainability themes of six benchmark gambling and lottery operators in determining the themes of relevance to Szerencsejáték Zrt., of which then we determined the ones considered as material and important for our purposes.

The assessment from the two aspects expected by the GRI was carried out as detailed below:

- The economic, environmental, and societal impacts of our Company were assessed by 26 mid-level and senior managers representing each of the key areas;
- The themes of relevance to the assessments and decisions of the stakeholders were identified with their involvement. A total of 34 representatives of the owner, the subsidiaries, the employees, the salespersons, the suppliers, the authorities and professional organisations dealing with aspects of sustainability and with endangered consumers as well as people with disabilities, along with those of assisted and sponsored organisations expressed their opinions in the assessment. To supplement the above, we involved European Lotteries and ONCE (a Spanish organisation for the blind and visually impaired) in the process, by way of qualitative interviews.

Materiality map



The materiality map shows the importance of complex themes. Sub-themes of the above were also assessed, identifying important matters within more complex themes, which are also fully covered by the report.

The material sustainability themes identified by Szerencsejáték Zrt.

Responsible gaming

- Responsible selling practices
- Marketing and labelling
- Customer health and safety

Employment

- Employment
- Market presence
- Occupational health and safety

Legal compliance

- Prevention of fraud / abuse
- Customer privacy
- Prevention of money laundering
- Socioeconomic compliance
- Anti-corruption
- Anti-competitive behaviour

Economic performance

Human rights, equal opportunities

- Non-discrimination

Community supports

Climate change⁶

We discuss material themes in relation to 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. In relation to community supports, the activities of Szerencsejáték Service Nonprofit Kft. are also described.

⁶ Environmental protection in its entirety is not one of the material themes, but the assessment found the theme of climate change to be over the materiality threshold.

RESPONSIBLE GAMING

04/



Our core operations and the activities as a whole are organised on the basis of the principles of responsible gaming. We spare no effort to minimise any negative impact of the gaming industry. Our responsible gaming practices are determined by the strategic goals of responsibility for players, social responsibility, prevention, the protection of minors and mitigation of harm. None of the games operated by Szerencsejáték Zrt. is categorised as a “high risk” one.

Our commitment is reflected by a wide variety of cooperations with professional and civil society organisations, and our risk management activities are also linked to these. Operation in accordance with the principle of responsible gaming may even affect our business decisions, and thus our short-term profitability as well. Our long-term commitment means, however, that we always hold on to these principles; indeed, we continue to undertake increasingly substantial commitments in this regard, in line with our corporate ethics guidelines.

61%

of respondents regards awareness raising among young people to be the most useful contribution to the prevention of problem gambling⁷

⁷ of the possibilities reviewed, on the basis of a representative research of 3,000 people

The basis of responsible gaming

The following examples clearly illustrate how thoroughly the practices of responsible gaming are integrated in the life of Szerencsejáték Zrt.:

- none of our games carries a high risk of problem gambling, as certified by independent external audit;
- each piece of our advertisement is audited by an independent external party from the aspect of advertising ethics; we observe the principles of responsible gaming even during personalised campaigns;
- every single one of our employees is provided with annual training on responsible gaming;
- as part of responsible selling practices, we provide our players with a wide variety of self-limitation arrangements; this is one of the most important elements of our internal audits as well;
- we operate a hotline and a dedicated website for those facing problem gambling issues, in cooperation with an independent professional partner;
- our responsible gaming practices are audited by an independent external party once every three years, based on the principles established by European Lotteries and the World Lotteries Association;
- every one of our employees is responsible, in their own specific areas, for operation in accordance with European Lotteries European Responsible Gaming Standards (hereinafter EL-RGS) and the World Lotteries Association Certificate Responsible Gaming Framework.

The principle of responsible gaming is reflected, in terms of guidelines, expectations and requirements, in Szerencsejáték Zrt.'s Code of Ethics, Code of Ethics of Advertisement and Sponsorship, as well as, in the way of player protection measures, in the Rules of Participation and in every Game Plan.

New-hires participate in training on responsible gaming, and every employee must repeat it annually, and take an exam, all in electronic form. Training and testing are 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. The training covers the possibilities, institutions and contact details, which players or their family members can use to seek help regarding problem gambling.

A total of 1951 tests were taken and passed by our employees in 2019 in responsible gaming: in other words, every single one of our employees took and passed the test. (Some newly hired employees may take two tests in a given year: first the basic test and then a follow-up test a few months later.)

The following is a step-by-step description of the development of a new game from research and development to marketing communication to sale, presenting a full picture of how all our activities are permeated by the principle of responsible gaming. This will be followed by a discussion of the objective assessment and evaluation resulting from the relevant civil-professional cooperation activities and the external audits.

4.1 HOW A GAME IS CREATED

We keep renewing our product range, continuously adapting it to the expectations and requirements of our players: new games are introduced and existing games are renewed in response to players' demand and with the licence granted by the Gambling Supervision Board

The following actions are taken to ensure that the principles of responsible gaming are observed, when designing a new game:

- introduction of self-limitation mechanisms in accordance with the industry's best practices,
- consultations with the Gambling Supervision Board,
- testing the game on the Gamgard site.

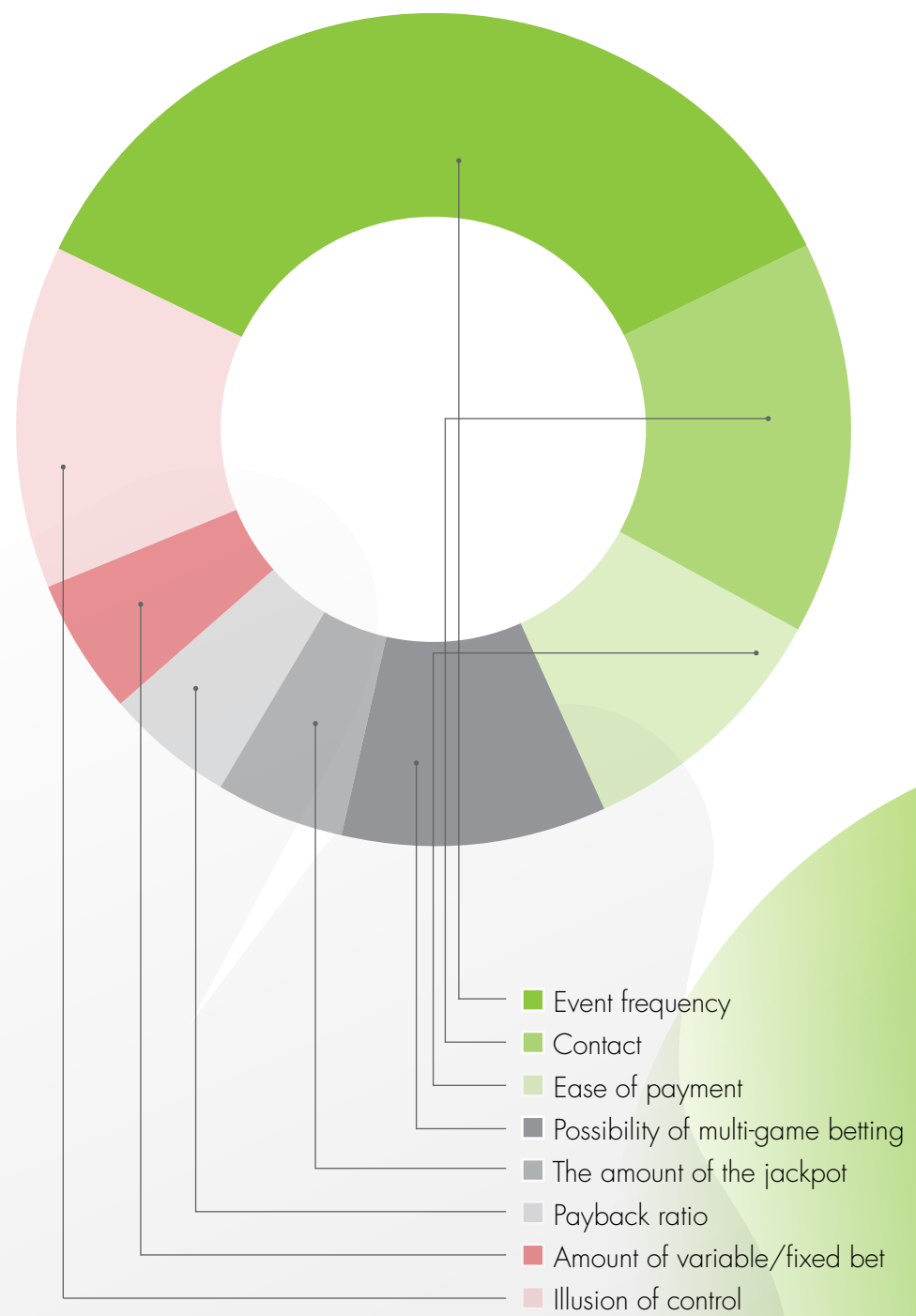
What is Gamgard?

Gamgard has been developed by internationally recognised psychologists, to help make games of chance safer. Gamgard's objective application of psychology to gambling operations helps operators achieve a balance between the entertainment and excitement provided by a game and the level of risk entailed by the same. This continuously evolving independent player protection system is used by both Szerencsejáték Zrt. and other service providers and game developers, and regulators of the industry worldwide, for more than 10 years now.

The Company carries out a risk assessment for every new game. Our new scratch card called Kávészünet (coffee break) to be introduced in 2020 was tested in 2019. The resulting scorecard shows it to be a medium-risk product.

Every single one of our games undergoes a re-testing process from time to time because both the evaluation criteria (see the pie chart) and the associated score scales are regularly modified. For example, unlike before, not only factors enhancing, but also those mitigating the hazards of a game are now taken into account by the system.

The overwhelming majority of our games fall in the low-risk category based on the criteria shown in the figure. In this regard our most important goal is to make sure that none of our games falls into a category higher than the medium-risk one. In accordance with our community value principles we are fully convinced that in the long run it is not worth offering high-risk products.



Milán Zieger
business development coordinator



OBJECTIVES FOR 2020

Retesting each of our draw games on Gamgard.
After a period of seven years we introduce new online products and since minors are increasingly present on the platform, we lay particular emphasis on responsible gaming operation and ethical advertising.



What is the first step in developing a new game?

The development of a new game is based on measurements by our Research Department, reflecting how players relate to our products and what their most important expectations are. Additionally, by adopting international best practices and by our own innovations, we make efforts to respond to requirements and needs that have not even appeared in the domestic market yet. In view of the needs and requirements we have identified, we adjust our games' parameters in a way that they benefit both the player and our Company, as far as possible.

What do you see as the most exciting element of a game?

To me, the most important consideration is that the player should be not a passive observer, but an active participant of the game. This is a major merit of (parenthetically!) "knowledge-based" games such as sports betting, but I hope to be able to achieve this in our draw games as well, in the near future.

How do you make sure that the principle of responsible gaming is observed in your developments?

A conscious approach is a key in this regard, too. If the player has a sense of being involved and makes a conscious decision whether or not to play, it may result in a game process with lower risk. Moreover, in developing draw games and in adjusting game parameters and/or the game process, we also take the internationally standardised assessment criteria into account, which are accessible on the Gamgard portal, to mitigate responsible gaming risks. We make efforts in organising a game to even out, or at least dampen, inequalities entailed by the accumulation of winnings, to weaken the false stimuli to which players are exposed, which drive them to engage in the game excessively.

Which is your favourite game?

KENO, being closer to sports betting within the category of draw games, on account of the fixed odds. On the other hand, the accumulation of the amounts to be won make lottery games so attractive that they can mobilise huge numbers of people, including me, of course.

4.2 RESPONSIBLE MARKETING

The Company is committed to active responsible marketing, in line with its advertisement objectives determined as part of the Sustainable Gaming Model adopted by European Lotteries in 2019, focusing on highly controlled low-risk games.

The two basic principles of responsible marketing are, in accordance with the EL-RGS and the Code of Conduct of the World Lottery Association:

1. our advertisements are not intended for young people below 18, and
2. we avoid having our sales promoting advertisements leading to problem gambling.

Szerencsejáték Zrt.'s Code of Ethics of Advertisement and Sponsorship specifically prohibits addressing people below the age of 18, including by:

- ensuring that our advertisements do not feature teenagers or children;
- inserting the warning sign of the circle with the number 18 in it in or on all our advertisements.

Accordingly, we lay particular emphasis on protecting under-age persons also during the introduction of e-sports betting in 2020 and the associated communication activity.

Apart from a variety of restrictions, it is important in our advertisements that

- we do not show the games we offer as an alternative to earnings from work;

- the campaign shall not suggest that playing more means winning more; and
- we do not place focus on the possibility of quickly getting rich.

We promote the principle of playing responsibly in all our advertisement, and draw attention to prevention possibilities, as well (for more information on the relevant website maradnjatek.hu, see section 3.4), and every one of our products features the circle with the number 18 in it and the words "Maradjon játék", i.e. Keep it a game! Our requirements and advertisement ethics code are also communicated to the advertising agencies that have signed contracts with us, and we expect our partners to comply with domestic and international standards.

After a period of 10 years, in 2020 we renew the corporate Code of Ethics of Advertisement and Sponsorship, in view of the EL certificate framework system, and at the same time we extend the scope of the Code to other advertisements appearing in the digital environment, in addition to the conventional web banners. This involves fine-tuning the Code's sections relating to sponsorship, as well, most of which is carried out by Szerencsejáték Service Nonprofit Kft.



Cooperation with the Self-regulating Board of Advertising

Szerencsejáték Zrt.'s campaign has, during the past ten years, been overseen by the domestic self-regulatory board for advertising ethics. At the same time, as an active member of the board, we also participate in its work, in some cases by forming opinions on campaigns of other companies.

As one of its members, Szerencsejáték Zrt. concluded an agreement with the Self-regulating Board of Advertising (Hungarian acronym: ÖRT) in 2010, under which the Board

- carries out up-front reviews of our advertisements,
- comments on television programmes to which the draw games are connected,
- review and comment on external communication tools from time to time, and
- review external reports, notifications, and complaints.

One key aspect of the agreement is that Szerencsejáték Zrt. accepts the ÖRT's decisions as binding upon itself.

The agreement will be renewed, and its scope extended in May 2020. As a result, the ÖRT will consider not only the relevant and applicable statutory regulations and the Hungarian Code of Advertising Ethics in assessing, and commenting on, our activity, but it will also review, as an external auditor, our compliance with our own Code of Advertising Ethics. By doing so, Szerencsejáték Zrt. will be the first large company in Hungary, setting an example to other participants, to undergo strict mandatory external auditing, a step regarded by the ÖRT as a historic one in the field of advertising in Hungary.

OBJECTIVES FOR 2020

To renew our marketing activities and at the same time, more efficient and effective integration of messages promoting responsible gaming, in order to be able to share the joy of playing responsibly, and the cause of social responsibility, with as many people as possible. In this context, we are planning to renew our responsible gaming programme and the associated website.

Renewal of the Code of Ethics of Advertisement and Sponsorship. Renewal of our agreement with the ÖRT, by expanding its rights to comment.

What is the biggest challenge to selling games of chance in a responsible way?

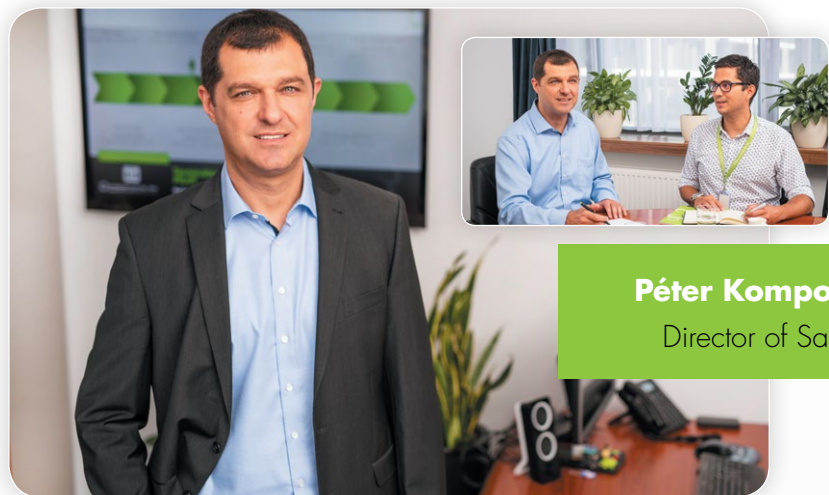
Upholding the "Keep it a game!" principle because along with responsible sales expectations, the Company's sales revenue needs to be met. We need to find that narrow range, satisfying customer's need for the excitement of playing games without urging them to spend too much or play excessively. This is quite a challenge, but we are here to face it.

What instruments and solutions are applied to this end by Szerencsejáték Zrt. in its land-based network?

We offer our players who use player cards the possibility of self-limitation. A list of the service provider institutions participating in Player Protection, a green number in place for player protection, the general information released by the Minister without Portfolio in Charge of National Assets concerning the introduction of player protection measures, the publication "Keep it a game!", along with ELTE University's Help Hotline for Gambling, are made available at all of our points of sale, in accordance with the applicable statutory regulations. Every member of our sales force is provided with training on responsible gaming operation, our own employees even take a test on this subject annually, and the responsible gaming requirements have also been incorporated in the sales processes. At our sales trainings, the sales staff can learn the principles of responsible gaming operation and apply them in practice.

How does the national lottery operator ensure the protection of its sales staff from the problematic effects of games of chance, i.e. problem gambling?

In addition to the above measures, there is another arrangement in place to protect lottery shop assistants: they are not allowed to sell for themselves player cards called "Szerencsekártya". Employees may purchase



Péter Kompolti
Director of Sales

games of chance only at the lottery shops identified as their places of work, only outside their working hours, from other lottery shop employees, or at other points of sale. Our salespersons may assess their own gaming habits by way of self-assessment, once a year, and we encourage them to do so.

The question of what happens to uncollected wins, is an interesting one for many, what happens to these amounts?

In the case of the continuously operated draw games and pari-mutuel bets, as well as continuous lotteries, the Act on the operation of games of chance enables the operator to use wins not collected, for allocating them again for wins in the given games or bets. We make the most of this possibility, we keep records of uncollected winnings from each game in a separated fund. The possibilities of using uncollected wins are specified in the plans of and the rules of participating in the various draw games, pari-mutuel bets and lotteries. Wins not collected are allocated through separate draws or added to the prize pool of the given week's game, and the unit wins of the various win categories are also supplemented from such amounts as necessary for rounding.



4.3 RESPONSIBLE SALES

Persons below the age of 18

Persons below the age of 18 are not allowed to participate in games of chance, preventing minors' participation is one of our most important tasks. As all Hungarians, we are also of the opinion that this is a responsibility for our Company: our representative research shows that about two thirds of respondents say that the seller of game is responsible and liable if minors participate in gambling. Those selling games must check to make sure that the customer is over 18, in accordance with our regulations on this matter.

In face-to-face sale, in the case of doubt regarding the customer's age the terminal's operator or the scratch card seller must ask the customer intending to play to voluntarily prove their age by presenting a document suitable for personal identification. If the customer refuses to do so or is below 18, the game must not be accepted, or a scratch card must not be sold to them.

In the case of remote gambling, we always check the age through the database operated by the Ministry of Interior, or in the case of documents uploaded, we verify the veracity of the age specified by the customer.

About 90%

of players above 15 are fully aware of the statutory age limit for participation in games of chance⁸



⁸ According to a representative survey conducted in 2018.

Adults

The regulations concerning participation, comprising the rules of our games and the chances of winning, are accessible through a wide variety of sources. Accordingly, our adult players are also protected from excessive playing by rules and self-limitation arrangements:

- Players with no player cards are not allowed to buy more than HUF 1 million worth of a given game of chance during one instance of playing.
- This limit can be increased or decreased by players with player cards and players with complete registration in the electronic gaming and betting system. While settings stricter than current ones enter into force immediately, easing or removing a limit may "go live" after at least the amount of time passes the settings apply for. Thus, for instance, a new daily limit may not enter into force before a period of 24 hours passes.
- Vulnerable people are not permitted to participate in remote gambling, where the maximum amount that can be wagered is limited in the first place, but self-limitation or, where necessary, self-exclusion can protect the person against excessive playing.
- Players' balance cannot, in our games, turn negative under any circumstances whatsoever.
- Extra or repeated games are not encouraged by offering free games.

It is a general principle in our customer relationship management system (CRM), when determining bonus criteria in commercial campaigns, that players cannot be encouraged to spend over 50% more than the average or maximum of the preceding period.

What is the Game Card?

Our customers over 18 can apply for a Game Card, after registering in our system, to access a number of convenience services along with services relating to responsible gaming, such as:

- winnings under HUF 200,000 are transferred to an automatic bank account after 80 days;
- e-mail notification of winnings;
- increased security is guaranteed when winnings are collected;
- option to set and modify game limits.

A total of 24,916 persons registered for the Game Card by the end of 2019, 34% up year-on-year.



Implementation and control of responsible selling practices

Responsible selling practices is expected of our sales force, as well, as is prescribed in our numerous regulations, including the Rules of Procedure and the Sales Regulation. 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. In the system of network control, every sales partner is checked on at least once every six months, while points of sale with terminals are checked at least once every three months, covering the means whereby information is provided for the purpose of protecting players. As many as 65,367 checks took place in 2019, during which a total of 3,305 deficiencies and defects were found, most of which were corrected right away.

Compliance with the rules along the entire selling process, including customer management, is checked by monthly mystery shopping in both our own and our most important partner networks. Mystery shopping results can be viewed on their own electronic interfaces by salespersons, as well; we help those in need to improve their performance by way of coaching or training, if necessary. In 2019 we started working on the comprehensive renewal of the training materials concerning responsible selling practices for our sales force; the work is about to be completed and the new training material will be introduced in 2020.

If any employee of the sales network notifies the HR department of any issue of problem gambling or any personal contact, we help the employee by finding them a different position.

A total of 65 367

checks were carried out in the sales network



74%

The number of defects identified by mystery shopping dropped by 74% in 2019 year-on-year.



OBJECTIVES FOR 2020

Complete renewal of the syllabus and test on responsible selling practices

4.4 RESEARCH ON PROBLEM GAMBLING AND PROGRAMMES FOR PEOPLE AT RISK

Our task, as a state-owned company and responsible gambling operator, is to make sure that our products do not trigger an increase in the number of people at the risk of problem gambling. We conduct scientific re-

search using a variety of methods to explore the problem and we use the findings in developing and communicating about games. Although surveys show that the number of people facing gambling issues in Hungary

today is relatively low, the issue affects not only the person themselves, but their families and relations, as well.

How often and how have you been conducting research into responsible gaming?

We conduct about twenty surveys a year, most of these yield information about responsible gaming, such as the frequency of playing, preferences, motivations or emotional relation to gaming. At the same time, we also conduct quantitative (online or face-to-face) surveys on large samples once every two or three years, specifically in relation to responsible gambling operation. The latest survey of this type was carried out in 2018, but we intend to conduct another one in 2020.

Our commitment is reflected by the fact that in addition to quantitative surveys, we also carry out qualitative research (based on in-depth interviews) to form an accurate picture of how playing a game can lead to problem gambling, how its development can be prevented, and which solutions we use, or wish to introduce, are most suitable for helping people already affected.

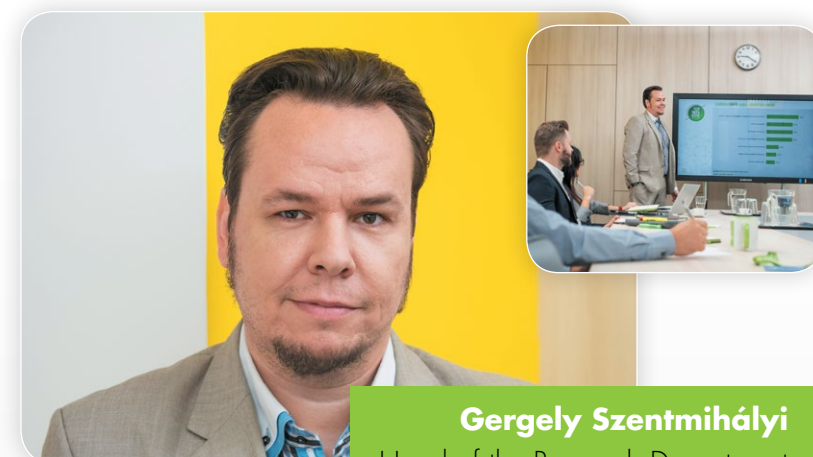
The aim of our quantitative research on large populations (of 4,000) is to make it possible to increasingly reliably estimate the likely ratios of groups categorised as high-risk, and those already affected, in the total population, and to provide larger numbers of elements for the statistical analysis of the responses.

Who can be regarded as affected by problem gambling?

To determine this, we use the Canadian CPGI (or PSGI) test. This comprised nine questions, to each of which four different answers can be given; this way, the results can show a more finely defined individual risk rating than binary tests. We discussed the use of the test with Zsolt Demetrovics⁹, a definitive authority of the research of various addictions in Hungary. Upon the renewal of the maradjon-jatek.hu page we introduce the use of the CPGI test on the website as well, instead of the previous simpler self-test.

What is the proportion of people at risk in Hungary?

This is a difficult question because the issue is sensitive. Problem gamblers do not always recognise it, they are more often warned by people around them, so it would be difficult to give accurate figures. By carrying out tests we still try to apply a procedure based on an acceptable methodology. Our three surveys conducted since 2012 show that the ratio of people over 15 who can be regarded as persons with problem gambling issues is, according to the CPGI test, in the 2.6-4.3 percent range. This being a relatively low percentage range, the statistical margin of error may have a significant impact on the findings of the research. Problem gambling, however, is also accompanied by other types of addiction, as studies show. Some



Gergely Szentmihályi
Head of the Research Department

personality traits and life stories make certain people more likely to be affected. Problem gambling, however, is also accompanied by other types of addiction, as studies show. Some personality traits and life stories make certain people more likely to develop behavioural addictions, including problem gambling. We need to understand these in order to be able to minimise the extent to which our products are aimed at such people and to help persons with problem gambling issues and their closest relatives by our responsible gaming solutions to successfully fight this problem.

⁹ Eötvös Loránd University (ELTE), Faculty of Education and Psychology (PPK), Faculty of Psychology, Institute of Psychology, Head of Institute

ELTE Help Hotline for Gambling

We have been sponsoring Pro Psychologia Foundation, operating, together with the Institute of Psychology of ELTE PPK¹⁰ the Help Hotline for Gambling since 2013. The help hotline provides problem gamblers and their relatives with assistance and advice. It initiates crisis intervention in case of need and refers callers to the appropriate specialised institutions, to the extent possible.

Calls are received by helpers and advisers with adequate training and qualifications for providing such advice, between 3.00 p.m. and 7.00 p.m. on weekdays, that is, in 20 hours a week. The number of advisers on duty is currently 20. The annual training is attended by 10-15 persons in general, thus guaranteeing the efficient and reliable operation of the help hotline. Since anonymity is one of the basic principles of the assistance service, no data are recorded and no registration takes place when a call is answered; therefore, it is not possible to establish the number of recurring calls with full certainty. In some cases in 2019, however, based on signals and conversations it was clear that some individuals called more than once. When players facing problems make a phone call, the advice is given in the form of information as to which specialised institution they should turn to, while relatives of affected persons are provided with education relating to addiction, and possible solutions are discussed with them. Besides the help line, the service is also accessible via e-mail and Facebook, although the service has been contacted through these channels only occasionally. The total yearly number of calls has varied between 29 and 96 during the recent years, of which the number of critical calls was between 17 and 27. In 2019 as many as 38 calls were categorized as critical call for help out of a total calls of 66. The proportion of critical calls has been growing slightly year after year. A seasonal pattern has been observed in the use of the help hotline, with hardly any activity during the summer months and an increase in the number of calls during the autumn and winter months.

¹⁰ Faculty of Education and Psychology (PPK)

The total yearly number of calls has varied between 29 and 96 during the recent years, of which the number of critical calls was between 17 and 27. In 2019 as many as 38 calls were categorized as critical call for help out of a total calls of 66. The proportion of critical calls has been growing slightly year after year. A seasonal pattern has been observed in the use of the help hotline, with hardly any activity during the summer months and an increase in the number of calls during the autumn and winter months.

Although domestic and international experience shows that people facing gambling problems are particularly difficult to reach and have a very low willingness to call for help, our professional partner and we think that there is a case for raising awareness of the Help Hotline service and its contact details by a targeted campaign in 2020 to increase its effectiveness and accessibility.

Based on ELTE PPK's recommendation and the foundation's standpoint, the service will be supplemented from 2020 with an element relating to video games because both professional institutions expect problem gambling and internet gaming disorder to be increasingly intertwined in the future. The required knowledge elements are part of the practical training of advisers from the autumn of 2019.

maradjonjatek.hu

We promote the importance of keeping the joy of game through all possible channels and to this end we fully renew the website www.maradjonjatek.hu in 2020. Our aim is to create an up-to-date website, with information for both professionals and players, where visitors can find not only answers, but can even ask ELTE's professionals their questions via online chat. The new possibility, while maintaining the Help Hotline, enables more active interaction for those concerned.

"Gaming within Limits" programme

We are convinced that raising adult players' awareness of the hazards and the treatment possibilities is not enough; it is also our duty to help young people prepare to actually keep the game a game. The "Gaming within Limits" programme is aimed at introducing a practice of European standards, one that may serve as a model, in both prevention and treatment, that is, social integration. The model programme has been operated and developed in cooperation with the Hungarian Interchurch Aid since 2012, in the context of which the following activities take place:

I. Info Points: So-called InfoPoints have been operating in seven towns (Budapest, Miskolc, Szolnok, Orosháza, Debrecen, Sopron, Kaposvár) since 2017, where anyone with gambling issues and people finding their relatives showing signs of gambling problems, may turn for advice. The InfoPoints assess the severity of the problem through a structured discussion, then inform the person seeking help about the possibilities towards recovery, and refer them to institutions where special care or service is available.

II. Group therapy: sessions are conducted by experts for both affected individuals and their relatives, even separately, in Debrecen, Sopron, Szolnok and Kaposvár. Participants are free to join or leave the group, where they can learn to manage issues related to problem gambling.

III. Camps: the "Gaming within Limits" programme approaches young people even during the summer holiday period; to this end, we have organised a total of five camps with a focus on problem gambling. At the camps, the children learned, through games and creatively solving problems, about the signs of addiction, the differences between behavioural and substance addiction and the places where those in need can turn for help. They also produced short films and posters on the topic.

IV. School-based prevention: more than 5,500 students participated in the educational and adventure sessions of the programme, in six years. Special classes with form teachers discussing topics relating to game, luck and addiction, and extracurricular programmes with community experience of playing, along with peer education, i.e. awareness raising and education of students of the participating school, are all parts of the programme. In the 2019/2020 school year the programme reached a total of 1120 students of 48 classes in 24 institutions.

V. Prevention at small private schools for special needs: students of such institutions are particularly exposed to the risk of problem gambling; therefore, in 2017 we turned our attention to such small private schools. The prevention programme previously launched only in schools was remodelled to suit small private schools attended by disadvantaged children of special educational needs. Such institutions operating in Homrogd, Megyaszó, Mezőcsát and Pácin were the first ones to test the programme. We plan to include seven new such small private schools in the "Gaming within Limits" programme each year. The institutions involved in the school year 2019/2020: Iránytű Tanoda, Máriapócsi Tanoda, Tuzséri Tanoda, Kántorjános Tanoda, Hodászi Cigány Egyházközség Tanodája, Magvető Tanoda in Nyíregyháza and Szafi Tanoda in Nyírgyula.

VI. Methodology manual: a methodology manual experience and results accumulated over the years has been compiled to facilitate work in the future; this is used by teachers of the schools participating in the programme as a teaching aid and practical guide.

VII. An application scheme for education institutions, with accreditation: In 2019 the "Gaming within Limits" model programme

was developed to a higher level. In order to reach as many people as possible, we started an open application scheme for schools in Pest county with the aim of implementing the programme. The application scheme enabled institutions to implement the programme at their schools with their own teachers and to obtain support for this purpose. Depending on whether the programme was implemented in one or more classes, the school was granted HUF 500,000 or HUF 800,000 (to cover the costs of purchasing requisites and travelling to trainings, along with the remuneration paid to teachers).



OBJECTIVES FOR 2020

- We are boosting awareness of and the number of calls to be received at ELTE Help Hotline with a targeted campaign, and we also integrate the problem of internet gaming disorder in the set of issues being dealt with.
- Renewal of the maradnjatek.hu (Keep it a game) 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.

How should I tell you this?

With the website hogyanmondjamelneked.hu (How should I tell you this) we provide a platform for users to develop a language and culture to talk about addiction issues between parents and children, teachers and students, adults and youngsters. The regularly updated website features discussions in a number of important issues faced by young people, with the help of an external professional partner, along with articles written by psychologists. In addition to the above, the page presents a variety of tests and a several contact details relevant to addiction; therefore, it may help those in trouble by providing them with information, as a first step. Between February and December 2019, the page had 600,000 visitors, or nearly 38,000 a month¹¹ on an average.



¹¹ Without the most and the least busy month.

4.5 RESPONSIBLE GAMING AUDIT

The responsible gaming activity of Szerencsejáték Zrt. is audited by an independent external party in accordance with the European Lotteries EL-RGS standard and certification procedure, a practice which the Company was among the first European Lotteries members to introduce. The consultant and auditor firm PwC carries out a comprehensive conformity audit once every three years, with so-called interim audits in between. Accordingly, Szerencsejáték Zrt. obtained the European Lotteries responsible gaming certificate for the first time in 2019. In each specific field we scored nearly 100 percent, doing far better than the minimum 75% level required for conformity. Additional tasks were, however, identified by the audit in the fields of employee training, remote gambling products, player education, reporting, measuring and certification; where we will continue to work.

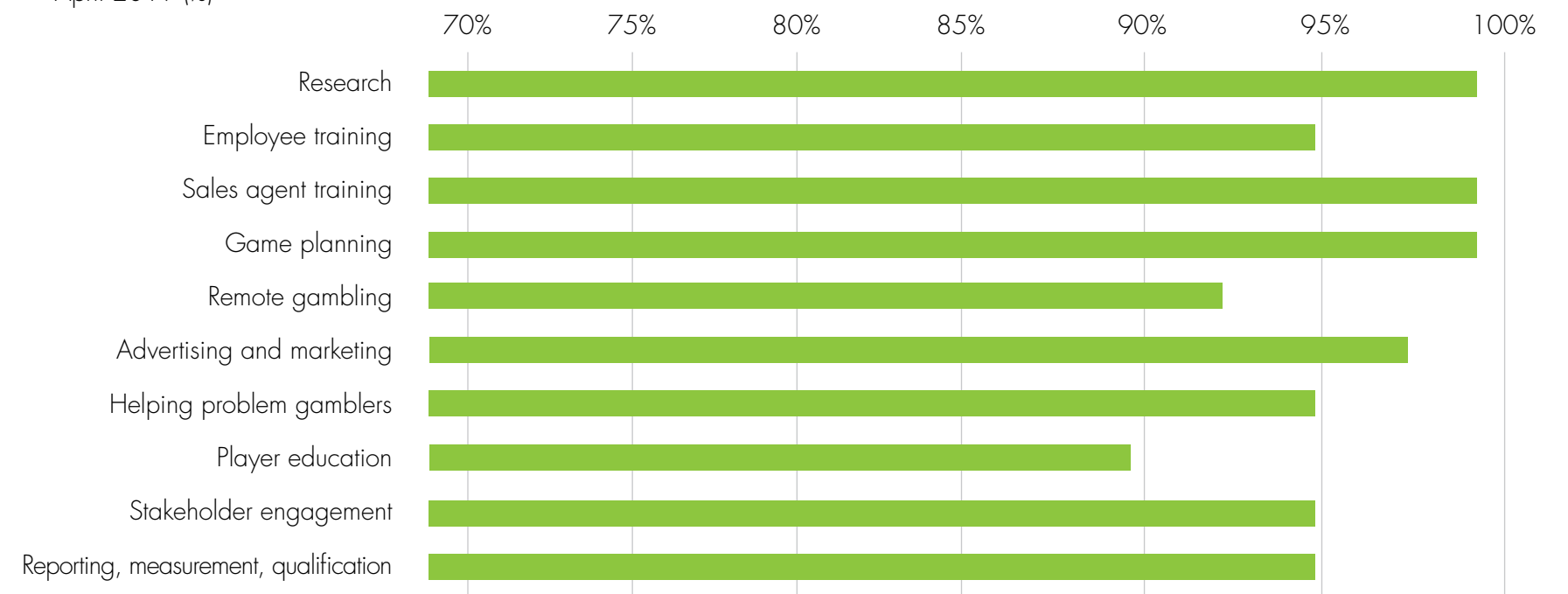
The most significant results had been achieved, according to the audit report, in comparison to the preceding comprehensive and the 2018 partial audit in the following areas:

- Research results were published in adequate detail on our website.
- Mandatory annual refreshment training for the employees.

With our result in the EL-RGS certificate audit at the same time we earned the 4th, highest, level recognition of the World Lottery Association Responsible Gaming Framework.

Szerencsejáték Zrt. – EL Responsible Gaming conformity

April 2019 (%)



Justification of the results, by area		
	Area	Note
I.	Research	–
II.	Employee training	Points were lost because employees did not have to take tests in the annual refreshment training materials in 2017 and 2018.
III.	Sales agent training	–
IV.	Game planning	Since no high risk games are included in the portfolio of Szerencsejáték Zrt., the maximum possible scores were reduced.
V.	Remote gambling	Points were lost because of deficiencies in the mobile version of the website and the automatic rerouting to the filtering program.
VI.	Advertising and marketing	Points were lost because of the incomplete requirements of the still effective Code of Ethics of Advertisement and Sponsorship (adopted in 2011) from the aspect of the Responsible Gaming.
VII.	Helping problem gamblers	The score was reduced because the information booklet shows the contact data of a public health information service with which Szerencsejáték Zrt. no longer has a contract in place.
VIII.	Player education	The information booklets were not available without asking at the points of sale. Moreover, in most cases the information booklet "Keep it a game!" was not inconspicuously accessible neither
IX.	Stakeholder engagement	Fewer points were given because at present there is no traceable documented process for feedback input.
X.	Reporting, measurement, qualification	Fewer points were given because at present there is no consistent metering system in place at Szerencsejáték Zrt. that would cover the entire organisation and the accomplishment of the objectives, from the aspect of Responsible Gaming.



Left to right:
Gergely Koppány, Game Development and Strategic Director;
Hansjörg Höltkemeier, President, European Lotteries (EL)

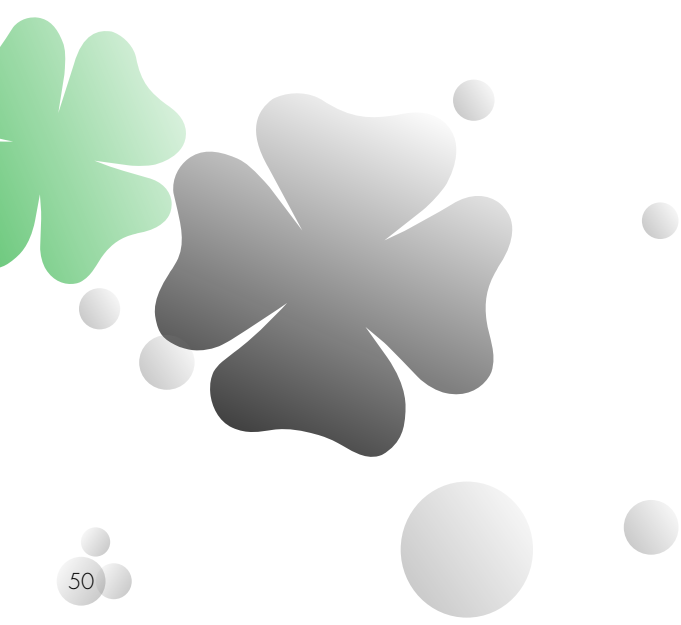


EQUAL OPPORTUNITIES FOR
PEOPLE WITH DISABILITIES

05/



The activities focused on people with disabilities, initially launched as the employment programme of Szerencsejáték Zrt., have come to be an integral part of the Company's extensive corporate social responsibility (CSR) activities. The Company, as a responsible state-owned company, pays particular attention to the social integration of people with disabilities. We play an active role in shaping the attitude of the Hungarian population, in fighting against prejudice against people with disabilities, with a special focus on the social integration of children with disabilities. In the next chapter we show what we have been doing to promote this important societal cause as part of our core operations as a service provider, an entity issuing scratch cards, an employer, and a sponsor.



Why does Szerencsejáték Zrt. regard itself responsible for paying particular attention to people with disabilities, and their problems?

The Company's social responsibility is profoundly determined by the fact that 10 percent of my colleagues, about 170 people have reduced working capabilities. As a major national company, we play a dominant role in corporate social responsibility, which I consider to be a lot more important and greater than in the case of private free market companies. One of our most important tasks is to continue working on our programmes facilitating the integration of children with disabilities.

It is our task, in view of our traditions, social embeddedness and its dominant role in the domestic economy, that in addition to our major contributions to public spending, we also take part in this work, and our commitment is shown by the fact that this is also part of our strategic goals.

What is the attitude underlying the social responsibility activities of the national lottery operator, and how would you describe your philosophy in this regard?

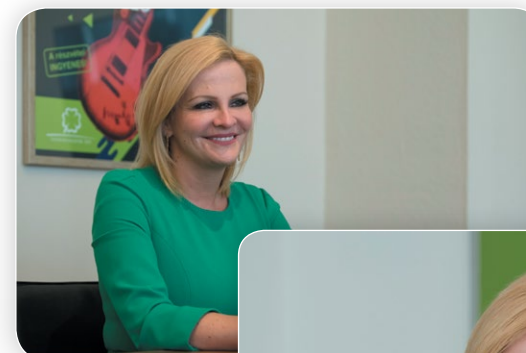
We consider the promotion of the integration of persons with disabilities and persons with reduced capacity to work to be a crucial goal; this is well reflected by the operation of our charity scratch card sales network that has been operating for 17 years now. Our basic philosophy permeates the whole of our operations and we spare no effort to maximise the extent to which our day-to-day operations is governed by the principle of integration in employment, sponsorship, communication, and event organisation. Our role regarding people with disabilities is based on a strong commitment going beyond the objective of economic effectiveness, which is most aptly expressed by the motto of one of our most successful programmes, called "Gaming Connects Us": "It is not what divides us that is important, but what connects us."

What personal goals have you set yourself to promote the cause of people with disabilities?

I am lucky to have the opportunity to participate in this work in person; this is a lot more than just a set of projects at work to be dealt with, for our entire marketing team. It is crucial that we continue to develop our potent programmes, recognised by major professional awards, and that we make palpable changes by doing so.

As ever, adequate information exchange and communication is a key, because for the spreading of best practices and for the enhancement of the effectiveness of our programmes it is indispensable that they are made accessible for all those concerned.

In 2019 we extended and significantly accelerated our activities supporting the integration of children with disabilities. In the context of our programme "Playing Connects Us", Nagykarácsony scratch card, we have



Zsófia Bánhegyi
Marketing and Communications Director

built as many as five large inclusive playgrounds across Hungary, with contents enhanced even in comparison to the original plans and we will implement another five in 2020. Another highly successful programme, 'HIGHFIVE' has reached as many as 11 thousand children and parents concerned. This endeavour permeates all facets of our marketing communication activities. A good example is our Super Concert event with 70 thousand people in 2019, where we allocated a stand larger than ever for persons with disabilities. Additionally, it must be mentioned that the largest domestic festivals were made accessible for persons with disabilities with the support of the national lottery operator in the summer of 2019.

What awards and prizes has Szerencsejáték Zrt. been rewarded with for its efforts in this field?

The national lottery operator and a number of our employees in person have received serious professional recognition, for example, the company earned the Fogytékosságbarát Munkahely Champion (disabled-friendly workplace champion) award for its efforts during the past decade. These recognitions confirm that our goals and efforts are right and valid and that we are on the right track. We also perform the role of a flagship in shaping the attitudes of domestic employers in regard to the free market employment of persons with reduced capacity to work, where we have already demonstrated our best practices in the Értéklacc conference, the largest thematic event in Hungary.

However, like in other fields of our operations, we constantly strive to improve our social responsibility activities as well. We perform our communication and attitude shaping activities in this regard in a focused way, accessible for all, to drive the maximum possible positive change. Besides the various awards and research results, it also shows that we are on the right track that our own employees regard the inclusiveness and the employment of persons with reduced capacity to work to be one of the most attractive workplace values of the Company, according to our internal surveys.

5.1 CHARITY SCRATCH CARD SELLER NETWORK

As a responsible employer, we have been maintaining our charity network employing persons with reduced capacity to work for 17 years, since 2003. This represents the foundation of all our activities pursued in the interest of persons with disabilities, as it is work that best promotes equal opportunities. The employment promoting the social integration of people with disabilities looks back on a past of several decades among European national lottery operators, as the jobs offered by the sector, primarily involving sales, can be flexibly adapted in the case of persons with reduced capacity to work as well. Accordingly, European Lotteries formulates recommendations for its members in this topic, presenting best practices and case studies for introduction of the program, and thus these examples, primarily from Western and Southern Europe, were available to Szerencsejáték Zrt. at the start.

How does it work?

We built up the network based on international best practices, building on the traditions of several decades of ONCE (Spanish Association of the Blind and Visually Impaired).

- Persons with reduced capacity to work in our employment primarily operate in the external areas of grocery stores and hypermarkets as well as healthcare institutions, operating so-called sales counters. The locations are permanent, and operate with specific opening hours.
- From among our products, they solely sell scratch cards.
- Most of our scratch card selling staff members work 4 hours a day which, upon their request and under the appropriate circumstances, can be increased to 6 hours.
- The operation of a given sales counter could involve as many as two or three persons with reduced capacity to work, in order to allow for changes and substitution.

- The sales counters are in all cases located in closed and heated spaces, are accessible and their design is also suitable for colleagues with reduced capacity to work from an ergonomic aspect.
- Charity sales persons are employed by Szerencsejáték Zrt. on permanent contracts.
- Their salary contains basic wage and a sales volume-related commission (similar to their colleagues working in lottery shops).
- The work of charity sales persons is, in all cases, supported and assisted by a nearby lottery shop operated by Szerencsejáték Zrt.
- Our colleagues are employed under competitive market conditions, with no state assistance used for their employment.
- We provide our staff members with considerable support through professional training courses, financial and healthcare programmes as well as programmes providing guidance in the digital world and supporting self-provision. Twice a year, we also hold a national convention and training for them, with regular regional meetings as well.
- As of the autumn of 2020, our salespersons are gradually transitioning from current, so-called offline sales to online sales. We have already commenced preparing our colleagues with reduced capacity to work in the transition to digital channels back in 2017, primarily by helping them become familiar with the methods of online work and by providing tablets. During the preparation process, our colleagues used and tested tablets in small groups in 2019, under the supervision of trainers, using the so-called gamification method.
- Our scratch card sellers receive professional feedback concerning their work just as staff working in lottery shops do.

We provide business reports on their sales performance, and they also receive feedback from mystery shopping.

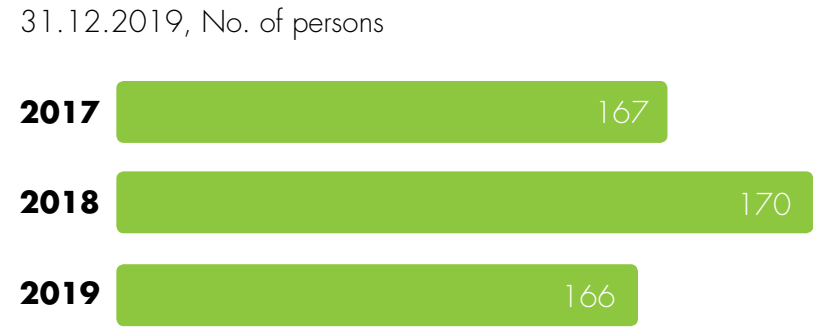
- We also provide our colleagues with reduced capacity to work the opportunity to participate at company events, by providing special tools to facilitate their travels.



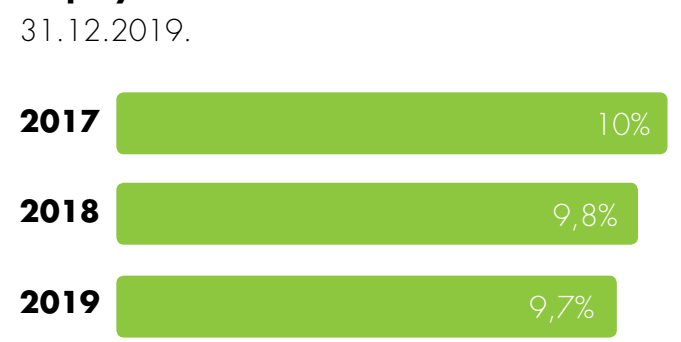
By maintaining the charity network, we offer a chance to work for people whose health problems have not allowed them to work for years now, and as a result they experienced negative changes in their often previously successful life. For persons with reduced capacity to work, holding a scratch card selling job represents significant progress in organising their lives as well as in terms of social integration. The employment ratio of persons with reduced capacity to work at the Company is 9.7%, which is considered to be outstandingly high among companies operating under competitive market conditions.

	2017	2018	2019
Number of sales counters	125	125	122
Settlements/towns where we have scratch card sellers	64	66	69

Charity scratch card sellers



Charity scratch card sellers, as a % of total employee numbers



Who do we employ in the network?

Our staff perform responsible commercial activities requiring significant expertise, and this fact also limits the disability categories from which we can select our employees. Our charity network employs people who have completed their studies at least at an elementary level, are able to work independently, and possess a basic knowledge of mathematics required for handling money and valuables.

Their average age is 57 (higher than that of employees working in other Company areas), and they typically plan to retire from the Company.

Perception of the charity network

In their view:¹² By their own account, the integration of employees with reduced capacity to work into their given jobs is successful, and their acceptance rate is fully favourable among customers and colleagues alike.

Based on sales figures: favourable trade data prove successful integration in their jobs as well as acceptance.

According to customers:¹³ the primary aspect of purchasing games of chance from charity sellers is that players frequently visit the location that houses the given point-of-sale (e.g. CBA, SPAR) for the purpose of shopping. At the same time, one in two players also have the intention of supporting persons with reduced capacity to work.

According to colleagues and the Hungarian population:¹⁴ the flagship role undertaken in relation to disabled persons clearly helps build the Szerencsejáték Zrt. brand as well as its goodwill and reputation.

According to HR: as a result of the employment of persons with reduced capacity to work, colleagues have also become more open-minded and accepting towards people with disabilities.



Charity Scratch Card Seller of the Year Award

Each year, we recognise colleagues with outstanding performance. In 2019, Istvánné Auerbach from Tatabánya received the award, who as an excellent trader has been producing outstandingly high turnover for years. The secret of her success that she is always polite with customers, but at the same time very helpful, providing valuable information to facilitate the selection of the most appropriate product.

¹² Based on a survey conducted among employees

¹³ Based on a survey of 1,000 participants

¹⁴ Based on internal and external surveys

Our awards in 2019

In respect of the operation of our charity network, we received numerous awards in 2019 as well. As part of the Disability-Friendly Workplace call for applications, our Company and employees returned from the 10-year Jubilee gala of the Award with awards in multiple categories.

- This year marked the fifth time we won the Disability-Friendly Workplace Award, in relation to which in 2019 we also undertook to launch a two-year corporate programme supporting people with disabilities. In the context of the programme, we are continuing attitude-shaping training courses for at least 100 colleagues who do not have a reduced capacity to work; staff members with reduced capacity to work attend sales support training courses along with other employees involved in sales; our financial and healthcare self-provision programme aimed at staff members in the charity network will be supplemented with IT self-provision. The implementation of the programme is supervised by a professional panel.
- Our Company was also given the Disability-Friendly Champion 2010-2019 Award, which the awarding entity gave out to five organisations that have promoted the employment of persons with reduced capacity to work and people with disabilities, as well as the servicing of customers with disabilities through responsible work over the past 10 years.
- In 2019, Angéla Kocsis received the Példa-Kép (Role Model) award, which is given in recognition of people who as employees with reduced capacity to work performed outstandingly in their respective jobs. Beyond performing her tasks in high quality, she also provided assistance to colleagues with reduced capacity to work in adapting and integrating.



- The Munka-Társ (Companion at Work) Award was given to Imre Rosner, head of our Company's Charity Department, in recognition of his work in implementing the employment and successful integration of staff members with disabilities.

In addition, Szerencsejáték Zrt. also won the CSR Hungary 2019 Award, which recognises the credible and exemplary corporate social responsibility management programmes of businesses in the country, in the „Joint responsibility – Stakeholder solution” category, in recognition of the company's results relating to people with disabilities.

Dissemination of best practices

In the interest of the wide-scale dissemination of results achieved in relation to disabilities, we feel that sharing our experiences with other companies is extremely important. For this reason, we are also actively involved in this work as members of the following organisations:

- Hungarian Employers Forum on Equal Opportunities (MEF)
- Hungarian Business Leaders Forum (HBLF)
- Business Council for Sustainable Development in Hungary (BCSDH).



Imre Rosner
Head of the Charity Department



What represents the greatest challenge in employing persons with reduced capacity to work?

The establishment and operation of incentivising and supporting systems at the company-level, that in turn lead to the fulfilment of employee opportunities; but I would not call this a challenge, rather a task to complete. This also requires that we always take the individual aspects of persons with reduced capacity to work into consideration during the daily organisation of work.

How do you find suitable staff members?

Primarily with the help of the Munkaerőpiacon Maradás Egyesület (Stay on The Labour Market Association), which helps find us employees with reduced capacity to work based on a list of competences drawn up for specific jobs. At the same time, we also receive applications directly as well as to lottery shops and through recommendations from other employees.

What is the average value of sales?

We are training veritable tradesmen who are assessed and motivated through mystery shopping (where we examine the methods of greeting, receiving customers, recommending products and saying goodbye and the treatment of returning customers) as well as quarterly personalised business reports; in the latter performance is analysed year-on-year relative to both the company as a whole and the salesperson themselves. The value of average weekly scratch card sales is HUF 135,000, but I have colleagues who produce over HUF 600,000 week after week. Sales revenue primarily depends on the professional know-how and practical experience of the given salesperson, as well as the point of sale location

and the salesperson's personality. We develop the professional and trade know-how of employees on an ongoing basis, by way of trainings and individual coaching.

What is the significance of digitalisation in the field of charity scratch card sales?

The implementation of the online sales project will be one of the largest disability-related infocommunications investment projects in Hungary. This will not merely mean the digitalisation of daily sales work, but in the medium-term it will also create an opportunity for us to function in cashless fashion over time, as a bank card acceptance point, as well as a workplace and service provider that is accessible from an infocommunications aspect as well. Later this could also facilitate the employment of blind and visually impaired persons.

What is your most memorable professional story concerning people with disabilities?

I was playing in a Szeged lottery shop and started talking to a visually impaired player who was there with his guide dog. We had a great talk about opportunities and we both managed to record winnings on the match we were discussing. A few months later, one of our visually impaired players indicated through our Szeged Region that his text-to-speech programme would not let them advance beyond the certain point on the online betting page accessed on his mobile phone. I called the customer, who turned out to be my acquaintance from Szeged, and I offered to get him in touch with our IT team if he was willing to come to Budapest. He came, and I went to pick them up (as he came with his wife and his guide dog) at the station. The colleagues specialising in online sales were glad to help and they discussed the options of resolving consumer needs in detail. This was a true in-person customer service task. Of course, I have had countless other shared experiences with my own staff members with reduced capacity to work, both individually and at group-level.

Accessible service

In addition to job creation, ensuring equal opportunity service to those with disabilities is also an important tool of equal opportunities.

In the interest of providing appropriate service to customers with disabilities, 22 people attended a sensitising training for salespersons in 2019, after most colleagues having already taken part in recent years.

As far as our own lottery shops are concerned, physical accessibility is regarded as a matter of fact, and in 2019 we also started establishing the conditions of providing accessible service to other disability groups. As such, from 2019 Q4 we launched a pilot project to roll-out the Kontakt sign-language interpreting service at 26 lottery shops. As part of the service, a sign-language interpreter is involved in the sales and administration process through a video call, thereby facilitating service. Once lottery shop staff members had become familiar with the method, in the trial period both functions (written and sign-language interpretation) was implemented in an appropriate fashion for players, and the interpretation service did not hinder sales work. After the assessment of the pilot programme we plan to examine the possibility of installing the service at more than 250 locations in the network. Once a decision is made on rolling-out the system, the Company would be one of the first in Hungary among companies with national sales networks to provide infocommunications accessibility for hearing-impaired persons at our locations.

For the purpose of ensuring infocommunications accessibility to our website, we launched a cooperation with the Hungarian Federation of the Blind and Partially Sighted, in order to ensure that the Company's online commerce interface complies with the criteria of accessibility standards in all respects.

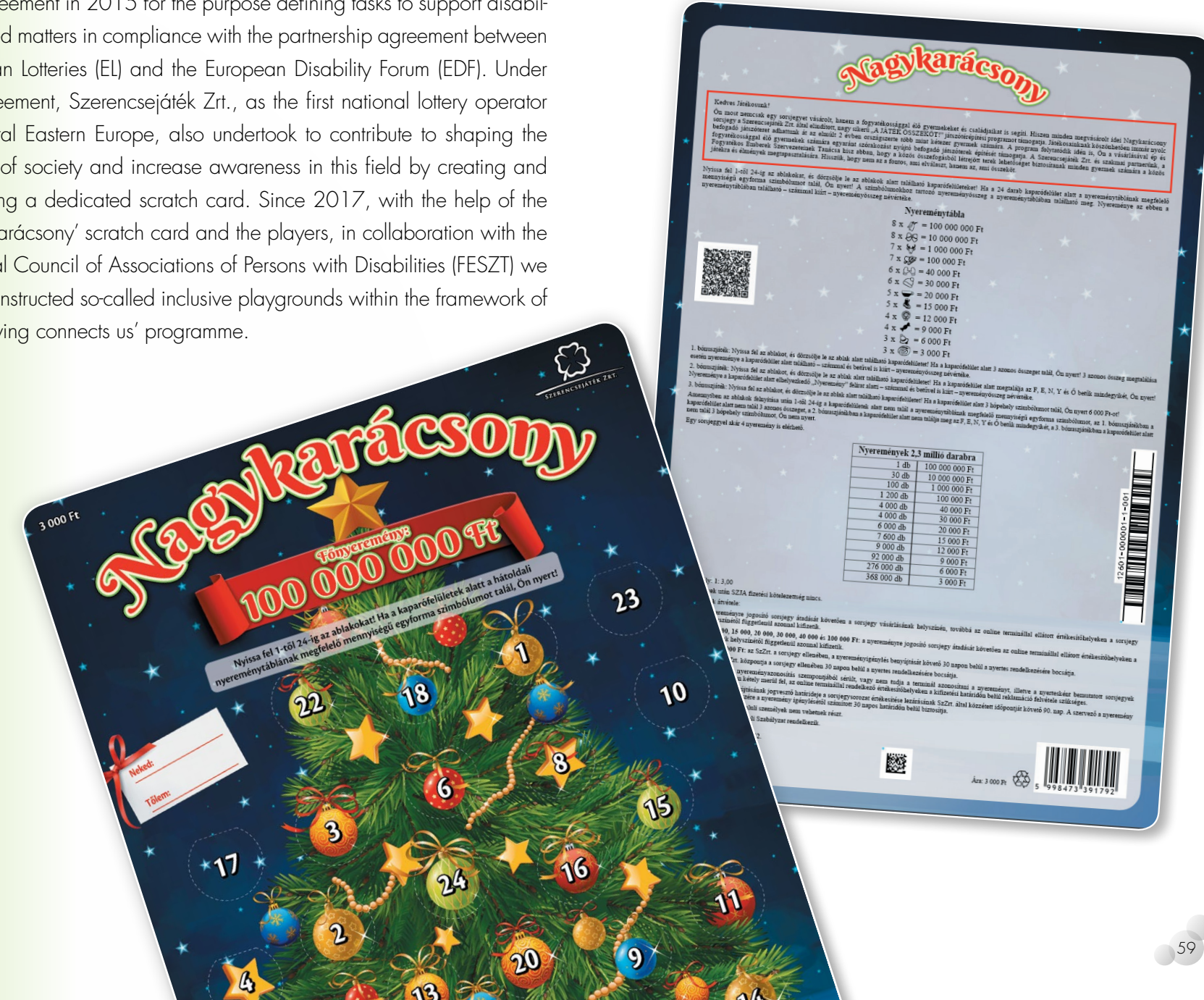
OBJECTIVES FOR 2020-21

In the interest of preparing for online sales, in 2020 twenty colleagues use tablets for daily work and test systems operation as a pilot project, and from the beginning of 2021 we will extend the system to all staff members with reduced capacity to work. As a result of the online sales programme, in addition to scratch cards, we will include new product groups in 2021. The Kontakt sign-language interpretation service will be extended to all lottery shops of Szerencsejáték Zrt., and as such these locations will have infocommunications accessibility suitable for the deaf and hard-of-hearing. Our online trading platform will become comprehensively accessible to visually impaired persons.

5.2 THE 'NAGYKARÁCSONY' SCRATCH CARD AND THE 'PLAYING CONNECTS US' INCLUSIVE PLAYGROUND CONSTRUCTION PROGRAMME

Szerencsejáték Zrt., the National Council of Associations of Persons with Disabilities (FESZT), and Spanish organisation ONCE concluded a trilateral agreement in 2015 for the purpose defining tasks to support disability-related matters in compliance with the partnership agreement between European Lotteries (EL) and the European Disability Forum (EDF). Under the agreement, Szerencsejáték Zrt., as the first national lottery operator in Central Eastern Europe, also undertook to contribute to shaping the attitude of society and increase awareness in this field by creating and promoting a dedicated scratch card. Since 2017, with the help of the 'Nagykarácsony' scratch card and the players, in collaboration with the National Council of Associations of Persons with Disabilities (FESZT) we have constructed so-called inclusive playgrounds within the framework of the 'Playing connects us' programme.

Nearly 2 million 'Nagykarácsony' scratch cards sold



How many new scratch cards do you introduce on an annual basis?

In recent years, we introduced nine new scratch cards each year. For all these scratch cards, we attempted to create a new product appealing to players in terms of both appearance and gameplay. I can also tell you that we are preparing exciting topics and solutions for 2021, but I don't want to spoil the surprise.

Which feature of scratch cards would you emphasise?

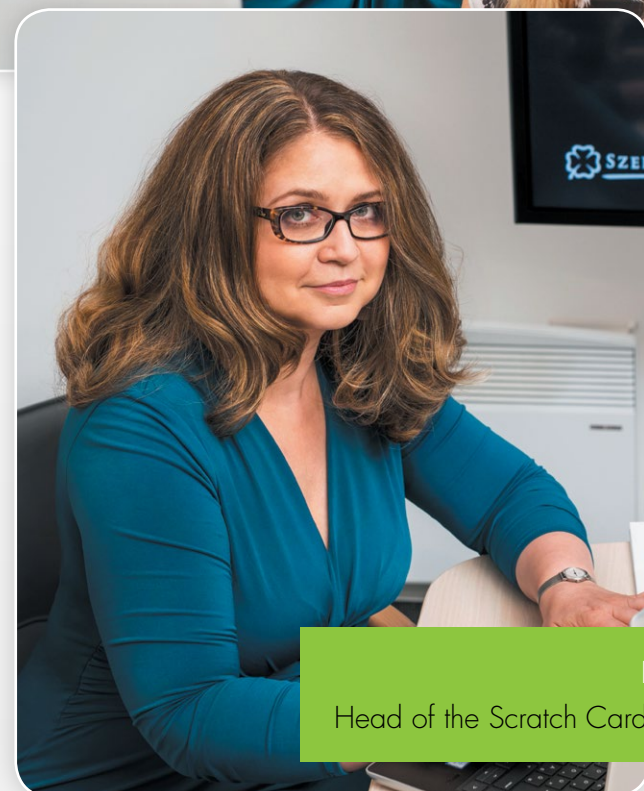
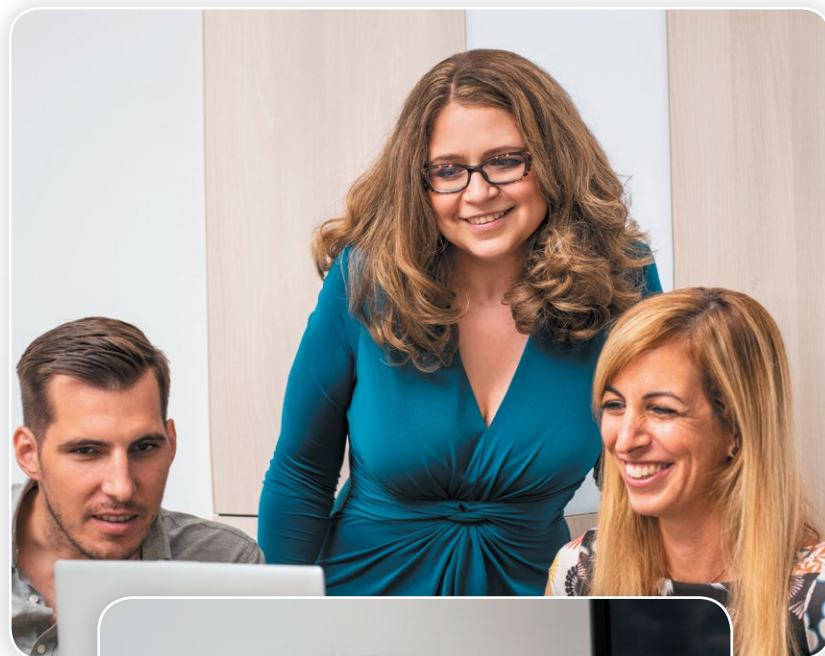
In addition to the fact that scratch cards are among our most colourful and diverse games, perhaps not everyone knows that they are made of paper sourced from responsible forestry, can be recycled in full and that all unsold scratch cards that are destroyed through grinding are recycled.

What is the significance of the 'Nagykarácsony' scratch card?

From the perspective of Szerencsejáték Zrt., this is our highest price category scratch card. It is issued in a particularly sensitive and busy period of the year, and as such it is ideally suited to be paired with various support objectives. Since 2017, this has meant supporting the inclusive playground construction programme, which is a good feeling not just for the scratch card team but for players as well, as we are able to contribute to realising a worthy objective.

Which is your favourite game?

All of them are close to my heart, but I find the Pénzlift (Money Lift) scratch card – introduced last year – to be great fun, because, although gameplay is very simple, it is still quite different to what scratch card aficionados have become accustomed to in recent years. In addition, the aforementioned 'Nagykarácsony' scratch card is another one that I like a lot; in respect of which in 2020 we are focusing on a technological innovation that will be favourable both for players and salespersons.



Enikő Sári
Head of the Scratch Card Department



Attitude-shaping communication

In 2019, we placed the communication of the programme and the scratch card on new foundations. In the final two months of the year, attitude-shaping messages during the product campaign were given priority emphasis. Our research showed that the population was clearly receptive to our message, and customers were open to the game and to helping a good cause: based on our survey, 71% purchased the scratch card specifically to support the playground programme.



51% found

the fact that they are supporting a good cause to be important when purchasing the 'Nagykarácsony' scratch card¹⁵

Inclusive playgrounds

Universally-designed playgrounds are inclusive spaces designed for all. These are locations where children with disabilities and other children can become accepting and open-minded adults through the experience of playing together. It should be noted that these playgrounds do not merely have accessibility solutions in place, but through proactive design they also ensure the opportunity of playing together. The games allow for an accessible playing experience through appropriate equipment and surfaces installed, accessible platforms and accessible traffic points. In the framework of the inclusive playground construction programme, detailed professional guidelines were drawn up with our Company's support, aimed at the implementation of universally-designed playgrounds, which in turn helps the work of stakeholder institutions and municipalities across the country.

Core principles for the universal design of playgrounds:

1. equitable use;
2. flexibility in use;
3. simple and intuitive use;
4. perceptible information;
5. tolerance for error;
6. low physical effort;
7. size and space for approach and use;

¹⁵ 2018 research result

List of inclusive playgrounds constructed by Szerencsejáték Zrt. until the end of 2019:

- Budapest, Csillagház Primary School (Budapest, Ráby Mátvás utca 16.)
- Veszprém, Kálvin János Park
- Miskolc Éltes Mátvás Kindergarten, Primary School and Unified Special Needs Education Institution (Miskolc, Szeles utca 57.)
- Budapest, District VIII, Német utca 12. ('Cifra Palota' theme)
- Sopron, Erzsébet kert ('Fairy Garden' theme)
- Pécs, Makay István u. 5. ('Prehistoric World' theme)
- Budapest, District XVIII, Herrich Károly tér ('Nemo Island' theme)
- Budapest, District IV ('Treasure Island' theme)

OBJECTIVES FOR 2020

In 2020, we plan to install an emblematic, Christmas-themed scratch card POS in front of the Basilica in Budapest, at one of Europe's most beautiful Christmas fairs, which would also present our 'Playing connects us' programme – this venture would, of course, rely heavily on our charity scratch card seller team. Construction of an additional 5 playgrounds (Debrecen, Kaposvár, Homok, Districts XXI and XVI).

5.3 OUR ATTITUDE-SHAPING PROGRAMMES

HIGHFIVE!

With the 'HIGHFIVE' programme, that is by adapting ONCE's attitude-shaping activity for schools (which has been successfully functioning for more than 35 years), we set ourselves the goal of helping to positively change attitudes towards disabilities in the 10-18 year age group through empirical knowledge and emotional involvement.

Background: The national programme is developed and organised by the Salva Vita Foundation, which has been working for equal opportunities and the social inclusion of people with disabilities since its foundation. The programme is funded by our Company, while professional support is provided by ELTE's Bárczi Gusztáv Faculty of Special Needs Education and the National Council of Associations of Persons with Disabilities (FESZT).

Implementation: Each year, a nationwide competition for lower and upper primary, as well as secondary school pupils forms the basis of this awareness-raising initiative. As part of the initiative, students work in groups to plan what kind of programmes, involving children or adults with disabilities, they would like to take part in, with the activity also open to participation by an entire school community. The 12 best applications are selected by a professional panel of judges, and the awards are presented at a large-scale awards gala of 500 attendees, featuring musical entertainment.

89 programme plans were submitted for the 2018/2019 call, with nearly a quarter of the previous year's applicants reapplying in this cycle. The programmes realised were distributed across 43 primary schools and 46 secondary schools, in a total of 61 settlements. 20% of the programmes were organised in Budapest, while 80% in other towns and settlements across the country. More than 3,000 children, parents, educators, and experiential experts took part in the programmes.

Assessment: ELTE's Bárczi Gusztáv Faculty of Special Needs Education assessed with scientific methods the change in attitude of participating students and concluded that the knowledge, emotional approach and behaviour of children towards disabilities showed a positive change.

11 000

In 2019, the 'HIGHFIVE' programme reached more than 11,000 people (members of a wider family and school environment).



More than 3 000

participants in the 'HIGHFIVE!' programme in 2019

Campaign for the employment of persons with reduced capacity to work, in collaboration with TV2 television broadcast

In 2019, our Company launched a large-scale campaign on the TV2 television station, in the context of which we produced educational mini-films focused on the employment of persons with reduced capacity to work, from the perspectives of both the employees and those working with them or employing them. Given that for many the world of persons with reduced capacity to work or employees living with disabilities is unknown, our goal with the mini-films was to facilitate a positive change in attitude, and, by showing our good example, to promote the labour market integration of people with disabilities.

The mini-films were based on the following key messages and goals:

- Promoting a change in attitude, and cooperation with people with disabilities in both day-to-day life and professional situations.
- Promoting the employment of people with disabilities: "Become an inclusive company that supports social integration, and you will become more successful among your employees as well as your partners and customers."

Festivals and the Super Concert

We also integrated our support for communities of persons living with disabilities into our marketing appearances at the largest Hungarian festivals in 2019.

The accessibility of venues and location for Telekom VOLT Festival, Balaton Sound and Sziget Festival was ensured with support from our Company, amongst others, with special stands created for disabled persons, where they were able to watch performances by domestic and international star performers in comfort, from an easily accessible location.

In addition, we also opened an enclosed camping site designated only for festival-goers with disabilities. Parallel to this, young people visiting the festival had the opportunity to participate in numerous on-site activities and attitude-shaping programmes. Our support also allowed for the establishment of the themed-adventure park, where visitors had the chance to complete tasks that represent a challenge for persons with disabilities, and thus the 'ability park' – with the help of civil organisations – promoted the change in attitude required for the social integration of people with disabilities.

To commemorate the 20th anniversary of the Scandinavian Lottery, Szerencsejáték Zrt. organised a large-scale free-of-charge event in 2019 under the name Super Concert, as part of which we also paid particular attention to people with disabilities in collaboration with the National Council of Associations of Persons with Disabilities. In this spirit, an expanded special stand constructed for disabled visitors at the concert in Heroes' Square.



Support of the Paralympic Committee

The 16th Paralympic Games, to be held in Tokyo in 2021, will see the Hungarian Paralympic Team prepare under the professional supervision of the Hungarian Paralympic Committee. The Committee pays special attention to developing the mental and physical state of athletes, facilitates participation at qualification competitions and organises healthcare provided to para-athletes. Our company made the decision to provide support for the procurement of sports equipment of appropriate quality and volume required for successful Paralympic preparation, made available to sports disciplines that have successfully participated in previous Paralympic Games. Using our support, the Committee purchased new rubbers for table tennis players, blades for fencers, boats for kayakers and ammunition for shooting sports.

OBJECTIVES FOR 2020

Continuation of earlier activities.

ETHICAL OPERATION

06/



Szerencsejáték Zrt.'s corporate social responsibility activity focuses on responsible gaming. This represents conscious and purpose-driven operation that goes beyond legal obligations, through which the national lottery operator strives to protect its players from the detrimental consequences of excessive gambling and future generations from problem gambling. The Company does this even though its games do not fall into the category that represents a risk of problem gambling. Our Company feels responsible for the environment, protects its players, and ensures fair treatment to its employees. Stakeholders clearly expect and demand compliance with legal regulations and ethical business conduct principles, as well as the prevention of fraud and abuse. These topics will be discussed in Chapter 6.

6.1 CORPORATE GOVERNANCE

The role of management, corporate governance bodies and the operation thereof is unquestionable in implementing operation in compliance with legal regulations and the criteria of business ethics.

Organisational and operational frameworks

Our Company is a permanently state-owned company, whose framework is set out by multiple legal regulations 16. Owner's rights and obligations are exercised by the minister without portfolio responsible for the management of national assets (Shareholder). The Bylaws of Szerencsejáték Zrt., laying down the Company's governance structure, is adopted by the Board of Directors, with the current version available on our website.

Supervisory Board: The Company's operation and course of business is supervised by the Supervisory Board. Its scopes of tasks and powers are set out in Szerencsejáték Zrt.'s Articles of Incorporation and the Supervisory Board's Rules of Procedure.

Members of the Supervisory Board (31.12.2019)
Dr. Roland Juhász (Chairman)
Dr. Péter Földesi
Eszter Hegyi
István Knapp
Gyula Mucsi

Board of Directors: The Company's executive body, whose scope of tasks and powers are set out in Company's Articles of Incorporation and the Board of Directors' Rules of Procedure.

Members of the Board of Directors (31.12.2019)
Dr. Marcell Biró (Chairman)
Dr. Alex Bozóky
Dr. Gábor Czepek
Dr. Katalin Hársvölgyi
Dr. Róbert Répássy
Dr. Nóra Zámbo
András Tímár

16 Act XXXIV of 1991 on Gambling Operations, Act CXCVI of 2011 on National Assets, Act CVI of 2007 on State Assets

Chief Executive Officer: The work organisation of the Company is controlled by the Chief Executive Officer appointed by the Shareholder. Pursuant to the Articles of Incorporation, the CEO is member of the Board of Directors. The fundamental provisions relating to the scope of tasks and powers of the CEO are also set out in the Articles of Incorporation. The CEO exercises owner's rights at members' meetings of subsidiaries. The CEO is also tasked with ensuring the compliant and legal operation of the Company. After the dissolution of the Deputy CEO position in 2019, our Company's organisational structure now comprises directorates, as well as the CEO's Cabinet and Central Management Coordination Centre under the direct supervision of the CEO.

Organisational units responsible for the priority areas of CSR and sustainability	
Responsible gaming - game development	Game Development and Strategic Directorate
Responsible gaming - responsible sales	Directorate of Trade
Responsible gaming - marketing - supporting the treatment of problem gambling	Marketing and Communications Directorate
Legal compliance	Directorate for Legal and Controlling Affairs
Ethical operation, non-discrimination	Directorate for Legal and Controlling Affairs / Ethics Committee / Marketing and Communications Directorate
General and information security, data protection	Security Directorate, Security Forum
Employment Responsible gaming - training	Human Resources Directorate
Employment - employment of employees with reduced capacity to work	Directorate of Trade / Central Department of Trade Organisation / Charity Department, Human Resources Directorate
Employment - health and safety at work	Security Directorate / Central Department of General Security
Charity and sponsorship	Marketing and Communications Directorate, Szerencsejáték Service Nonprofit Kft.
Coordination of corporate social responsibility	Marketing and Communications Directorate / Central Department of Corporate Communications / Corporate Social Responsibility and Media Department
Purchasing	Finance Directorate / Central Department of Investment and Operation, Directorate of Trade, Game Development and Strategic Directorate, Central Management Coordination Centre
Environmental protection	CEO's Cabinet, Finance Directorate / Central Department of Investment and Operation

Committees

The committees established by the highest governance bodies are the Security Forum and the Ethics Committee.

Security Forum: The primary mission of the Security Forum is to prepare information security decisions for the Chief Executive Officer and to make recommendations on measures required. It is also tasked with making recommendations concerning the operation of the risk management and internal control system, as well as regarding relevant risk criteria. Its members are appointed by the CEO.

Ethics Committee: The Ethics Committee was set up by the management with the purpose of monitoring the fulfilment of corporate standards undertaken in the Code of Ethics. The Committee makes recommendations on the amendment of the Code of Ethics, and draws up an annual report on the fulfilment of ethical standards by the Company. Its members are selected from among employees by the CEO.

6.2 ETHICAL BUSINESS CONDUCT

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. Szerencsejáték Zrt.'s Code of Ethics effective in 2019 was adopted by the Board of Directors at the beginning of 2019.

Key values

- responsible gaming
- excellent product and service quality
- compliance with continuously changing consumer needs
- reliability
- responsible financial management
- corporate social responsibility

These values jointly establish the foundation for sustainable and moderate growth.

The Code of Ethics lays down our Company's undertakings, including our commitment to employees as well as the ethical criteria for employees. All employees make a written declaration on having become familiar with and accepting the Code of Ethics.

Reports on ethics violations

Any person can make reports directly to the Ethics Committee concerning the violation of the Code of Ethics. We received 2 reports in 2019, based on which proceedings were opened. In the former case, the Ethics Committee concluded that the report was not substantiated, while in respect of the latter, the Committee found no sufficient evidence and thus no measures were taken. No discrimination-related reports were made.

Complaint handling

Our Company allows for the submission of observations and the lodging of complaints through multiple channels. The investigation of complaints is strictly regulated.

For substantiated complaints, we take measures in each and every case to eliminate the given negligence, error or condition. 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. Our measures introduced in relation to complaints also contributed to the number of complaints in 2019 being substantially lower than in the previous year.

In the event of the rejection of a complaint, we notify customers of the possibilities of opening additional proceedings.

20%

The number of complaints lodged dropped by 20% compared to 2018.



Complaint characteristics (2019)	
Number of complaints lodged	371
- of which, the number of substantiated complaints	63
Ratio of substantiated complaints	17%
Number of consumer protection proceedings	6 (closed)
- of which, complaints resolved in the framework of arbitration board proceedings	5
Most common complaints	Sales, service Audits, payment Questions, issues relating to game rules and chances of winning Observations related to cash and POS terminals Opening hours, work schedule Lottery shop conditions, services Staff-related issues and observations Operation of website and hotlines for calls for applications Service to minors

OBJECTIVES FOR

2020

Review of the Code of Advertising Ethics, and ensuring its compliance with the most recent digital trends and player attitudes
Extension of strategic cooperation with the Self-regulating Board of Advertising.

6.3 LEGAL COMPLIANCE

Compliance with laws and legal regulations is of priority importance for the Company. Respect for laws is also stipulated by our Code of Ethics (as well as the World Lotteries Association). The legal counsels of the Directorate for Legal and Controlling Affairs continuously monitor any legal amendments, and notify the functional areas concerned of any changes.

Legal compliance is examined through the unified assessment of the work of the Directorate for Legal and Controlling Affairs. Our success and effectiveness in this area is well reflected by the low number of official and litigious proceedings opened against the Company, and the low amount of imposed fines. In 2019, several official supervisory, consumer protection, tax, labour and HSE proceedings were closed.

Closed official and other legal proceedings			
	2017	2018	2019
Number of closed proceedings	9	20	22
Number of cases resulting in fines	3	4	6
Number of cases closed with non-pecuniary fines	0	0	0
Number of cases resolved through conflict management proceedings	1	3	5
Number of cases concluded with the Company's exoneration	5	11	11
Number of cases concluding with court proceedings	0	2	0
Fines paid in total (HUF)	500 000	900 000	985 000

1 million

We were obligated to pay less than HUF 1 million in fines in 2019



OBJECTIVES FOR 2020

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

6.4 PREVENTION OF ABUSE

Certain areas of gaming, primarily services related to sports betting, carry a high risk of infringing conduct. The framework of preventing, hindering and managing infringing behaviour is set out by our policies on the prevention and combating of money laundering and terrorist financing and on the enforcement of financial and asset-related restrictive measures, as well as through the continuous monitoring of player transactions.

Furthermore, our Conflict of Interest Policy defines the opportunities through which the creation of conflicting jobs or the employment of staff representing a security risk can be limited at the Company.

Prevention of fraud and abuse

In the framework of fraud risk analysis, we continuously monitor players and transactions, and set control points in line with current trends in abuse and fraud. Our Company places great emphasis on preserving the integrity of online gaming, and our dedicated functional area (Customer Monitoring Department) works in close cooperation with contracted financial institutions and telecommunication operators. Our customer monitoring officers checked 5,829 online registrations manually in 2019.

GLMS (Global Lottery Monitoring System) membership

GLMS was established by 27 EL and WLA member companies, including Szerencsejáték Zrt., in 2015 to preserve and protect the integrity of sports betting. The aim of the not-for-profit organisation is to supervise sports betting activities, as well as combating betting fraud by, among other measures, screening unusual betting patterns. GLMS is in direct contact with the largest international sports organisations (FIFA, UEFA, IOC), while also cooperating with international law enforcement bodies such as EUROPOL and INTERPOL.

Our GLMS membership is one of the fundamental pillars of our risk management activity:

- we assess indications and notifications received from the organisation and take the necessary measures and interventions,
- upon detecting unusual betting patterns, we request information from the organisation and its members,
- we request reports on events with Hungarian relevance,
- we participate at events aimed at knowledge-sharing.

In the interest of preventing and eliminating fraud and abuse, in 2019 we introduced:

- the monitoring of data modifications,
- the control of transactions rejected by SimplePay,
- the monitoring of foreign-issued card turnover,
- monitoring the betting activities of registered athletes.

Customer due diligence measures: in 2019, we conducted customer due diligence measures in line with earlier practice; we conducted audits for the Tippmix, Totó and Góltótó games upon the payment of winnings equal to or exceeding HUF 600,000, while for the Tippmixpro we conducted checks already at registration as well as through the continuous monitoring of activity. In relation to abuse uncovered, in 2019 we blocked 336 registrations and successfully held back close to HUF 12 million in winnings.

Authentication of draws: The integrity and authenticity of draws are of utmost importance in respect of upholding the trust placed in our Company's operation. Our draws are still held publicly, with supervision of the Gambling Supervision Board. Our drawing equipment is licensed and calibrated by the Metrology Authority. A Drawing Committee is involved in the draws, whose task is to ensure that all requirements related to personnel and technical conditions are met, that rules are observed and complied with, that draws are conducted in a secure manner, and that all results are delivered to the HQ of Szerencsejáték Zrt.

Guaranteed payment of winnings: Our Company guarantees the payment of winnings. Winnings may be collected by players within the period defined by the law and the terms and conditions of participation. Lower-amount winnings are automatically transferred to players registered online by bank transfer. In respect of the payment of winnings,

we performed more than 39,000 manual checks of such payments in 2019. Our objective concerning uncollected winnings is to have these returned to players in the form of special draws as far as this is possible; and any amount potentially remaining thereafter is paid by the Company as gambling tax.

12 million

In 2019, we prevented the payment of HUF 12 million in winnings related to uncovered fraud and abuse.



70%

We also manually checked 70% of the wins paid



Prevention of money laundering and terrorist financing

Preventing and combating money laundering and terrorist financing is one of our key objectives. The implementation of this effort is also regulated by laws and internal policies. In the case of the Tippmixpro, Tippmix, Totó and Góltótó games, we apply a separate CEO Directive, and we have integrated numerous control points into our service provision processes. Lottery shop staff report to the appropriate functional area all suspicious cases relating to due diligence as well as all cases otherwise indicating money laundering or terrorist financing as per the applicable policy, and the designated colleagues take the necessary steps.

It is our ongoing objective to ensure that persons falling under the scope of the AML Policy of the Company be able to recognise and detect circumstance and facts indicating money laundering and terrorist financing; to be able to conduct the necessary customer due diligence within regulated framework; and to be able to fulfil their statutory reporting obligations.

We place great emphasis on compiling training material aimed at preventing money laundering and terrorist financing, and we provide training for new entrants as well as regular further training organised at least once every year. Training is mandatory for all lottery shop staff, as well as a specific group of employees working in administrative jobs. Our Company also provides the simplified training material to staff members of the sales networks operated by partners. In 2019, a total of 3,229 persons received learning materials in this field.

Through the ongoing monitoring of players and transactions, risk assessment related to money laundering is realised on a daily basis, while we carried out a company-level risk assessment in 2019 H1, which will be updated at the end of 2020.

Number and ratio of persons that have taken an exam on the prevention of money laundering and terrorist financing in 2019		
	No. of persons	Ratio (relative to total No. of employees)
Pécs Sales Region	144	80%
Szeged Sales Region	122	77%
Budapest Sales Region	148	81%
Capital Sales Region	230	94%
North Transdanubia Sales Region	123	77%
Chief Executive Officer's Office	113	18%
Charity scratch card sellers	0	0%
Total	880	51%

For the purpose of improving our activities aimed at preventing and combating money laundering, we started monitoring payments made by foreign bank cards in 2019.

Priority cooperation with spectator-sport associations

In the interest of ethical sports betting and with the intention of preventing money laundering, we entered into cooperation agreements with the Hungarian Handball Federation, the Hungarian Basketball Federation, the Hungarian Water Polo Federation and the Hungarian Ice Hockey Federation, and we plan to conclude the agreement with the Hungarian Football Federation in 2020.

The compliance of our activity relating to the prevention of money laundering and terrorist financing is verified through regular audits by the Security Directorate, audits performed by third party experts every three years, as well as regular targeted audits carried out by the Gambling Supervision Board. In 2019, audits by the Gambling Supervision Board uncovered no deficiencies in respect of remote gambling or Tippmix, Totó, Góltótó games played at the POS, while there was no third party expert audit scheduled during the year.

0 deficiencies

uncovered during official targeted audits



Prevention of corruption

Our Company combats corruption by:

- implementing activities aimed at preventing money laundering and terrorist financing (including training),
- complying with the provisions of the Code of Ethics, and
- conducting mandatory national security screenings of people working in senior and sensitive positions, in order to mitigate human risks.

The representative of the CEO of Szerencsejáték Zrt. is a member of the National Platform¹⁷ combating the prohibited influencing of sporting events. The Platform monitors and coordinates actions against the prohibited influencing of sporting events, and analyses unusual and suspicious betting related to sporting events held in the territory of Hungary. In relation to sport-related corruption, we work closely with the specialised unit of the National Bureau of Investigation(NNI).

For the purpose of preventing corruption and bribery, beyond those listed above we also have the following control processes in place:

- DLP (Data Leak Protection) control among staff working in sensitive areas,
- physical controls, such as logging entry to protected zones and checking lottery shops.

Our Company did not become aware of any cases suspicious of corruption in 2019.

¹⁷ Government Resolution No. 171609/2018. (XI.27.)

OBJECTIVES 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.
Compliance with the new provisions of the Anti-Money Laundering Act.

OBJECTIVES FOR

2020

- Formulation of a Security Strategy.
- Implementation of a uniform identity and access management (IAM) system.
- Extending anti-DLP technology to other directorates.

6.5 SECURE DATA PROCESSING

Information security is one of the keys to our Company's operation. The processes and systems linked to our products have ISO 27001 / WLA SCS information security certification. The standards certify that information security at Szerencsejáték Zrt. follows the methodology prescribed by international regulations; additionally, the WLA Standard sets out requirements specific to gambling. These requirements set out a methodology of sorts for the Company's operation, whose backbone is made up of the Information Security Management System. The review audit in this topic did not uncover any non-compliance in 2019, and the findings and recommendations made as part of the audit were accepted and implemented by the Company.

Szerencsejáték Zrt. enforces data processing-related principles as per legal provisions. Our Company's Information Security Management System policy defines our commitment to implementing measures ensuring the confidentiality, integrity and availability of all data relating to gambling operations. Our Company enforces data processing-related principles as per legal provisions. Our Information Security Management System policy, as well as the privacy notices applicable to players are available on our website. Prior to the start of processing impacting them, our employees and staff members are in each case made aware of the related privacy notice.

As per the provisions of the GDPR, we prepared a register of data processing activities in 2019, and uncovered the data protection deviations of directorates, in respect of which we drew up and implemented a resolution plan.

Our staff members working in administrative jobs received data protection and information security training as part of the annual information security awareness training, while employees working in sales were provided information in person. There were no personal data breaches in Szerencsejáték Zrt.'s processing activity in 2019 or in the previous two years.

Ensuring the anonymity of winners is of utmost importance. The data of all players qualify as trade secrets, and thus online terminals at points of sale only display the exact amount of winnings for amounts under HUF 200,000 (under HUF 400,000 at priority points of sale). Colleagues processing the data of big winners are subjected to national security vetting.

Information security awareness

In order to increase the information security awareness of our staff, we call their attention to information security and data protection fraud cases and issues in weekly newsletters and through various in-house digital information channels. In October 2019, we joined the cyber security month initiative organised by the National Cyber Security Centre, as part of which we held lectures and presentations on data protection.

6.6 RESPONSIBILITY FOR OUR ENVIRONMENT

Our Company's direct and indirect environmental impact are both relatively moderate, primarily arising from the operation of buildings (and the properties of sales partners) and the significant paper use of games of chance.

We comply with all legal provisions in the area of environmental protection, and we expect the same from our supplier partners, thus also including the appropriate management and treatment of waste or the leakage testing of the air-conditioning equipment.

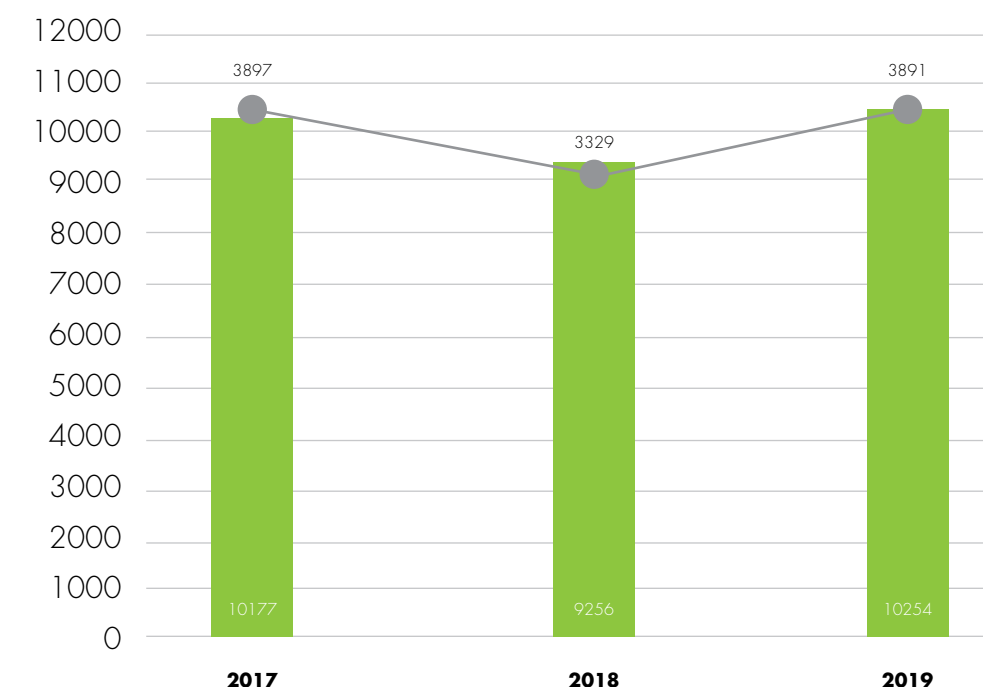
Energy consumption and CO₂ emissions

Our Company prepares an annual energy report with the involvement of an energy consultant, and by comparing the data of the report with data for the preceding period we define key intervention points and energy efficiency measures. At the workplaces we focus on local and specific energy use and uncovering sources of energy loss.

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. The ongoing replacement of the doors and windows of lottery shops for the sake of building efficiency allows for a substantial reduction of the energy requirement of these buildings. Outdated lighting systems are replaced by LED; with LED lighting installed on shop premises, desk lighting, as well as luminaires displaying logos and signs. The toilets and bathrooms of our headquarters and lottery shops are equipped with motion or presence sensor-operated lighting. In 2019, we installed solar panel energy systems in three lottery shops across the country, and closed an implementation contract for an additional site in Budapest. Our objective is for these lottery shops to cover all electricity needs from renewable energy sources. Since 2018, our Company has also been using electric cars to arrange passenger and document transport between Budapest office buildings. We pay special attention to ensuring that during international trips only the most important meetings are realised by involving air transport. In recent years, the number of colleagues using air transportation has dropped by approximately 30%.

Energy consumption and CO₂ emissions

■ Energy consumption (MWh) ■ CO₂ emission (tons)



Paper use

The paper utilised for products and services (such as bet slips, thermo-rolls, scratch cards) must comply with strict security criteria and as such – and also because these criteria can only be fulfilled by a small group of suppliers – we can use recycled paper only to a limited extent.

In 2019, we provided tablets to employees working in sales with the goal of, among other things, reducing the number of paper-based processes. As a result, paper use has dropped slightly, with more substantial changes expected in the upcoming period. The electronic HR policy system introduced under the name OkosHR (SmartHR) also reduces the volume of paper used.

Scratch cards: Our Company has all scratch cards printed on recycled paper from sustainable (FSC-certified) forestry.

Office and hygienic paper products: The office and hygienic paper products procured are, for the most part, made from recycled materials.

Publications: Our publications are also printed on FSC-certified paper.

Packaging materials: We strive to recycle the packaging materials of products procured as packaging or filling materials.

3 lottery shops

We installed solar panel systems in three lottery shops in 2019



30%

The number of colleagues using air transportation has dropped by 30% in recent years



OBJECTIVES FOR 2020

Continuing our measures aimed at improving energy efficiency. Stipulating that our giveaways, if possible, be made from recycled materials (and not plastic) will be integrated into our Code of Ethics of Advertisement and Sponsorship to be revised. Our environmental protection programme (also comprising the environmental protection communication plan) will be integrated into the Company's business strategy. We will examine the legal and corporate regulatory prerequisites of digitalising printed materials placed at points of sale.



ADDING VALUE TO THE COMMUNITY

07/



Our Company contributes to accomplishing social objectives primarily by way of the payment of direct and indirect taxes. Overall, the Company contributed to financing community expenditures with HUF 114.4 billion, i.e. a fifth of its sales revenues, in the form of various taxes, contributions, fees and dividend in 2019, which in terms of scale is aligned with trends observed at European lottery operators. A pre-determined part, as set out in the business plan, of our annual net revenue is spent on charity and sponsorship, in order to promote matters and issues of social priority.

7.1 CONTRIBUTIONS TO PUBLIC EXPENDITURE

Every year, the Company contributes significantly towards the stable economic growth of the country, as well as financing other public expenditures. Others to benefit from these contributions include Hungarian cultural institutions, health and social services, and sports. In line with European standards, we return approximately two thirds of our net gaming revenue into the state budget in the form of taxes, fees, contributions and dividend for the purpose of financing public goals. More than 60% of the taxes and contributions we pay are gambling taxes related to games of chance and personal income taxes (PIT) on winnings.

Contributions to public expenditure

2019, HUF million

- Local taxes | 10,673
- Contribution paid from corporate tax | 2,899
- Gambling tax | 57,923
- Personal income tax on winnings | 13,184
- Other taxes and contributions | 8,907
- Dividend | 13,000
- Non-reclaimed VAT | 7,869



Key goals of gambling tax utilisation

Support and sponsorship for sports	HUF 12,112 million
National Cultural Fund	HUF 11,096 million
Hungarian National Film Fund	HUF 4,793 million

114 billion

We contributed to financing public expenditures with HUF 114 billion in 2019, by way of tax, contribution, and dividend payments.



59%

The Company's total community contribution increased by 59% between 2013 and 2019



3,1 billion

We spent HUF 3.0 billion on charity and sponsorship in 2019



7.2 CHARITY AND SPONSORSHIP

Szerencsejáték Zrt.'s principles concerning charity and sponsorship are set out in the Company's Code of Ethics of Advertisement and Sponsorship. The Code of Ethics states that "No person or organisation whose profit-making activity is targeted primarily at minors shall be supported or sponsored by Szerencsejáték Zrt." For the purpose of efficiently performing the support of good causes of priority importance, Szerencsejáték Zrt. founded Szerencsejáték Service Nonprofit Kft. (which is in its 100% ownership) in 2015.

In 2019, 1.9% of planned net gaming revenue, i.e. HUF 3,1 billion, was available for donation and sponsorship purposes based on the owner's resolution. As part of charity donations, we paid special attention to ensuring that financial assistance is indeed provided to those truly in need, as well as for the accomplishment of objectives that are useful and create value for Hungarian society. The most substantial donations were made to the programme series organised to commemorate the jubilee of Semmelweis University, the year-end charity programme of Mikulás-gyár Foundation, and the national festival recommendation project by the Hungarian Tourism Association Foundation. Our donations and support relating to problem gambling and to establishing equal opportunities for persons with disabilities are presented in detail in Chapters 4.4 and 5.3.

7.3 ECONOMIC RESULTS

The economic results and stability of the Company fundamentally impact the rate of contributions to community goals. Szerencsejáték Zrt. has Bisnode AAA certification, and qualifies as a financially stable company.

Our economic goals are determined primarily as a function of sales revenue, profitability and sales of products and product groups, and are approved by the owner. These goals and objectives are also included in the performance review of the CEO and senior executives.

Szerencsejáték Zrt. realised HUF 542.6 billion in sales revenue and more than HUF 27.5 billion in after-tax profit in 2019, while EBITDA increased to HUF 35.5 billion. The national lottery operator contributed to financing community expenditures with HUF 114.4 billion, in the form of various taxes, contributions, fees and dividend. The close to 10% increase in the draw game segment is of outstanding significance in comparison with the stagnating European market, and considerably

surpasses the growth rate of recent years. Favourable macroeconomic data and a positive change in the disposable income of households had a beneficial effect on demand for games of chance. The national lottery operator introduced substantial measures increasing operating efficiency, as well as digital channel and product developments in the course of the past year, as a result of which it realised a sales revenue increase exceeding 10%.

Our goal is to contribute to accomplishing the government objective, where the funds from the central budget provided to companies performing public services are offset by payments into the budget by state-owned 'national champion' business associations such as Szerencsejáték Zrt. Our objective for increasing sales revenue was formulated relative to the surplus tax and dividend payment plan allowing for the above.

Economic value-creation based on payments to stakeholders, HUF million		
	2018	2019
I. Economic value created (total revenue)	491 426	543 115
II. Distributed economic value (1.+2.+3.+4.)	479 846	525 519
1. Operating costs (without depreciation)	362 725	399 984
2. Staff (personnel expenditures)	9 708	10 051
3. Payments to the state (taxes + dividend)	105 319	114 445
4. Community investments (donations)	2 093	1 038
III. Retained economic profit (I.-II.)	11 580	17 596

The Company's total assets amounted to HUF 103,483 million at the end of 2019.

7.4 PURCHASING

Szerencsejáték Zrt. cooperated with close to 1,400 supplier partners in 2019, in line with the owner's requirement for the Company, as a state-owned company, stipulating a preference for domestic products and services.

Key suppliers

Szerencsejáték Zrt.'s highest-value supplier partners are linked to product creation and sales. Our partners must comply with strict security and quality-related criteria, which for certain services can only be fulfilled by a few global companies. Key partners:

- Scientific Games (SG), which provides the IT systems required for product marketing, and
- three accredited manufacturers of scratch cards: Scientific Games International (SGI), IGT Corporation and Pollard Banknote.

Apart from these companies, we essentially work with Hungarian suppliers. Bet slips and thermo-rolls are supplied by ANY Biztonsági Nyomda Nyrt. and Pénzjegynyomda Zrt., with Magyar Posta Zrt. acting as partner in weekly deliveries to points of sale.

Our purchasing activity aimed at telecommunications, marketing communications, market research and public utility services is also substantial. Pursuant to the provisions of Government Decree No. 247/2014. (X.1.), communications services associated with or facilitating the performance of public duties are purchased through the central public procurement system, with cooperation by the National Office of Communications established for this purpose.

Evaluation of cooperation

Our Company acts in full compliance with the principles of business ethics in terms of its suppliers as well. In the case of suppliers with quality management systems in place, at partners' request we evaluate cooperation, contractual performance as well as observation of deadlines. At the same time, our partners also have the option of providing informal opinions on their cooperation with the Company.

1 400 suppliers



RESPONSIBLE EMPLOYMENT

08%



Our goal for the Company is to represent an attractive perspective in the labour market for all generations. 2019 also saw us lay down new foundations for the long-term operation of the Company, to ensure that Szerencsejáték Zrt. exploits the possibilities underlying the gambling market to the highest degree possible. The impact of organisational decisions resulting in major changes in operation is also reflected in annual financial results. As of 2019, the Company continued its operation in a new structure, one that can help prepare the national lottery operator for the business challenges in coming years. Following restructuring, we also revised our human resources strategy, specifying the focal points for the long term, up until 2030. This chapter presents our practices concerning employment.

8.1 REORGANISATION AND STRATEGY BUILDING

The aim of restructuring was to put in place an organisational structure that is equipped to react to current market challenges and renewal expectation in an effective and efficient fashion. The renewal of the HR area within the organisation served the reinforcement of service provider attitude and the increase of its strategic role. In this context, we separated HR operation and strategic development, with priority also assigned to digital renewal. The sales regions handle HR matters on site, including recruitment from the local labour market.

Priority objectives of our 72-point strategy:

- establishment of a scholarship and internship scheme in order to seek out, locate and recruit young talents already during their higher education studies;
- the strategy-driven revision of the system of wages and other allowances and benefits;
- management succession training, something which our Company has always placed great emphasis on, in addition to management training;
- introduction of flexible working hours for central employees, and the examination of the options of introducing home office.

In the interest of improving efficiency, we renewed the software support of numerous HR processes (OkosHR), and have set up a human self-service platform for employees. The platform provides access for employees to their own data, and for management to the HR-related data of their respective teams.

Randstad Award

In 2019, our Company won the Randstad Award, the Hungarian award of the Randstad Employer Brand, based on the world's most extensive independent employer brand research. Based on the evaluation of Hungarian employees, Szerencsejáték Zrt. was also given the special prize for the most attractive employer of the services sector.

Our impact outside of the organisation

We pass on our experience relating to the employment of charity scratch card sellers (see Chapter 5.1) to other companies on a regular basis, in the hope that this will promote the employment of persons with reduced capacity to work elsewhere as well. Moreover, as far as other state-owned companies are concerned, we also share our best HR practices, such as the operation of the Cafeteria system.

OBJECTIVES FOR 2020-21

Launching a complex talent management programme and renewing leadership development by taking past experiences and organisation development trends into consideration. Employee satisfaction survey. The implementation of training through central coordination, as well as renewed operation and frameworks.



8.2 COMMUNICATION WITH EMPLOYEES

On account of organisational restructuring and company-level strategy renewal, we placed emphasis on internal communication and the disclosure/communication of changes in 2019.

The CEO notified colleagues of the changes both in person and via email, through multiple forums.

- The management also held so-called strategic roadshows in all sales region; where – in addition to the introduction of new management – the Company's new strategy was outlined.
- At the end of the year, we held a Christmas event with all employees invited. At the event, we recognised the achievements of colleagues with outstanding performance during the year, and the CEO presented the achieved results and accomplished strategic goals.
- The newly introduced TOP100 all-day management forum focused on strategy as well as priority projects and business results. The professional event held for 100 selected staff members will become a regular event as of 2020, to be organised three times every year.

During the follow-up back testing of the reception of our in-house events, employees gave an outstandingly positive assessment.

Development of internal communication

In line with the strategic directions set out in 2019, the aim of our Company's internal communication is to support transparent organisational operation, the creation of a dynamic, cooperative and flexible organisational atmosphere, the promotion of innovative initiatives and the presentation of long-term career options.

To this end, we developed and enhanced several communication practices during the year:

- In the autumn, we completely revamped the Intranet, which serves as the main channel of communication with staff members. In addition to becoming more user-friendly, the interface also became accessible to all staff members and employees. The scope of accessible information was expanded, allowing us to communicate more intensively about our Company's results and to make reports on various research projects accessible, while also making all Company policies available on the platform.
- In 2019, we compiled a weekly in-house newsletter that communicates all relevant company news to colleagues.
- During the year, we set up a digital notice-board displaying visual and video content, first in Budapest and then in all regions by autumn. The information presented can be regionally customised.
- The OkosHR platform is also used for information provision purposes.

Staff members typically contact the Human Resources Directorate with questions and problems via email or over the phone. The key topics in 2019 were remuneration and performance review, while the online idea box (which receives approximately 70-80 ideas each year) primarily saw recommendations concerning employee welfare and business operation.

In 2019, we organised close to 50 team-building programmes for more than 1,500 participants, whose key objective was to reinforce team unity following the restructuring.

Employer brand

Developing the employer brand is one of our main priorities. As the first step, we conducted internal and external surveys among colleagues, which yielded outstanding results, as it concluded that more than 90% of our employees would recommend Szerencsejáték Zrt. to their acquaintances as a workplace. In the context of the project, we also renewed our LinkedIn presence.

OBJECTIVES FOR 2020-21

We introduce an Employee Ambassador programme to strengthen the informal flow of professional information.

We founded the Games of Chance Academy, which aims at informal knowledge development and inspiration outside working hours. In the field of employer brand building, we created a new external career site, and involve colleagues in the related campaign, while setting up a new orientation programme. Developing feedback culture (by 2021).

8.3 OUR COMPANY'S EMPLOYEES

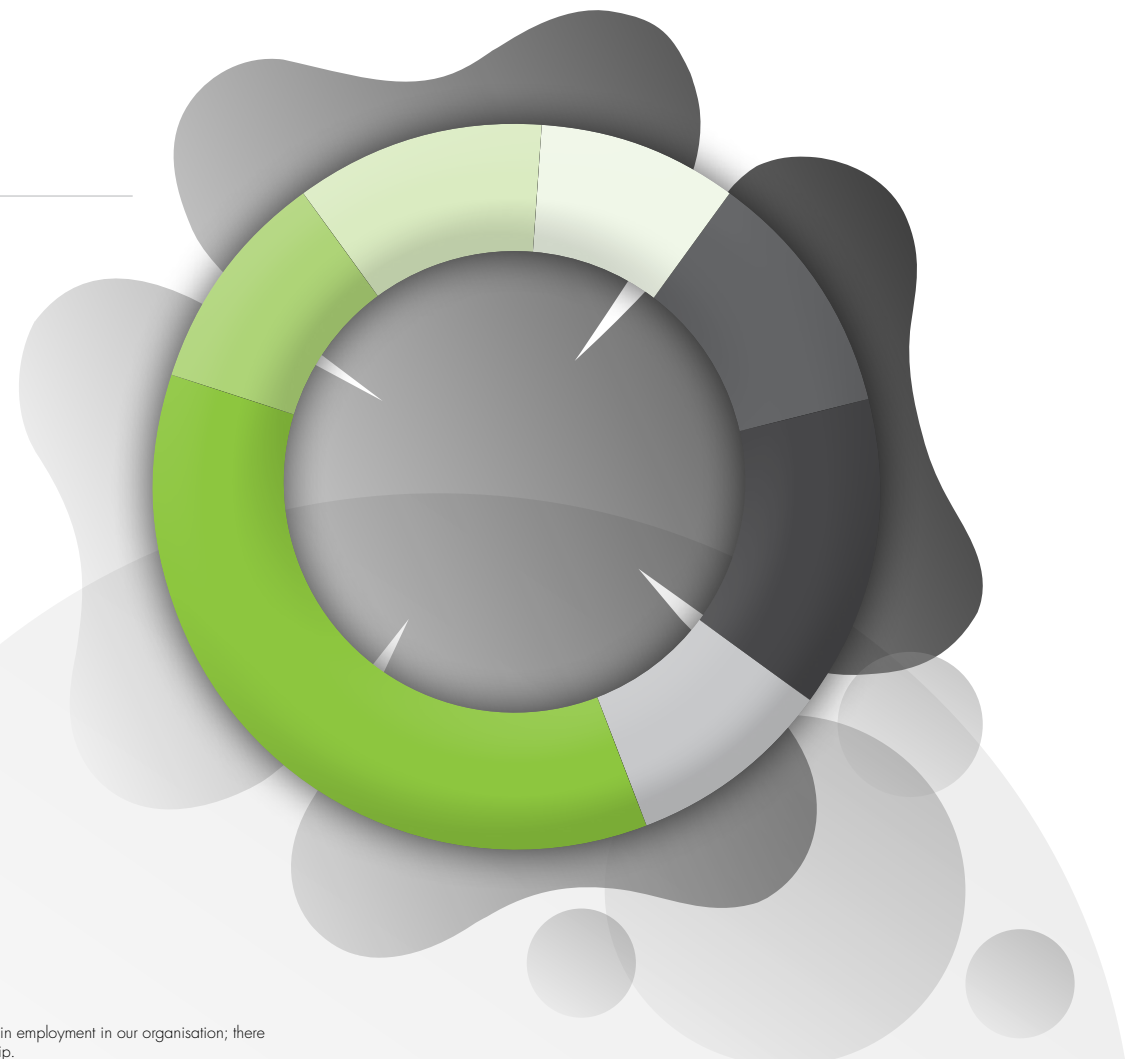
Our employment practice is regulated by the Bylaws, the Labour Policy, the Collective Bargaining Agreement, the Equal Opportunities Plan and the Code of Ethics. The Company has the Trade Union of Szerencsejáték Zrt. Workers in place as the employee advocacy group, with which we have a cooperative relationship.

Szerencsejáték Zrt. employed¹⁸ 1,712 persons at the end of 2019, where 66% were women and 34% men. Partly on account of the staff members of the charity network, the ratio of part-time employees is high at 28%, 86% of whom are women. The ratio of employees with fixed-term contracts was 5% at the end of 2019.

Employees by region

31.12.2019

- CEO's office 36%
- Charity scratch card sellers 10%
- Pécs Sales Region 11%
- Szeged Sales Region 9%
- Miskolc Sales Region 11%
- Budapest Sales Region 14%
- North Transdanubia Sales Region 9%

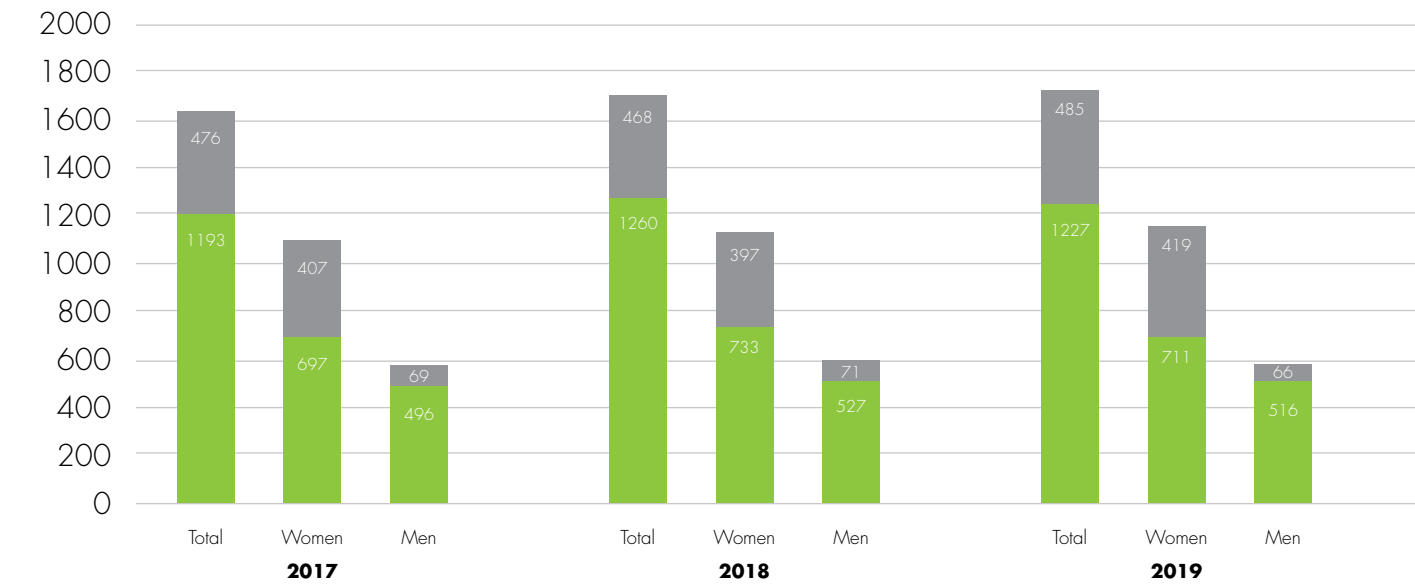


¹⁸ Employee data are accurate, culled from our internal records. Seasonality is not typical in employment in our organisation; there are no significant activities that are performed by workers without an employment relationship.

Employees by gender and employment type

31.12.2019.

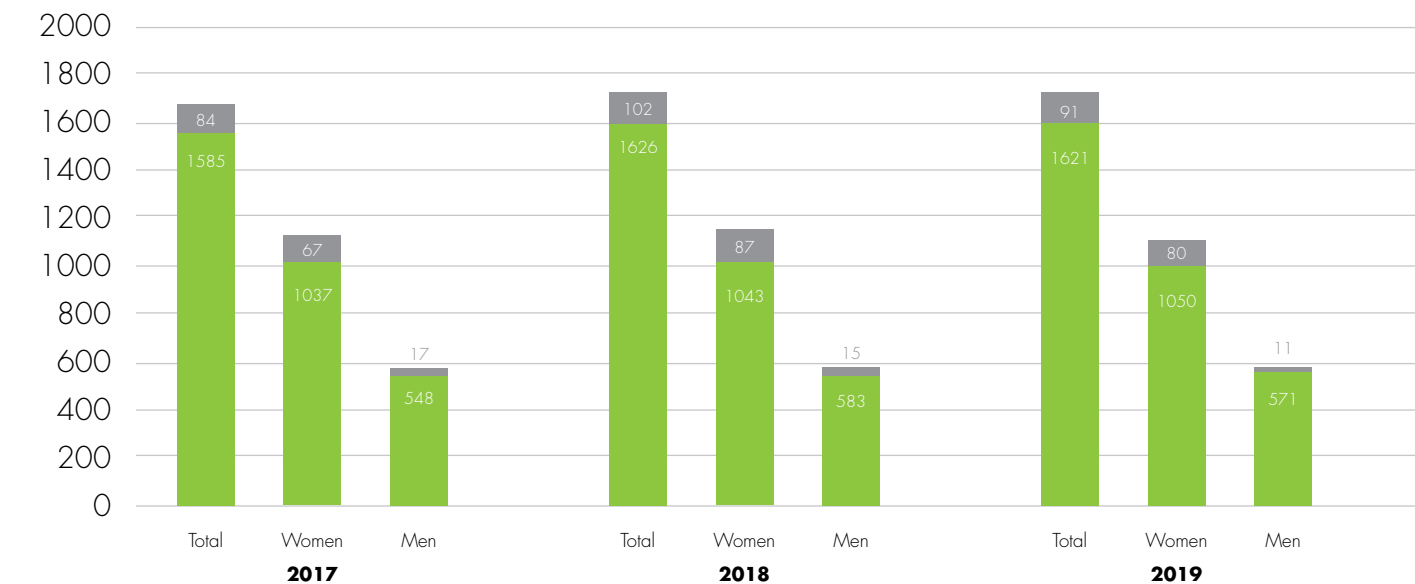
- Full-time
- Part-time



Employees by gender and contract type

31.12.2019.

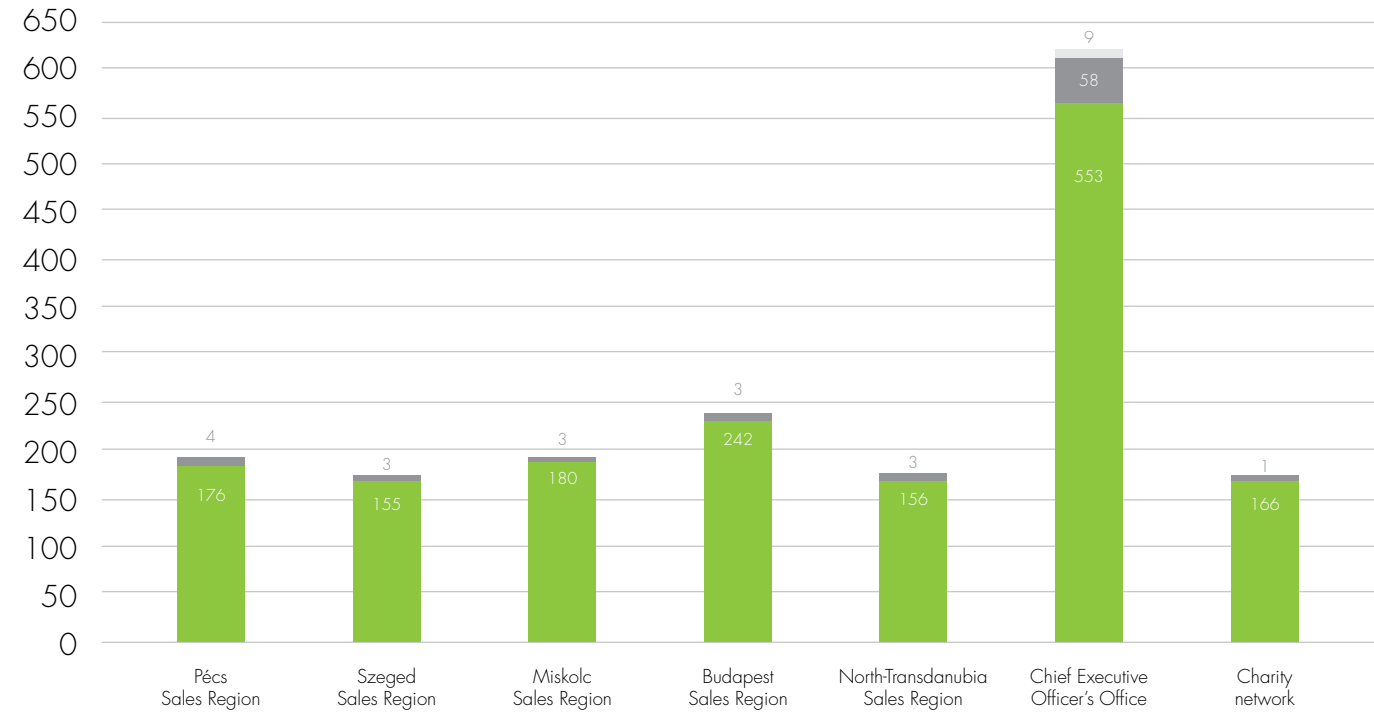
- Number of employees with indefinite-term contracts
- Number of employees with fixed-term contracts



Employees by position and region

31.12.2019, No. of persons

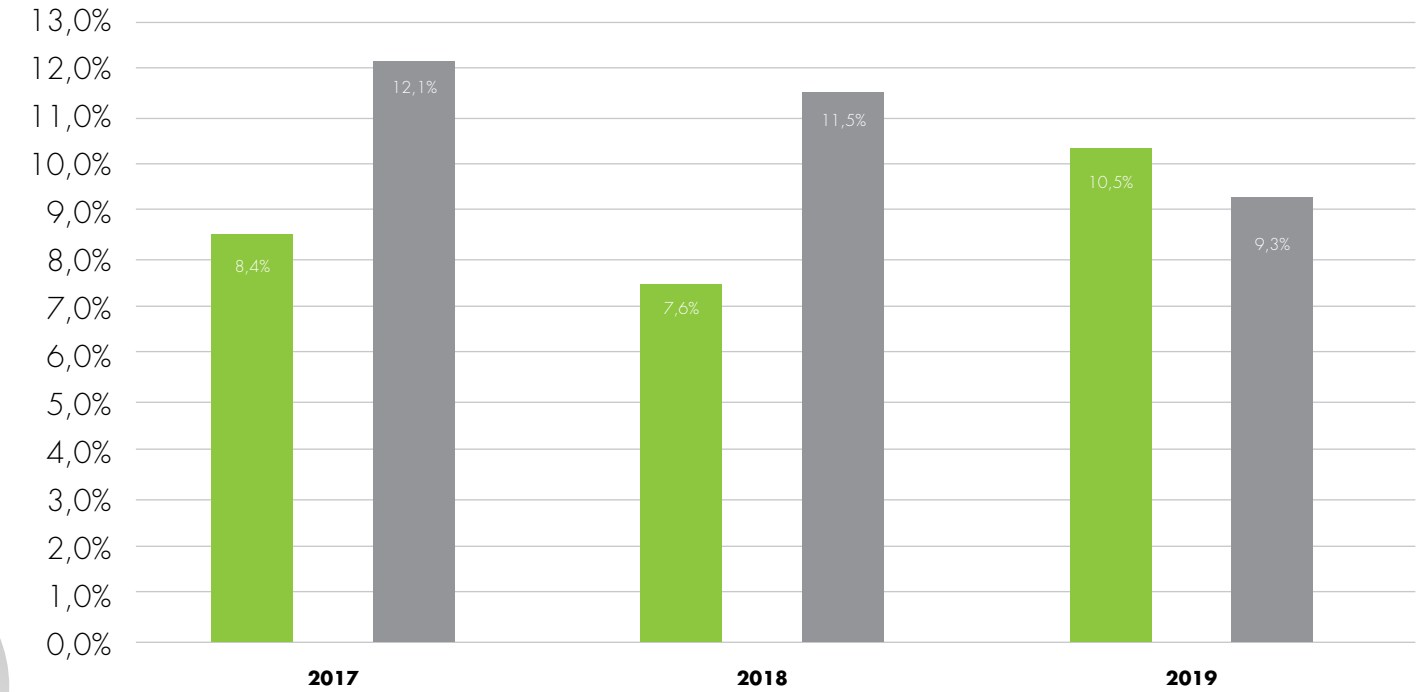
- Subordinate
- Middle management
- Senior management



Turnover, as a % of year-end headcount

31.12.2019.

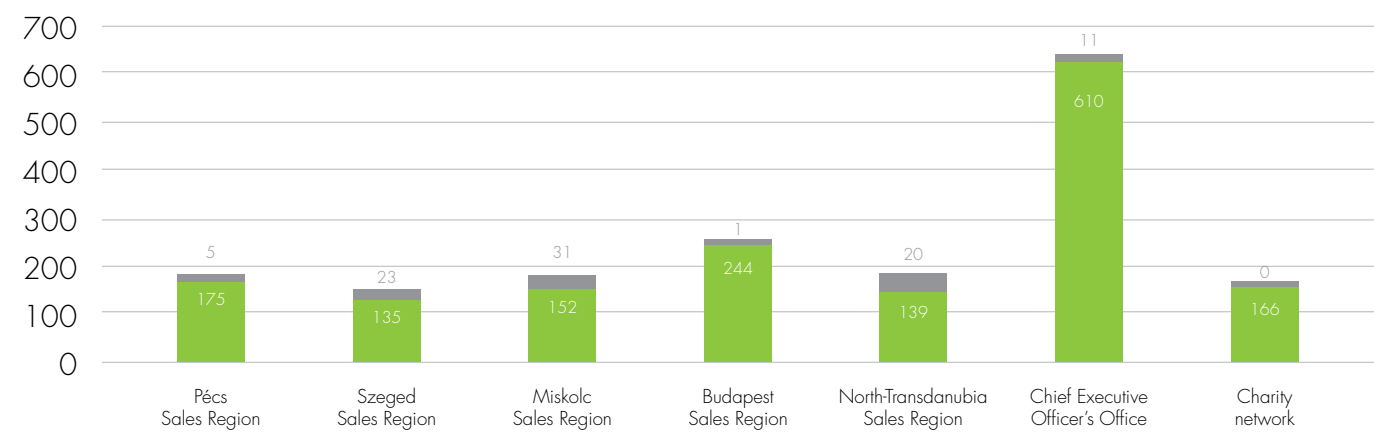
- Left %
- Hired %



Employees by region and contract type

31.12.2019 / The ratios in 2017 and 2018 do not show significant difference.

- Number of employees with indefinite-term contracts
- Number of employees with fixed-term contracts



Total rate of turnover, 2019					
Distribution		Employees hired		Employees left ¹⁹	
		people	% ²⁰	people	% ¹⁹
By age	Under the age of 30	37	28%	24	18%
	Between the age of 30-49	95	10%	77	8%
	Over the age of 50	28	5%	79	14%
By gender	Women	107	9%	113	10%
	Men	53	9%	67	12%
By region	North Transdanubia Sales Region	10	7%	5	9%
	Budapest Sales Region	29	6%	27	4%
	Miskolc Sales Region	13	7%	13	7%
	Pécs Sales Region	12	12%	16	11%
	Szeged Sales Region	9	6%	6	3%
	Charity scratch card sellers	17	10%	21	13%
	Chief Executive Officer's Office	70	11%	92	15%
Total		160	9%	180	11%

Within the sales network, the base wage of the vast majority of employees (approximately 80%) is linked to the minimum wage and/or guaranteed minimum wage. In the case the sales staff, the salespersons and store managers of the five regions, the guaranteed minimum wage is 131% of the full-time base wage, i.e. the minimum wage, and the minimum wage for charity scratch card sellers. Salespersons performing over the minimum sales requirements are eligible for sales commissions, which is included in their monthly salary. Actual wage is consequently typically higher than the base wage, at a rate that recognises and incentivises performance.

¹⁹ Departure on account of voluntary decision, layoff, retirement, or death.
²⁰ Relative to the full, yearend headcount of the given category.

8.4 EQUAL OPPORTUNITIES

The Corporate Social Responsibility and Media Department is tasked with coordinating the implementation of the Equal Opportunities Plan (which is updated annually).

The plan distinguishes the following disadvantaged groups:

- employees caring for relatives;
- employees before retirement, retired employees;
- employees with reduced capacity to work;
- employees raising children;
- employees over the age of 50;
- women;
- employees exposed to the risks of problem gambling;
- career starters;
- employees disadvantaged on account of ethnicity.

Our main tasks relating to improving equal opportunities for these groups are enabling part-time employment, atypical employment and overtime compensation, offering internship opportunities for the employees' children studying in higher education, improving ergonomic working conditions for those over the age of 50 and establishing an accessible working environment.

Providing assistance
 At the request of the Hungarian Interchurch Aid (Magyar Ökumenikus Segélyszervezet, MÖS), in 2019 we again took part in the Beregszász Charity Half-Marathon, which collected donations for Subcarpathian families in need. In addition to our colleagues participating at the run, we also organised a separate charity drive within Szerencsejáték Zrt., and we gave the donations collected to the head of the local school. Moreover, we organised three blood donation events in 2019 which were attended by 61 of our staff members.

Number of participants involved in atypical employment opportunities, headcount as of 31.12, No. of persons			
	2017	2018	2019
Working hours	1387	1455	1433
Flexible working hours	51	43	48
Free working schedule	231	230	231

Student work			
	2017	2018	2019
Number of hours worked	11 398	11 984	14 586
Number of hours worked by students relative to all employees	0,45%	0,46%	0,55%

OBJECTIVES FOR 2020-21

Reinforcing the service provider approach of the Human Resources Directorate through a substantial increase in employee headcount. Extension of flexible working hours to a wider group of employees.

Use of parental leave, return	2017		2018		2019	
	Women	Men	Women	Men	Women	Men
Employees eligible for parental leave (No. of persons)	100	1	109	1	110	3
Employees taking parental leave (No. of persons)	82	1	91	1	95	3
Employees returning after parental leave (No. of persons)	10	0	16	0	19	2
Ratio of returning employees	91%	-	84%	-	83%	100%
Returning employees, who were still in employment 12 months after their return (No. of persons)	12	0	10	0	15	0
Retention rate	92%	-	100%	-	94%	-

8.5 OUR EMPLOYEES' HEALTH

The health of our employees is of crucial importance and, as such, in addition to safe and healthy working conditions we also offer colleagues a wide-coverage health insurance package.

Compliant occupational health service is provided to staff members by our contracted partner. In addition, our Company also offers the option of a health insurance package to staff members²¹ through Medicovert Health Insurance. The wide-ranging service available includes outpatient care, laboratory tests, diagnostic tests, outpatient surgeries as well as potentially necessary same-day surgical procedures. In addition, a preventive screening test package is also available once every year, which includes varied tests depending on gender and age-related risks. Employees can also finance their sports activities from their Cafeteria benefits.

Health and safety at work

The area of health and safety at work is regulated by multiple documents, including the Collective Bargaining Agreement, the Occupational Safety Policy, the Personal Protective Equipment Policy, as well as the Workplace Risk Assessment, Occupational Health themes and the measurement and documentation of exposure impacts. Processes relating to work safety and work-related accidents are implemented in line with legal provisions. There is currently no HSE Committee in place at the Company, and consequently our employees appoint an

HSE representative, who receives continuous training from the Company.

Pursuant to legal provisions, staff members can contact the HSE representative at any time concerning any issues relating to occupational health, and HSE documentation is available both online and in printed form at all times.

The majority of employees, including workers in lottery shops and office buildings, receives mandatory HSE training each year. Employees who we cannot be trained in person are reached by way of online training. The aim of this activity is to increase employee awareness on complying with occupational safety requirements through continuous HSE training. The lessons drawn from accidents and the audits of the HSE authority were integrated into HSE educational material in 2019 (e.g. prohibition of e-cigarettes, or signs placed at safety deposit boxes warning of the risk of hand injury).

Our positions are not considered to be dangerous, no accidental deaths, serious work-related accidents, permanent disabilities or workplace illnesses have occurred at the Company for many years. The number of work-related accidents at the Company, including road accidents, has been near constant for years, an average rate considering the Company's size. Our objective is to avoid the deterioration of accident indicators.

²¹ With the exception of employees still in the first half of their trial period or on unpaid leave.

Occupational accidents, employees			
	2017	2018	2019
Total number of hours worked by all employees	2 544 337	2 612 593	2 652 535
Serious workplace accidents	1	1	0
Ratio of high-consequence work related injuries*	0,39	0,38	0,00
Total number of workplace accidents	15	17	14
- high-consequence work related injuries	7	9	6
- occupational road accidents	8	8	8
Ratio of the total number of workplace accidents*	5,90	6,51	5,28
Ratio of work-related injuries*	2,75	3,44	2,26
Ratio of occupational road injuries*	3,14	3,06	3,02

* Projected to 1 million working hours worked.

There were no accidents recorded in the past three years among non-employee workers working at the Company's sites (e.g. student workers, employees of subcontractors). As we do not record the number of hours worked by such non-employees, we have no applicable ratio available.

Most accidents occur in relation to transport and travel (so-called occupational road accident). Work-related accidents were typically accidents arising from slipping, tripping or unevenness of surfaces, with no serious accidents occurring and no permanent injuries sustained in 2019. The most serious accident recorded during the year was an ankle fracture.



OBJECTIVES FOR 2020

- Extending the use of personal protective equipment and safety tools to jobs with even the slightest risk of accident (introduction of the use of technical gloves for, among others, sales representatives and safety managers).**
- Appointing additional HSE representatives in our office buildings.**

STAKEHOLDERS

009%



Our Company is in contact with a wide-ranging group of stakeholders, primarily on account of state ownership, the high number of players and the extensive sales network. In the interest of implementing responsible gaming, we place priority emphasis on vulnerable groups.

Stakeholder groups

In order to define stakeholder groups, we assessed the Company’s activities and impacts. The identified stakeholders were grouped based on their impact on the Company, as well as the intensity of their dependence on our Company. Our Company maintains contact with the stakeholder groups identified, with the exception of unlicensed gambling operators of course. In this context, we strive to maximise commitment and social capital, minimise conflicts and to protect the interests of vulnerable groups.



Szerencsejáték Zrt.’s main stakeholder groups			
		Stakeholder’s influence on the company	
		Low	High
Stakeholder’s dependence on the Company	Low	minors and their parents, teachers, legal competitors, natural environment	owner, legislators, authorities, media, professional/industry organisations, suppliers, unlicensed gambling operators
	High	supported organisations, organisations dealing with prevention and addiction, problem gamblers and their relatives	players, employees, sales partners

Contact

We maintain personalised dialogue with stakeholders, taking the characteristics of the given group into consideration. The main forms of stakeholder communication are summarised in the table below, while the topics arising during dialogues is presented in detail in the chapters on the given stakeholder groups.

Stakeholder group	Typical forms of contact
Entity exercising the owner’s rights	Decision-preparing materials and proposals as per the rules of procedure set out in the Articles of Incorporation Regular provision of expected and factual data to the owner, with monthly, expanded, manager-oriented, complex reporting as of 2019
Players	Point-of-sale communication: educational pamphlets, policies, information materials Internet (company websites, Facebook page, YouTube, apps) Regular research Draws Customer service (telephone, email, post) Public reports “History of gambling” exhibition (seasonal)
Employees	Forums and channels of internal communication Advocacy (trade union and Works Council) Ethics Committee
Suppliers	Tools of business correspondence International trade events Audits
Sales partners	Tools of business correspondence (e.g. trainings, web-sales support site) Partner meetings
Authorities	Official correspondence Gaming licenses Official proceedings, audits
Legislators	Preparation of expert materials in relation to legal amendments concerning gambling operations (requests twice a year)
Industrial organisations	Active participation in working groups Industry events Audits
Problem gamblers and their relatives	Point of sale information and educational materials maradjonjatek.hu media appearances relating to the topic of addiction ELTE Help Hotline

Stakeholder group	Typical forms of contact
Minors, their parents, teachers and at-risk persons	"Gaming within Limits" programme hogyanmondjamelneked.hu
Organisations and experts dealing with prevention and addiction cooperating with the Company	Communication relating to cooperation (including reporting) Professional round-table discussions Conferences Presentations Cooperation in research projects
Supported organisations	Trade events Audits
Media	Annual Report Our website's press page

9.1 ASSOCIATION MEMBERSHIPS

Our Company is member of numerous Hungarian and international organisations. We consider our memberships in professional organisations of the international industry, i.e. European Lotteries and World Lotteries Association, to be of crucial significance, as these ensure the most efficient knowledge transfer. It is noteworthy, that in 2019, we again complied with all data reporting, participation-related and other obligations relating to such memberships.

European Lotteries (EL)

EL considers it its mission to support a stable and sustainable gaming model that serves the good of society, along the lines of values such as subsidiarity, prevention, solidarity, and integrity. In 2019, EL represented 76 gambling operators from 44 countries. EL performs its profes-

sional work through 10 working groups. In 2019, we were members in four working groups (Sport, Data & Research, Legal & Regulatory, Operational Risk & Assurance). Given that working group memberships allow for a more direct and faster exchange of information, we consider these memberships to be extremely useful.

We are primarily involved in shaping European-level regulatory environment through EL's lobbying activity. The analyses prepared by the international organisation, as well as its declarations and the information provided by it is integrated into the Company's system of arguments, while our studies and positions constitute part of the position represented by the European organisation.

World Lotteries Association (WLA)

WLA is an organisation comprising the national lottery operators and gambling operators of more than 80 countries on six continents. The organisation's set of values is based on maximum corporate social responsibility, including the WLA's responsible gaming principles, as well as compliance with applicable national legal regulations that determine where and in what form games of chance may be marketed. The organisation plays a key role in the security rating of lottery operators, as well as in elevating the fight against sports betting fraud to a global level. WLA members are uniformly committed to helping to maintain public order and to combatting the activities defined as illegal gambling by governments.



Hungarian Oracle Users Group

Hungarian Association of Internal Auditors
Budapest Chamber of Commerce and Industry
European Lotteries
Global Lottery Monitoring System
Hungarian Marketing Association
Hungarian Project Management Association
Hungarian Public Relations Association
Hungarian Oracle Users Group
Business Council for Sustainable Development in Hungary
Hungarian Chief Information Officers' Association
Management Controlling Association
Hungarian Employers Forum on Equal Opportunities
National Association of Human Resource Managers
Self-regulating Board of Advertising (ÖRT)
World Lottery Association

GRI CONTENT INDEX

10%



Number of indicator	Description of indicator	Place of disclosure	Explanation of omission/comment
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GRI 102: General disclosures 2016

Number of indicator	Description of indicator	Place of disclosure	Explanation of omission/comment
Organizational Profile			
102-1	Name of the organisation	p. 3	
102-2	Activities, brands, products, and services	pp. 11-12	
102-3	Location of headquarters	bet. szerencsejatek.hu/impresszum	Imprint.
102-4	Location of operations	GRI index	Hungary.
102-5	Ownership and legal form	p. 10	
102-6	Markets served	pp. 12-14	
102-7	Scale of the organisation	p. 11, p. 86	We consider the entire organisation to be a single operation.
102-8	Information on employees and other workers	pp. 94-96	
102-9	Supply chain	p. 87	
102-10	Significant changes to the organisation and its supply chain	GRI index	There was no such change.
102-11	Precautionary Principle or approach	p. 80, p. 81	
102-12	External initiatives	GRI index	EL Responsible Gaming Standards, WLA Responsible Gaming Framework, Code of Advertising Ethics of the Self-regulating Board of Advertising (ÖRT)
102-13	Membership of	p. 109	
Strategy			
102-14	Statement from senior decision-maker	pp. 6-7	
Ethics and Integrity			
102-16	Values, principles, standards, and norms of behaviour	p. 70	Code of Ethics
Governance			
102-18	Governance structure	pp. 68-70	
Stakeholder engagement			
102-40	List of stakeholder groups	pp. 106-108	
102-41	Collective Bargaining Agreements	GRI index	In line with Hungarian laws, all employees fall under the scope of the agreement (100%) with the exception of senior officers.
102-42	Identifying and selecting stakeholders	p. 106	
102-43	Approach to stakeholder engagement.	p. 92, pp. 107-108	
102-44	Key topics and concerns raised	p. 92, pp. 107-108	

Number of indicator	Description of indicator	Place of disclosure	Explanation of omission/comment
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Reporting practice

Number of indicator	Description of indicator	Place of disclosure	Explanation of omission/comment
102-45	Entities included in the consolidated financial statements	p. 3	
102-46	Defining report content and topic boundaries	p. 3, pp. 25-27	
102-47	List of material topics	p. 27	
102-48	Restatements of information	p. 102	The total number of workplace accidents for 2018 was adjusted on account of earlier incorrect data.
102-49	Changes in reporting	GRI index	The list of material topics has changed substantially.
102-50	Reporting period	p. 3	
102-51	Date of most recent report	GRI index	Report for 2018.
102-52	Reporting cycle	p. 3	
102-53	Contact point for questions regarding the report	p. 3	
102-54	Claims of reporting in accordance with the GRI Standards	p. 3	
102-55	GRI content index	GRI index	
102-56	External assurance	GRI index	

Material topics

201 Economic performance 2016

Number of indicator	Description of indicator	Place of disclosure	Explanation of omission/comment
103-1	Explanation of the material topic and its boundaries	pp. 26-27, p. 86	
103-2	The management approach and its components	p. 86	
103-3	Evaluation of the management approach	p. 86	
201-1	Direct economic value generated and distributed	p. 86	

202 Market presence 2016

Number of indicator	Description of indicator	Place of disclosure	Explanation of omission/comment
103-1	Explanation of the material topic and its boundaries	pp. 26-27	
103-2	The management approach and its components	pp. 90-91	
103-3	Evaluation of the management approach	p. 56, p. 98	
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	p. 98, GRI Index	In terms of employees, there is no difference between women and men. We have no information on non-employed workers working on the Company's premises.

Number of indicator	Description of indicator	Place of disclosure	Explanation of omission/comment
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205 Anti-corruption 2016			
103-1	Explanation of the material topic and its boundaries	pp. 26-27, p. 72	
103-2	The management approach and its components	p. 69, p. 75	
103-3	Evaluation of the management approach	p. 75	
205-2	Communication and training about anti-corruption policies and procedures	p. 75	
206 Anti-competitive behaviour 2016			
103-1	Explanation of the material topic and its boundaries	pp. 26-27, p. 72	
103-2	The management approach and its components	p. 69, p. 72	
103-3	Evaluation of the management approach	p. 72	
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	GRI index	No official proceedings were opened against the Company in the past three years for violations of competition law or for anti-trust and anti-monopoly practices, and there are no such proceedings in progress.
401 Employment 2016			
103-1	Explanation of the material topic and its boundaries	pp. 26-27, p. 52, p. 90	
103-2	The management approach and its components	p. 69, p. 90	
103-3	Evaluation of the management approach	p. 90, p. 92, p. 98	
401-1	New employee hires and employee turnover	p. 98	
401-3	Parental leave	p. 100	
403 Occupational health and safety 2018			
103-1	Explanation of the material topic and its boundaries	pp. 26-27, p. 101	
103-2	The management approach and its components	p. 101	
103-3	Evaluation of the management approach	p. 102	
403-1	Occupational health and safety management system	GRI index	Our Company has no certified management system in place.
403-2	Hazard identification, risk assessment, and incident investigation	p. 101	
403-3	Occupational health services	GRI index	Ensured as per legal requirements.
403-4	Worker participation, consultation, and communication on occupational health and safety	p. 101	

Number of indicator	Description of indicator	Place of disclosure	Explanation of omission/comment
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403-5	Worker training on occupational health and safety	p. 101	
403-6	Promotion of worker health	p. 101	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked to business relationships	GRI index	No such impacts identified.
403-9	Work-related injuries	p. 102	
406 Non-discrimination 2016			
103-1	Explanation of the material topic and its boundaries	pp. 26-27, pp. 69-70	
103-2	The management approach and its components	p. 68	
103-3	Evaluation of the management approach	p. 71	
406-1	Incidents of discrimination and corrective actions taken	p. 71	
416 Customer health and safety			
103-1	Explanation of the material topic and its boundaries	pp. 26-27, p. 30	
103-2	The management approach and its components	pp. 30-32, p. 39, p. 69	
103-3	Evaluation of the management approach	p. 32, pp. 40-44, p. 72	
416-1	Assessment of the health and safety impacts of product and service categories	32. o., GRI index	100% (Gamgard)
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	p. 72	There were no official proceedings opened against the Company and no voluntary commitments (EL-RGS, WLA Responsible Gaming Framework) were breached in the past three years.
417 Marketing and labelling 2016			
103-1	Explanation of the material topic and its boundaries	pp. 26-27, p. 30, p. 34	
103-2	The management approach and its components	p. 30, p. 34, p. 69	
103-3	Evaluation of the management approach	p. 35, p. 72	
417-1	Requirements for product and service information and labelling	p. 34, GRI Index	Displaying signs warning of safe use (sign prohibiting the game for under-18s, Keep it a game!) is mandatory on all our products.
417-3	Incidents of non-compliance concerning marketing communications	p. 72, GRI Index	There were no official proceedings opened against the Company and no voluntary commitments (EL-RGS, Code of Ethics of the Self-regulating Board of Advertising (ÖRT)) were breached in the past three years.

Number of indicator	Description of indicator	Place of disclosure	Explanation of omission/comment
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p. 79			
103-1	Explanation of the material topic and its boundaries	pp. 26-27, p. 79	
103-2	The management approach and its components	pp. 78-79	
103-3	Evaluation of the management approach	p. 79	
418-1	Substantiated complaints regarding breaches of customer privacy and losses of customer data.	p. 79	
419 Socioeconomic compliance			
103-1	Explanation of the material topic and its boundaries	pp. 26-27, p. 68	
103-2	The management approach and its components	p. 69, p. 72	
103-3	Evaluation of the management approach	p. 72	
419-1	Non-compliance with laws and regulations in the social and economic area	p. 72	
Responsible sales (RS)			
103-1	Explanation of the material topic and its boundaries	pp. 26-27, p. 30, p. 36	
103-2	The management approach and its components	pp. 36-39, p. 69	
103-3	Evaluation of the management approach	p. 39	
RS-1	Number of network audits	p. 39	
Prevention of fraud/abuse (PFA)			
103-1	Explanation of the material topic and its boundaries	pp. 26-27, p. 73	
103-2	The management approach and its components	p. 69, pp. 73-74	
103-3	Evaluation of the management approach	pp. 73-74	
PFA-1	Number of manual checks of online registration	p. 73	

Number of indicator	Description of indicator	Place of disclosure	Explanation of omission/comment
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Anti-money laundering (AML)			
103-1	Explanation of the material topic and its boundaries	pp. 26-27, pp. 75-76	
103-2	The management approach and its components	p. 69, pp. 75-76	
103-3	Evaluation of the management approach	p. 76	
AML-1	Result of official targeted audits	p. 76	
Climate change (CC)			
103-1	Explanation of the material topic and its boundaries	pp. 26-27	
103-2	The management approach and its components	p. 69, pp. 80-81	
103-3	Evaluation of the management approach	p. 81	
CC-1	CO ₂ emissions (Scope 1 + Scope 2)	p. 81	
Community sponsorship (CS)			
103-1	Explanation of the material topic and its boundaries	pp. 26-27, pp. 84-85	
103-2	The management approach and its components	p. 69, p. 85	
103-3	Evaluation of the management approach	p. 85	
CS-1	Amount of charity and sponsorship	p. 85	

