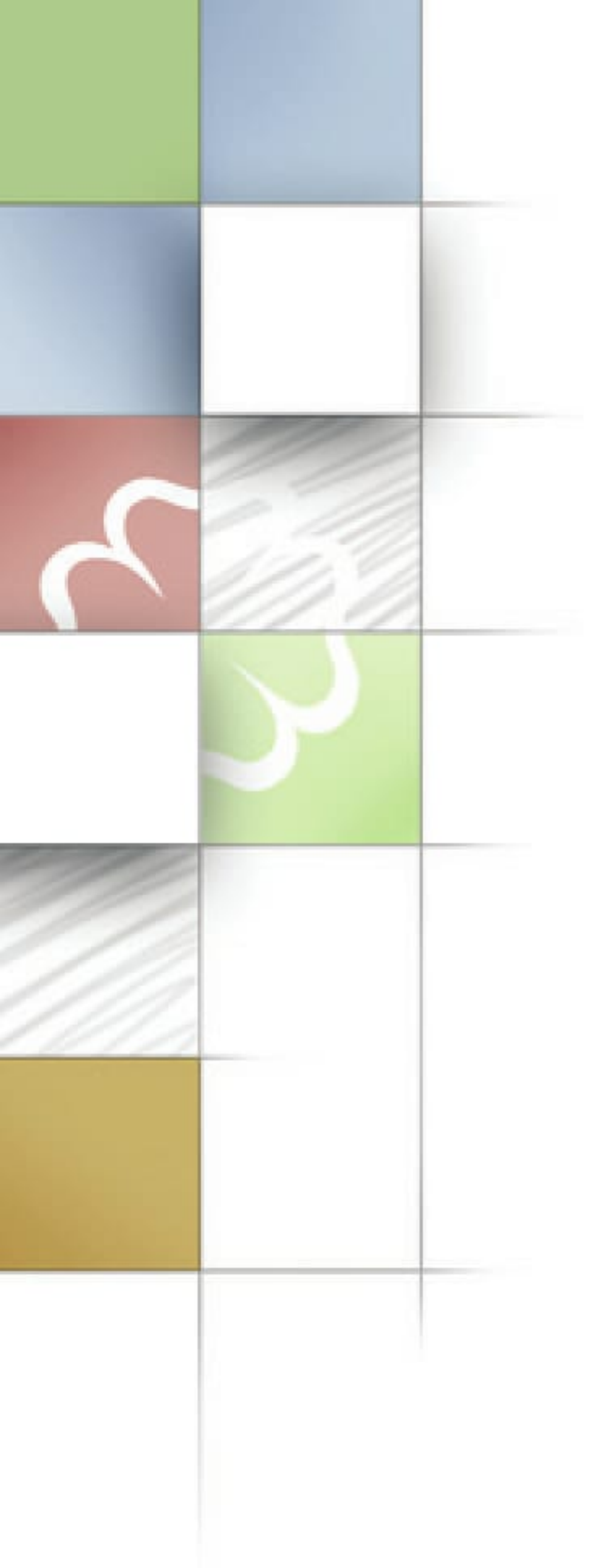


# 2010

## Corporate Social Responsibility Report







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# Responsible Gaming and Public Service



**Dr. Szentpétery Kálmán**  
CEO & Chairman of the  
Board of Directors

Szerencsejáték Zrt. belongs to all Hungarian citizens, to players and non-players alike. We, the people working for the success of Szerencsejáték Zrt. are consistent in placing the interests of society first and foremost. On that account, I welcome the preparation of the first responsibility report made in the history of our Company with exceptional pleasure.

Our Company is committed to the adaptation and practical application of the principles of Corporate Social Responsibility (CSR). We strive to make the ideal and behavioural patterns of corporate social responsibility manifest in all actions of Szerencsejáték Zrt., at all levels of our operation, permeating throughout the daily operation of the Company. Our endeavours and mission are to make Szerencsejáték Zrt. a company operating in the most responsible and sustainable way possible.

What led to our holding the first Corporate Social Responsibility Report of Szerencsejáték Zrt. in our hands now was a long process. Although we had played our part in the management of social issues before, had taken into consideration the interests of those affected by our activities and had strived to contribute to the creation of a more liveable and healthier environment, in the year 2010 we began coordinating our tasks along a conscious concept in the framework of corporate social responsibility, the expectations of our customers vis-à-vis our Company in this domain, as well as our principles. The timeliness and soundness of this endeavour is further shown by the fact that the change of management mid-year caused no noticeable interruption to this process, our commitment only grew stronger.

As an enterprise thinking responsibly and owned 100 percent by the state our aim is to make our activities positively affect all our stakeholders with whom we get in touch. At present, the current CSR policy of

Szerencsejáték Zrt. is centred around minimizing the social risks linked to our activity, i.e. promoting responsible gaming.

Our commitment to responsibility is based on the acknowledgement of the fact that gambling is an issue very sensitive socially and excessive gambling entails numerous dangers. This is especially so in recent years when thanks to technical development gambling is more readily available to consumers and the range available facilitates a quicker pace of gambling. We at Szerencsejáték Zrt. are positive that by carrying out our agenda of responsible gaming as organizers and sticking to the law and our values without compromises, negative consequences, if any, can be brought to a minimum.

A key consideration is the protection of individuals and groups at risk, primarily minors. In addition, we strive to protect all our players from the harmful consequences of excessive gambling, we go beyond the minimum prescribed by law and help them with adequate tools and information. As our Code of Ethics states, our objective is to offer quality gambling options to the adult Hungarian population based on responsible gaming practices, to cooperate in mitigating risks gambling generates for public order, security and health, and to contribute to public finances.

As acknowledged by European and world organizations of lottery companies, our achievements and our responsible gaming campaign implemented in the second half of 2010 all prove that Szerencsejáték Zrt. is one of the leading companies in the world in the regards of promoting responsible gaming.

Besides players, our employees also play an important part in our CSR policy. March this year Szerencsejáték Zrt. won the silver medal of So-

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cial Label, granted to employers promoting corporate social responsibility. This acknowledgement is the result of the excellent work our Company has done in the field of human processes in recent years. Our Code of Ethics, existing since 2007, our Equal Opportunity Plan and our Collective Bargaining Agreement, as well as the charity sales network operated by SZRT-SERVICE Kft., the provision for the health and safety of our employees and our support for their professional development all show our commitment to our employees.

The third pillar of our responsibility is environmental consciousness and the protection of our environment. We strive to mitigate the negative effects of our Company's operation on the environment, reducing, first of all, our use of paper and energy and thereby to improve our performance in sustainability. We place particular emphasis on the development of our employees' environmental consciousness, relying on, for example, the Green Page available on our intranet or the selective waste collection system introduced in our central buildings.

Our Company is an acknowledged player in the Hungarian economy – operated by employees with exceptional professional expertise, we are a successful corporation with exceptionally stable market and financial positions, well-known products, enjoying the trust of our players. We offer quality services that meet the needs of extensive groups in the Hungarian population. In 2010 the revenues of Szerencsejáték Zrt. reached an unprecedented HUF 169 billion, while players and bettors received a total net prize of HUF 80.3 billion with the games of our Company.

Our special situation, our being a state enterprise also entails the assuming of some public service roles. We directly and indirectly support societal objectives, especially Hungarian culture, sport and healthcare.

Our contribution to social objectives, through the state budget, was HUF 61.6 billion, while we spent HUF 739 million on direct grants, sponsorship and donation.

2011 also has great tasks in store for us. We concentrate with all our strength to take new steps to integrate sustainability into the operation of our Company. We aim at widening the range of our CSR activities and attain successes in other fields similar to those in the promotion of responsible gaming, and on the foundation of these attainments to set the future course of Szerencsejáték Zrt.

Finally, let me express my thanks to my colleagues who work day by day on promoting the policy of responsibility within the Company and, whatever their positions, are committed in endeavouring to carry out their tasks in line with the principles of sustainability. Moreover, I owe acknowledgement to my predecessors who set Szerencsejáték Zrt. on this course.

Budapest, July 2011



Dr. Kálmán Szentpétery  
CEO & Chairman of the Board of Directors

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## Introduction

For the first time, Szerencsejáték Zrt. publishes a Corporate Social Responsibility Report on its accomplishments in the year 2010; from now on, the Company intends to prepare this report every year. The Company's Corporate Social Responsibility Department is responsible for preparing the Report – and coordinating the field. The report was made with the cooperation of experts on the topics expanded on and with reliance on external advisor.

We followed Hungarian and international examples when assembling the contents and prioritizing topics, basically building upon the G3 guideline published by Global Reporting Initiative (GRI), also taking the special characteristics of the industry and the Company into consideration. Based on our own classification, this report corresponds to the GRI B level.

Throughout the creation of the Report we strived to make the material, while providing extra information, easy to read and easy to understand for the stakeholders of our Company. It is very important for us that members of these groups see the topics they consider important as this can affect their relationship to our Company in the future. It can influence the behaviour of our players, the attitudes of our employees vis-à-vis the Company, the decision-making mechanisms of the owner or even the way opinions of journalists are formed.

Our Report extends to Szerencsejáték Zrt.'s own activities, economic, social and environmental factors related to it concerning sustainability, including the Csalogány street Headquarters of the Company, the Fehér street premises, the regional centres and the outlets directly owned by the Company. As far as activities of companies in our portfolio and outlets and other points of sale operated by our partners are concerned, we do not have information about them comparable in depth to what we have about the parent enterprise, so these were not included in the

Report. In the next reporting period we will make our best to include relevant data of companies in the casino line and SZRT-SERVICE Kft., our affiliate with diverse activities, in the Report.



The preparation of the 2010 Corporate Social Responsibility Report was based on the following organizational documents: Information on the Business Activities of Szerencsejáték Zrt. in 2010; Code of Ethics; Equal Opportunity Plan; Collective Bargaining Agreement; Rules of Procedure; and the 2010 internal environmental report of Szerencsejáték Zrt. The first two documents of these are publicly available to everybody on our website.

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# Reporting principles

Szerencsejáték Zrt. adheres to a number of principles during the making of the report, most prominently that of completeness, materiality, comparability, accuracy, trustworthiness and the protection of privacy. Adherence to and implementation of these principles is ensured by compliance with GRI's guidelines.

## Transparency and accountability

We deem it important that the amount and content of the information published in this report meet the expectations and interests of our stakeholders. We try to use language and style that not only experts, but also the wider public easily understands. In order to make the meaning of sustainability and gambling organization terms clear to our readers, we compiled a glossary that you find at the end of the report.

## Completeness

We make our best to give you an overall and complete picture of our activities. To this end, we carried out detailed data and information collection, we reviewed internal and external company documents and deliberated with specialist colleagues.

## Materiality

We aim at publishing information that is significant for our stakeholders, i.e. we lay special emphasis on not only publishing information in our report that we consider important but that also has relevance from the point of view of our stakeholders. In order to identify significant information, we relied on GRI guidelines, applicable legislation and guidelines and standards of professional organizations (responsible gaming guidelines and certification framework of European Lotteries and World Lottery Association).

## Comparability

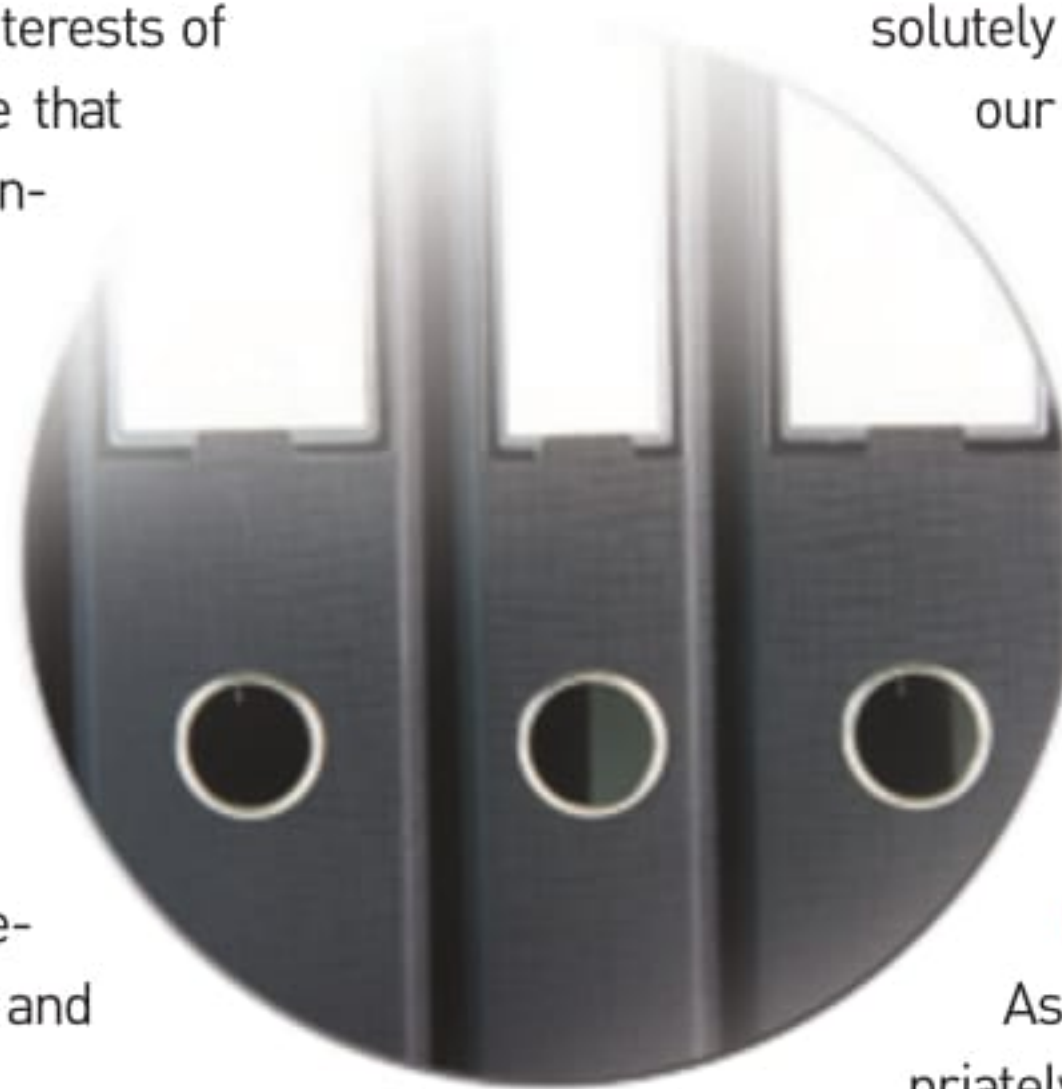
While making this report, we created a structure for our CSR reports that we intend to follow every year in order to provide grounds for evaluating the performance of our organization and to make the reports comparable in the future. Where we have data for previous years, we take comparability into consideration already in this first report. We plan to develop our system year by year; however, we only intend to change the characteristics of the current contents if this becomes absolutely necessary as a result of changes in our operation or our data collection practice.

## Reliability and accuracy

We try to make the information published reliable and appropriately accurate and detailed. Verifiability was also an important factor in the data collection and documentation stages: we substantiate performance information with reliable data in our reports.

## Privacy

As always, we not only inform our stakeholders appropriately and meet legal requirements during the making of this report, we also take pains to comply with Code of Ethics regulations on business and other confidential information.



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## 1. Our activity

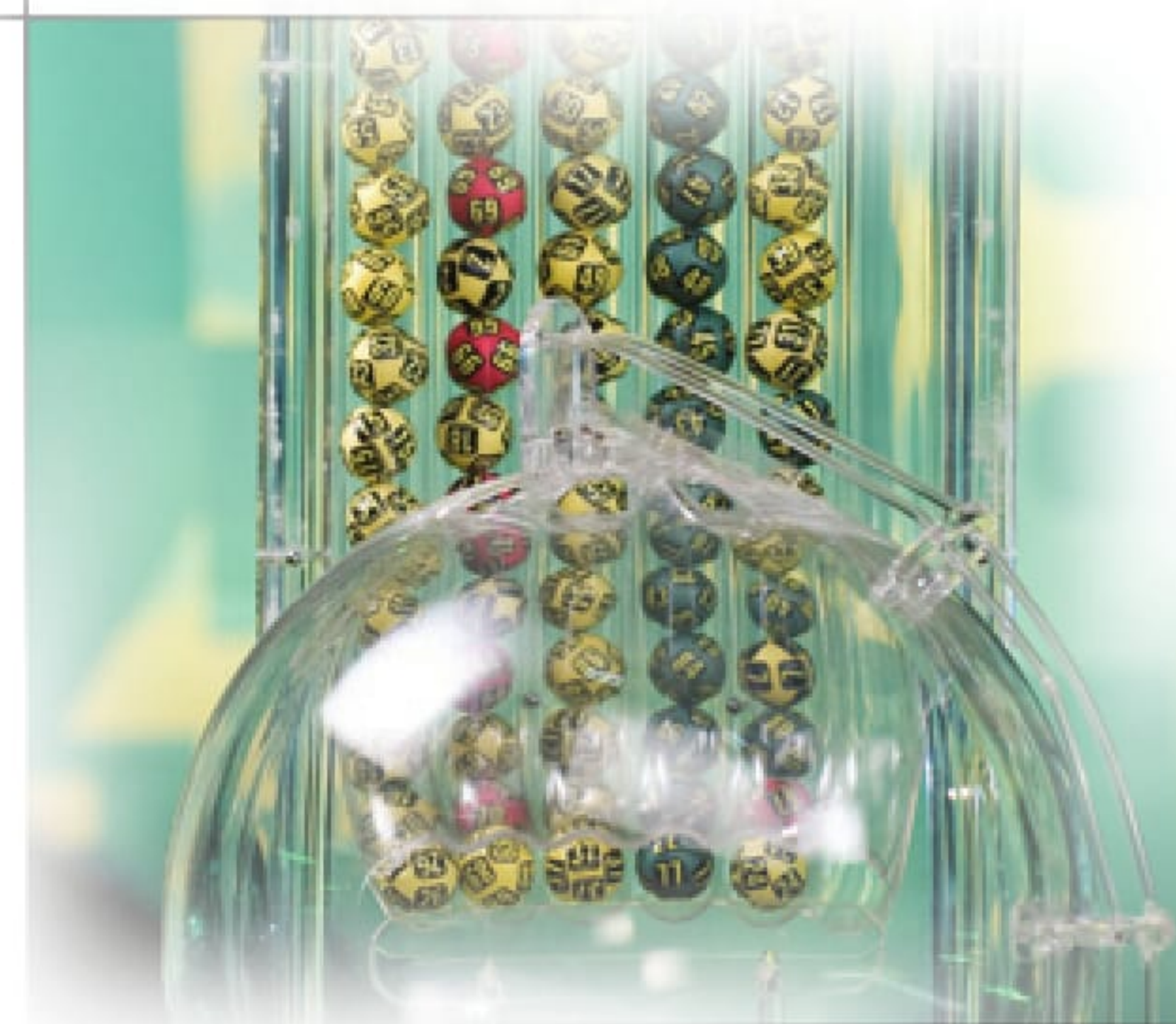
Szerencsejáték Zrt. is the largest gambling service provider in Hungary. It has monopoly on the sale of number draw games, sports bets and scratch cards in the territory of the country. Activities of the Company are limited to Hungary with its headquarters in Budapest. Besides the central Board of Directors, there are four regional centres providing for local needs.

The lottery company operates an online sale mechanism with national coverage, as well as an extensive retail network. The complete range of games offered is available at more than 4000 points of sale, of which, as of the end of 2010, 278 are Szerencsejáték Zrt.'s own outlets. The rest are outlets operated privately – post offices, cooperative bank branches in the country, newsagents and other retail shops with various profiles that also sell games. Besides these, more than 2000 further points of sale exclusively sell scratch cards.

Szerencsejáték Zrt. in numbers	2008	2009	2010
Number of employees	1 294	1 282	1 272
Gambling sales revenues (million HUF)	158 034	153 939	168 490
Number of base game bets (million)	970	964	1 028

The Company also had interests in the operation of two casinos in 2010 as owner and co-owner: Tropicana Casino in Budapest and Casino Sopron. At the end of the previous year two other casinos in the country (in Győr and Kecskemét) were closed. By the end of 2010 Tropicana Casino came completely under the supervision of the Company, managed directly and indirectly via SZRT-SERVICE Kft. Beyond this, SZRT-SERVICE Kft. is also responsible for operating the Holiday and Education Centre as well as the maintenance of the charity sales network that employs people with disabilities. For details, see Section 8.3.

OTP Sports Betting and Lottery Directorate and Hungarian Gambling Company, operating briefly and temporarily in 1990 after the former one was transformed, were legal predecessors of the Company. Szerencsejáték Zrt. has existed in its present form since 1991. The accomplishments of the two decades that have passed since, i.e. the introduction of new games, total change-over to the online terminal sale system, introduction of electronic means (phone, internet, SMS, ATM) to the sale process and the highest-amount prizes define the picture that the public has about the national lottery company today.



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These events have recently been complemented by making the public acquainted with the notion of responsible gaming. The promotion of responsible gaming is an exceptionally important pillar of the operation of Szerencsejáték Zrt. these days. This is the principle that the Company always bears in mind during its work: we offer clear, legal and safe games to the public, guaranteeing an amusing experience to adult Hungarians.

The five-number draw lottery is the oldest of the Company's drawing games, played in Hungary since 1957. This group of games also contains the six-number draw lottery, Scandinavian Lotto, Joker, Kenó, Luxor and Puttó. The sports betting part of the product portfolio comprise Toto, Goal Toto, Tippmix and Tippmax. The company also has more than a dozen scratch cards, the number of which changes continually. We began 2010 with twelve scratch cards and closed it with fourteen. We introduced six new scratch cards to the market and we retired four types.



Szerencsejáték Zrt. is member to two larger communities, the professional alliances of European and world lottery companies (European Lotteries and World Lottery Association, respectively). We participate in the specialized programmes of these organizations in order to learn best practices and procedures. We always consider the jointly elaborated set of values as a guidance, at the centre of which lies the creation of a multitude of values for society. We acknowledge that our activities are limited in scope both in Hungary and internationally as our services are not directed abroad.

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## 2. Our mission and values

The mission of Szerencsejáték Zrt. is to provide quality services, based on responsible gaming, and enable adult Hungarians to engage in games, participate in mitigating social risks related to gambling, create and convey values and contribute to the financing of public expenditure.

Key values of the Company include the trust of players, social acceptance, the depth its products are settled in society, a multi-faceted game portfolio, an extensive national sales network, the technology system and the multi-channel sale practice, the expertise of its employees, its social commitment, experiences, practical, efficient mechanisms and openness to new endeavours.

Our activities are integrated into the national economy. Tax and dividend revenues from state-sponsored gambling serve public purposes. Beyond our contributions to the budget, we create employment and an extra source of income to several thousand retail traders. The company aims at keeping up its financial stability and profitability in the long term for its owner, the government, with joint optimization of tax and profit earnings.

### Code of Ethics

The voluntary creation of our Code of Ethics is an expression of our endorsement of values and behavioural principles that we feel our own and encourage to follow as they contribute to strengthening the social commitment of our organization, to implement the standards of responsible gaming in the practice, preserve the trust of players and improve the quality of our services.

Corporate social responsibility and responsible gaming requirements set down in the Code are as follows:

1. **Balanced operations**
2. **Responsible game development**
3. **Upholding market control**
4. **Regulatory compliance**
5. **Protection of national market**
6. **Social value-creation**
7. **Protection of players from negative impacts**
8. **Data protection and privacy**
9. **Reduction of risks of abuse**
10. **Ethical treatment of players**
11. **Responsible advertising**
12. **Training**
13. **Guaranteed payment of prizes**
14. **Responsible personal behaviour**
15. **International cooperation**

Our first official Code of Ethics was published in 2007, with both our mission and the introductory key principles being worded with responsible gaming at its centre. The Ethics Committee, reporting directly to the CEO, is responsible for monitoring compliance with ethical standards, managing and investigating ethical issues. The Code of Ethics is publicly available to all on the Company's website.



### 3. Corporate management structure

Pursuant to Act CVI of 2007 on State-Owned Assets, Szerencsejáték Zártkörűen Működő Részvénytársaság is to remain permanently in 100 percent government ownership. Founder's rights and, consequently, General Meeting rights are exercised by MNV Zrt., the Hungarian State Holding Company. This ensures continuous monitoring of the company's management and the integrity and growth of the part of our national wealth embodied in the Company.

Szerencsejáték Zrt. is a one-person stock company, a general successor to Magyar Szerencsejáték Vállalat (Hungarian Gambling Company), created through transformation in 1990. The Company was founded and its activities began on 1 January 1991.

Gambling poses increased risks for society – gambling is not a normal trading product. The organization of gambling is a special economic activity regulated by the Act on the Organization of Gambling. Regulation of gambling organization aims at protecting society, with special regard to maintaining public order, health and security.

Leadership of the Company lies with the Shareholder (exercising General Meeting rights), the Board of Directors, the Supervisory Board and the Chairman of the Board of Directors. Authority of the General Meeting, the Board of Directors and the Supervisory Board is regulated by Act IV of 2006 on Business Associations and the Deed of Foundation of the Company. Operation of the Board of Directors is regulated by the self-accepted statutes; the detailed operation rules of the Supervisory Board are laid down in the Statutes created by the Board and approved by the Shareholder.

#### General Meeting

The General Meeting is the supreme decision making-body of Szerencsejáték Zrt.; its authority is exercised by the Shareholder via founder's resolutions.

#### Board of Directors

The Board of Directors is the Company's management body. The Board can have no more than seven members (currently there are six), elected by the Shareholder by virtue of its owner's rights. The Board is responsible for monitoring strategy implementation and management performance. The Deed of Foundation and the Organizational and Operational Rules (Bylaws) set out the sphere of activity of the Board of Directors, its sphere of authority; and separate statutes regulate the rights and duties of the Chairman. The Chief Executive Officer is, pursuant to the Deed of Foundation, also the Chairman of the Board. The Board of Directors decides in all affairs pertaining to the CEO's employment that is outside the Shareholder's authority.

#### Supervisory Board

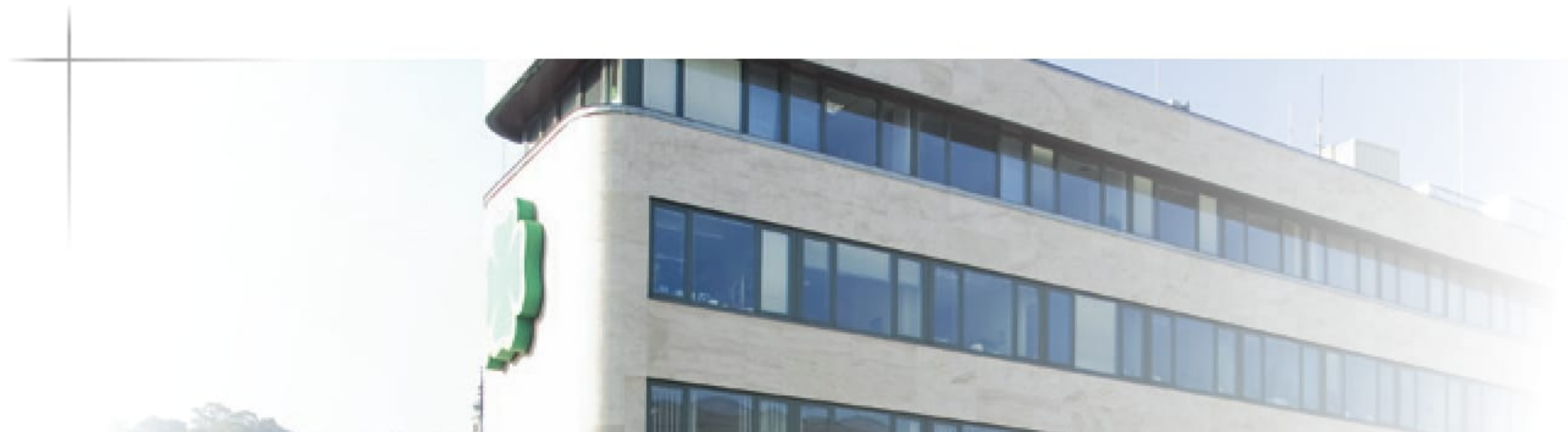
A Supervisory Board with no more than six members (presently there are five) monitors the management and operation of the Company. The Supervisory Board, upon order of the owner, monitors the Board of Directors' activities and ensures that it carries out its tasks with the maximum commitment and care. Two members of the Supervisory Board represent the employees.

#### Chief Executive Officer

A CEO appointed by Shareholder heads the working organization of the Company. The CEO carries out his or her tasks in the framework set out by existing legislation, the Deed of Foundation, Resolutions of the Owner and the decisions of the Board of Directors.

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Key tasks of the CEO as set out in the Bylaws include:

- heading the working organization of the Company,
- ensuring lawful operation,
- making proposal for the creation of the Company's strategy,
- preparing the business policy concept and the complex business (economic) plan of Szerencsejáték Zrt. as well as organizing and monitoring their implementation.

The CEO is entitled to decide in all cases not under the authority of the Shareholder, the Board of Directors or the Supervisory Board. The CEO shares his or her authority with the managers of the organization, in line with the decision-authority system prescribed in the Bylaws; however, sharing spheres of authority does not affect his or her personal responsibility. The Owner does not exercise any appointment rights concerning other managers of the organization – this is the prerequisite of the CEO.

#### Organization, directorates

The Company is managed by parallel directorates with complementing business and functional responsibilities. Their activities are coordinated by the CEO. The directorates with business responsibilities ensure the

elaboration and implementation of valuable competitive strategies, as well as compliance with internal and external regulations and legislation. Directorates with functional responsibilities support the efficient operation and development of business processes.



At the end of June 2010, after the appointment of the new CEO the organizational structure was reorganized and slimmed down. In parallel, most directors were changed. Some of them were replaced with external professionals and in some cases long-standing employees of our Company were promoted to higher-level tasks at strategic levels. In order to ensure transparency and clarity, hereafter we will use the names of the

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following figure when referring to the directorates. The figure reflects the state at the end of 2010.

The process of the basic activity of the Company consists of several steps, complemented by support activities (sales network and technology, central management and services). We do not elaborate on our work processes in detail in this report; see the following figure for our operation processes.



#### Sustainability and CSR in corporate governance

Our Company has attributed key importance to the questions of CSR and sustainability for years, including the promotion of responsible gaming which, as a result of our sphere of activity, is one of the key CSR tasks for us. Previously this topic was part of the gambling organization area until at the beginning of 2010 a small organization unit was created, named Corporate Social Responsibility Coordination, answerable directly to the CEO.

Parallel to the changes of our external environment and the increase in the expectations of our stakeholders, the tasks and aims of the Company has also become broader, clearly necessitating the development of our team responsible for corporate social responsibility. In the second half of 2010 the existing division was restructured and placed within the Marketing and Communications Directorate, named Corporate Social Responsibility Division. Beyond the continuous development of the promotion of responsible gaming, a key task of the new division is the general coordination and development of CSR-related questions and laying grounds for strategic-level integration.

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## 4. Key pillars of our responsible operation

When we have analysed our corporate social responsibility approach, we extended beyond the typical division of economy – environment – society and defined the domains we wish to implement aspects of sustainability in. The remaining part of our report is structured so that each chapter shows our accomplishments and plans as well as the underlying philosophy in the domain of a respective pillar.

The five key pillars of our responsible operations: transparent business operations integrating the aspects of sustainability (responsible management); provision of ethical and safe services to the adult Hungarian population (promotion of responsible gaming); supporting society by sharing our revenues fairly (social commitment), employer's responsibility vis-à-vis its employees (responsible employment); and the protection of environmental resources, decreasing our environmental impact (environmental responsibility).

Responsible gaming is in the focus of the five pillars, in line with the standards accepted by European lottery companies.

### Key pillars of our responsible operation



### 4.1. Our key accomplishments and objectives

#### Responsible management accomplishments in 2010

- As from the end of March, we switched over to the marketing of virtual lucky cards that can be topped up at terminals. A version of the user interface of the online betting system optimized to mobile phones was completed.
- Based on payments and dividends booked for 2010, our contribution to the budget was HUF 61.6 billion, surpassing that of the previous year. (This includes our payment of gambling tax which was more than HUF 29 billion.)
- Based on the Act on Sports in force, we devoted a pre-defined portion of the gambling tax, more than HUF 4.5 billion, for supporting sports, through the state budget.
- We supported the operation of the National Cultural Fund with more than HUF 10.5 billion, 90 percent of the gambling tax from the five-number draw lottery, as set out normatively by law.
- A pilot network communication system was completed (ELOS IP Pilot), and during the year more than 400 terminals switched over to communication based on internet protocol.
- After the management was changed mid-summer, the management structure of sale regions was restructured. Financial management was centralized.
- In December we began elaborating the new mid-term business strategy and repositioning of the state lottery company in line with market and social expectations.
- In 2010 there were no fines resulting from legal issues imposed on the Company.

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**Our responsible management objectives for 2011**

- Revision of the responsibility and tasks of the Corporate Social Responsibility Department, development of operative tasks, enhancement of the organization.
- Preparation of a CSR/sustainability audit.
- Preparation of a CSR/sustainability strategy in line with the business strategy.
- Preparation of a Corporate Social Responsibility Report.

**Responsible gaming accomplishments in 2010**

- In June Szerencsejáték Zrt. received the Responsible Gaming Certificate attesting compliance with the Responsible Gaming Standards of the European Lotteries. At the end of the year the Company applied for a responsible gaming organizer certificate from WLA (World Lotteries Association), which it won in January 2011.
- We requested Ipsos Zrt. to conduct a research for us named 'Problem gambling and the promotion of responsible gaming'. Results from this research greatly contributed to our work.
- We entered into a cooperation agreement with Healthcare Strategic Research Institute (ESKI). As a result, a gambling addiction information page was created on dr.info.hu, operated by ESKI, through which gambling addicts and their family members can get direct help from professionals.
- We published a brochure entitled 'Play in moderation!' that informs readers about the prevention and treatment of gambling addiction and promotes responsible gaming. The publication is available at all our points of sale.
- We introduced the option of self-limitation to our online betting system.
- In the autumn of 2010 we conducted a successful responsible gaming campaign, including bettors' meetings. We used several channels in the printed press and online media to call people's attention to the

dangers of gambling addiction and we presented the responsible gaming practices of Szerencsejáték Zrt. In the final stage of the campaign we directed the spotlight on our Company's contribution to public affairs.

**Responsible gaming objectives for 2011**

- The extension of the online self-limitation system to more games.
- Renewal of the 'Play in moderation!' brochure in looks and contents. The new title will be Keep it a game!
- Renewal of the employees' responsible gaming training.
- Highlighting the issue of the promotion of responsible gaming in our external communications.

**Our accomplishments in social commitment in 2010**

- In 2010 our Company decided on direct givings of HUF 843 million; actual payments booked were HUF 739 million. This was great help to 123 various organizations and institutions.
- We entered into a cooperation with WWF Hungary. We issued the World of Animals scratch card, the revenues of which are directed to this NGO.
- We helped reconstruction after natural disasters: we played our part in mitigating flood damages and the consequences of the October 2010 red sludge disaster of Kolontár.

**Our social commitment objectives for 2011**

- Development of stakeholder processes.
- Adaptation of the policy of corporate volunteering, organization of two corporate voluntary programmes during the year.
- Further improvement of the accessibility of outlets directly owned by the Company.
- Marketing of a new scratch card for charity purposes, just like the World of Animals ticket.

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### Our accomplishments in responsible employment in 2010

- First in Hungary, in February 2010 we attained the silver medal of Social Label, granted to employers promoting corporate social responsibility.
- Sociological survey for measuring internal employee satisfaction.
- Complex health screening examinations for employees, with the involvement of several hundred colleagues.
- Provision of free spa service to employees under an agreement made with Budapest Gyógyfürdői Zrt. (Budapest Spa Zrt.).
- Option to participate at stress relief and stress management events for employees.
- Information package of general interest delivered to our employees concerned about bodies of law, grants and reductions for disadvantaged people.
- In October 2010 the charity sales network that we support won the 'Disability-friendly workplace' medal.

### Our responsible employment objectives for 2011

- Development and renewal of our Equal Opportunity Plan.
- Preparing another internal satisfaction survey.
- Introduction of the cafeteria benefit system.

### Our environmental responsibility accomplishments in 2010

- The selective waste collection introduced in our central buildings led to a substantial change in the behaviour of our employees by 2010. The amount of selectively collected waste in this year exceeded the results in the year of introduction more than three times.
- Ever since the marketing of the Winning Card scratch card in mid-2010 a 'recycling' emblem on the back of our coupons has shown their recyclability.

- We began creating the facilities necessary to enable our employees to come to work by bicycle (storage, shower, dressing room).
- With the creation of uniform packages, the environmentally conscious solution of the Department of Logistics helped to decrease the number of substandard goods substantially.
- Part of a pilot project, we have installed alternative heating systems in some outlets.
- Replacement of paper wipes with efficient hand dryers in our central office building.

### Our environmental responsibility objectives for 2011

- Increasing energy efficiency.
- Improving waste management, reducing waste generation.
- Introduction of selective paper collection in the outlets.
- Increasing substantially the amount of recycled paper and envelopes used, made of 100 percent waste paper.



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## 5. Our stakeholders

The successful operation of Szerencsejáték Zrt. is inseparably linked to the groups impacted by its activities. Our Company lays great stress on taking the opinion of these stakeholders into consideration for its decisions. The degree some groups are impacted, and therefore the level of their involvement, can be different. Surveying the needs and expectations of players and building our findings into our business practices, ongoing contact with authorities and professional deliberations, informing our partners and listening to their advice, as well as other forms of the promotion of responsible gaming and corporate social responsibility are all important for us. All of these are questions we have to address day by day in order to keep our Company competitive in the long run and to enable it to meet social and market needs.



As a state enterprise we have probably an even greater responsibility than average for our social and natural environment, so the dialogue we conduct with our stakeholders is of exceptional importance for us. We think that our contacts with our stakeholders can only meet the criteria of ethical behaviour and efficiency if this communication is bilateral, transparent, regular, problem and solution oriented, has many participants and does not lack feedback.

Consequently, we not merely inform those influenced by and/or influencing our activities, we also ask their opinion, utilize their experiences and take their insight into consideration. We release publications about our business and responsible gaming promotion activities and our products, we organize player and partner meetings and press conferences. On our website and in the social media our communication always builds on involving our players.

Among our stakeholders we attach outstanding importance to our players, employees, business partners, suppliers, our owners and the authorities concerned by our activities. Besides this, naturally, we also give attention to our cooperation with NGOs and press representatives.

### 5.1. Owner

The Company is fully owned by the state; in practice owner's rights are exercised by MNV Zrt. For further details on ownership, see Company management structure.

### 5.2. Employees

Basically, the Human Resources Directorate used to be responsible for employee contacts within Szerencsejáték Zrt. However, as from mid-2010, the Marketing and Communications Directorate took over the lead in employee communication, being also responsible for internal publications and the intranet. Letters of Luck (Szerencselevelek) is the Company's own journal, serving the information of employees and briefing them on current changes, events and accomplishments. Our intranet system contains all documents necessary for supporting daily work. The Trade Union, the Works Council (a company-wide organization) and



the Ethics Committee have been helping the representation and upholding of employees' opinions and interests within the Company for years.

The regularly performed employee satisfaction survey provides feedback to the Company management about the level of employee commitment and also highlights the fields that our colleagues think must be developed.

### 5.3. Players

Management of opinions and help requests is primarily provided for by our customer service, which is a key instrument in player involvement. Our consumers have several ways to declare their questions, proposals or complaints: in traditional letter, e-mail and by phone, or personally in outlets where sales representatives collect the feedback from. Our customer service colleagues react to client requests as necessary and as soon as possible (not later than 30 days).

During 2010, our customer service received 108 claims by the post and 507 electronically. The large part (59) of claims by the post were related to number draw games whereas 357 of electronic claims were requests for help by our customers concerning our electronic games.

All our customer service employees are up to date about the services of the Company and the games we offer. We record and analyse all calls to improve service quality and ensure safety of the parties. Besides customer service employees, consumer-related affairs and tasks

are managed with cooperation between our internal audit and the communication division. In case of need people can turn to the customer service with problem gambling questions as knowledge and recommendation of the company information booklet on this matter is a prerequisite for our employees in that department.

Complaints and other declarations are investigated by those responsible at all regional directorates. They prepare a draft answer letter that within 20 days after the receipt of the declaration they send to the complaints manager of the Legal Affairs and Control Directorate. At his/her initiative the head of Control can claim right to the investigation. The claimant is sent a paper-based or electronic reply about the measures taken or omitted as a result of the completed investigation of the complaint.

Besides the above, we grant our bettors opportunity to meet our managers. These bettors' meetings are always declared in advance. Proposals and observations that are voiced there are processed by competent organization units. During our responsible gaming campaign in the autumn of 2010 we organized bettors' meetings with press conferences in 10 towns in the country. A psychologist specialized in gambling addiction was also there as a guest speaker who directly answered players' questions.

The management of winners is also an important question in our contacts with players. Our terminals only recognize any prizes above HUF 200,000 by displaying the term 'Big Prize' to protect those who win substantial amounts; getting the actual amount requires a separate process in writing. Prizes in the range of several millions can be declared via the big prize winner lines advertised in outlets and on our



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website where our colleagues inform the customers about the further process of claiming the prize. Under no circumstance do we disclose any information about the winners of big prizes to any unauthorized third parties.

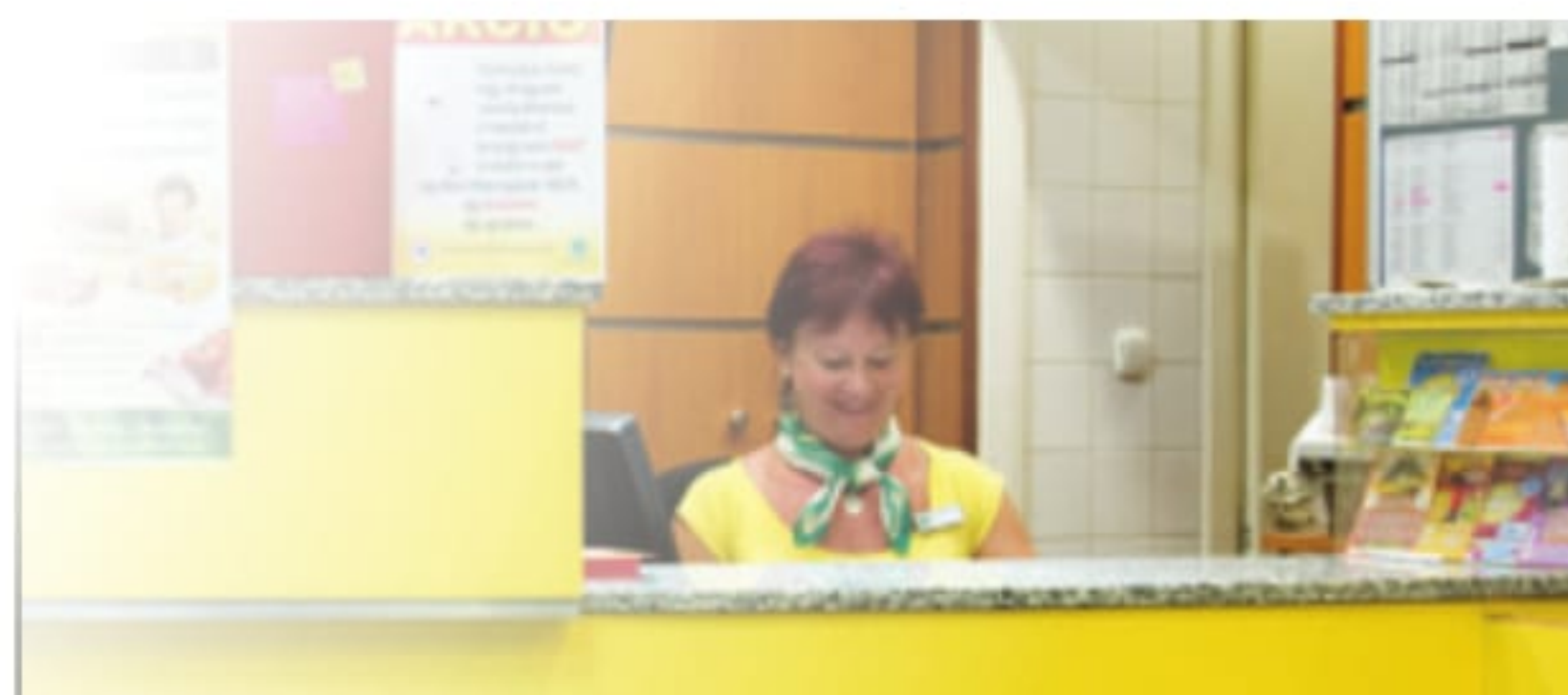
## 5.4. Sales partners

Sales partners, both considering business aspects and the image of the Company, play a very important part in the life of Szerencsejáték Zrt. The first step of our relationship with them is the terminal management course. These courses entail the free training of the employees who sell our products, up to 3 persons.

The curriculum introduces them to the operation and expectations of our Company, as well as the most important products and the tasks related to them that are indispensable for the regular operation of points of sale and for providing high-quality services. Material and documents necessary for operation are delivered to them through our posting system.

We hold regular partnership meetings for our sales partners. The system of monthly reports is also a tool available to them to voice their questions, experiences and suggestions with the Company. Several regions have for a long time had the practice of sending newsletters to their sales agents.

According to data from the end of 2010, Szerencsejáték Zrt. has 278 outlets throughout the country with more than 550 online terminals in them, operated by our own employees. This is called the Company's own outlet network. Sales partners are all those outside the above domain, who therefore market our products on the basis of contracts for work, at other points of sale. The marketing of our products can only be considered an auxiliary activity at most points of sale. Some of our sales partners include the Hungarian Post Company, Lapker (a news vendor), MOL Hungarian Oil and Gas Company and Spar Hungary. Private entrepreneurs selling our games in their own shops are also our important partners. The commission we pay is an important extra income for them through which we can contribute to the maintenance of these enterprises and, indirectly, to the livelihood of their employees. The number of our points of sale with online terminals exceeds 4400 (including our own outlets). Besides this there are about 2050 further points of sale where our players can buy scratch cards. Our scratch card sales network provided employment to about 200 people with disabilities in 2010.



2010



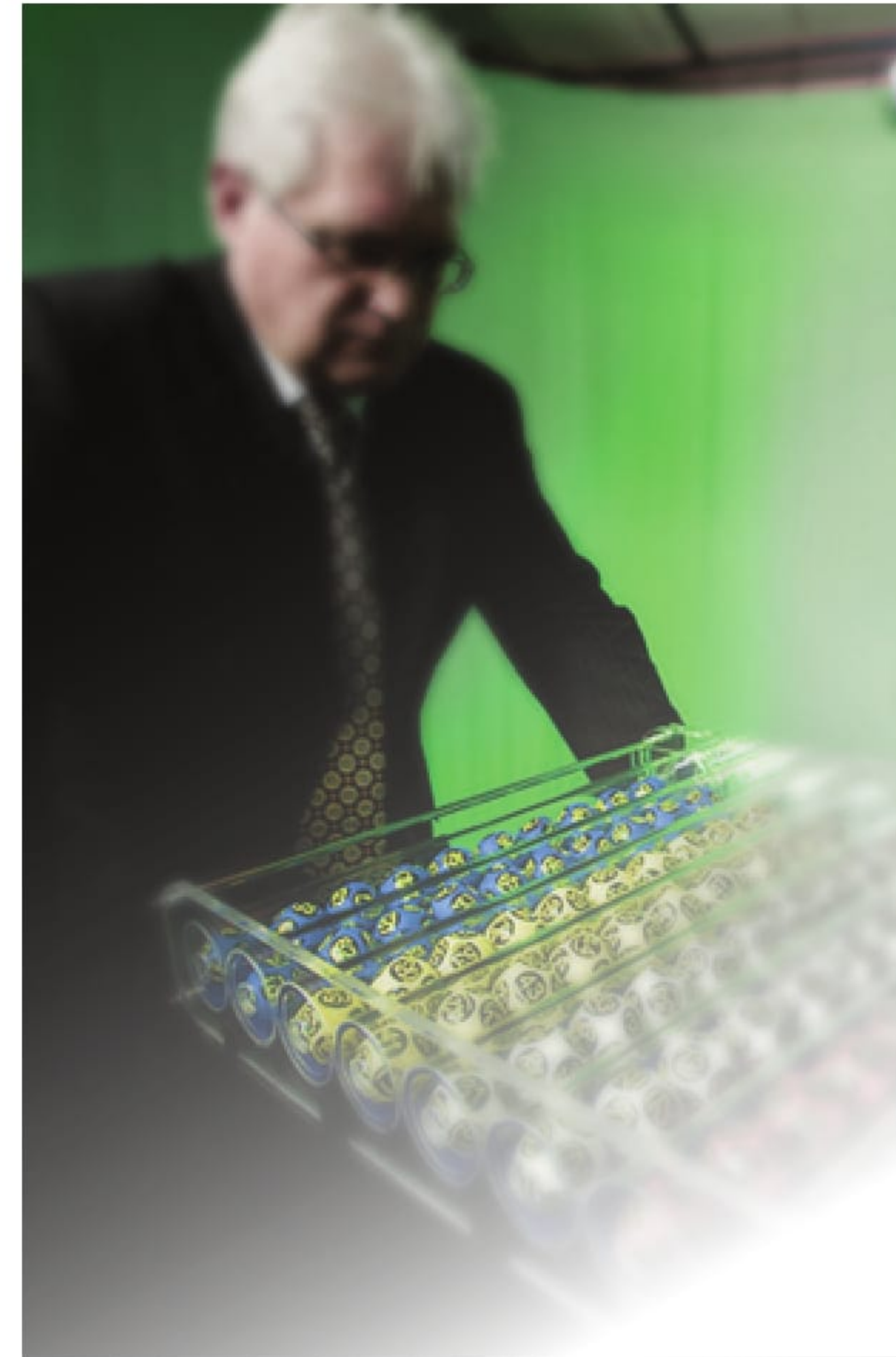
### 5.5. Suppliers

Efficient cooperation with our suppliers is an integral part of our business successes. Owing to our special activities our services and products have to meet the highest security and quality regulations, ensured by our key suppliers. This is why we strive to develop long-term professional cooperation with our partners. Although the specificity of our industry results in our suppliers being mostly foreign companies, evidence of their environmentally conscious operation is of great importance to our Company.

### 5.6. Official organizations, authorities, sister organizations

We maintain regular contacts with our licensing and control supervision organization (the Gambling Supervision Department, a subdivision of the tax authority) and devote extra attention to ensure the compliance of our partnerships with our bylaws and relevant legislation.

As a member of leading international gambling organizations (EL, WLA), Szerencsejáték Zrt. is a partner to other state-owned gambling companies and always endeavours to formulate common opinions and, if necessary, joint action. From time to time we help these organizations as a host to organize and carry out some events (e.g. EL conference).



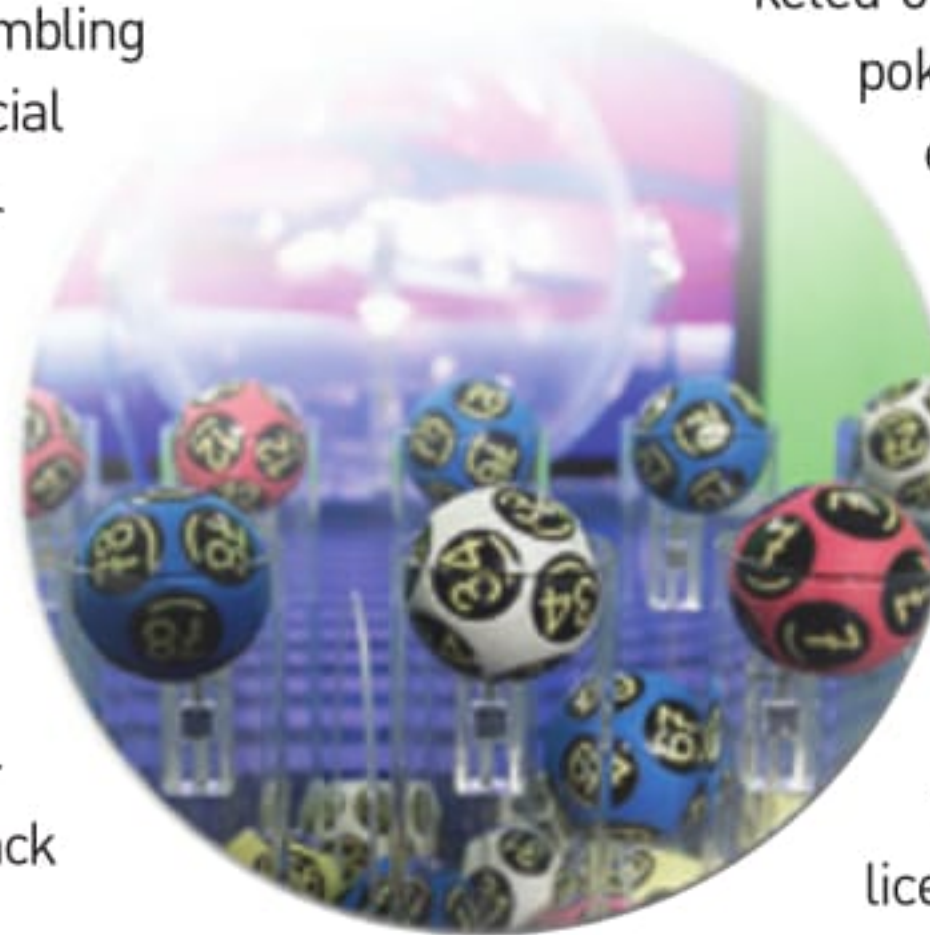


## 6. Our key business accomplishments – responsible management

Szerencsejáték Zrt. closed a successful financial year in 2010 and surpassed its objectives despite the fact that business environment was characterized by a multitude of uncertainty factors during the year. Our revenues realized set a new record for our state lottery company that celebrated its 20th anniversary in 2011. Our activities of 2010 fulfilled the expectations of society towards our company and our accomplishments serve as a sound base for reaching our business objectives in 2011.

### 6.1. Development of the business environment

Various positive and negative influences reached the gambling industry during the year in our business, legal and social environment alike. The protracted economic crisis still had its impact on consumption. There was no substantial development in the EU regulation of the European gambling market, however, the potential modification of online-game regulations is a current issue in several countries. One of the greatest challenges the Hungarian gambling sector is facing is the ongoing stagnation of household income, the increasing penetration of illegal transnational online games and the lack of settlement of legal regulations in several fields.



#### Contrasting trends in the Hungarian gambling market

For most legal entities of the Hungarian gambling market, 2010 brought no relief after the setback of 2009. Therefore it is an exceptional success that despite the more difficult circumstances the turnover of Szerencsejáték Zrt. increased beyond the expectations in 2010. In case of the number draw games the substantial top prize accumulation that evolved in the five-number draw lottery also played an important part in this with the turnover it generated, and we also sold more scratch cards to our players. However, in our experience the demand for tradi-

tional number draw games, which used to have the largest number of players before, fails to increase at the pace it used to in previous years. The popularity of bookmaker bettings has further risen among betting games and became especially prevalent during the FIFA World Cup. Toto keeps losing its popularity, quite in line with European trends.

The presence of online bookmakers with Hungarian interfaces operated from abroad without a Hungarian licence is also conspicuously on the increase. These offices are our direct competitors in the field of bookmaker bets; however, in some game types that cannot be marketed online according to Hungarian legislation (such as online poker and casino) they have monopoly. As confirmed in several judgements passed in 2010 by the European Court of Justice, a gambling licence issued in one Member State is not automatically valid in another.

In April a joint press conference held by the Ministry of Finance, the Ministry of Social Affairs and Labour, the Hungarian Tax and Financial Control Administration and the Authority for Consumer Protection made it clear that in Hungary Szerencsejáték Zrt. alone has the licence to organize and market some of its games online.

### 6.2. Business operation profits

In 2010 both the revenues and operating profits of Szerencsejáték Zrt. exceeded the forecasts. Financial profits were better than expected as a result of an increase in financial efficiency, higher interest rates and some extraordinary income. Our Company has no long-term debts, our good capital supply and sound financial policies make the Company's liquidity stable.

2010



Net domestic sales came HUF 169 billion, 99.7 percent, i.e. HUF 168.5 billion of which results from the sale of gambling products. This figure is 9.5 percent higher than that of the previous year.

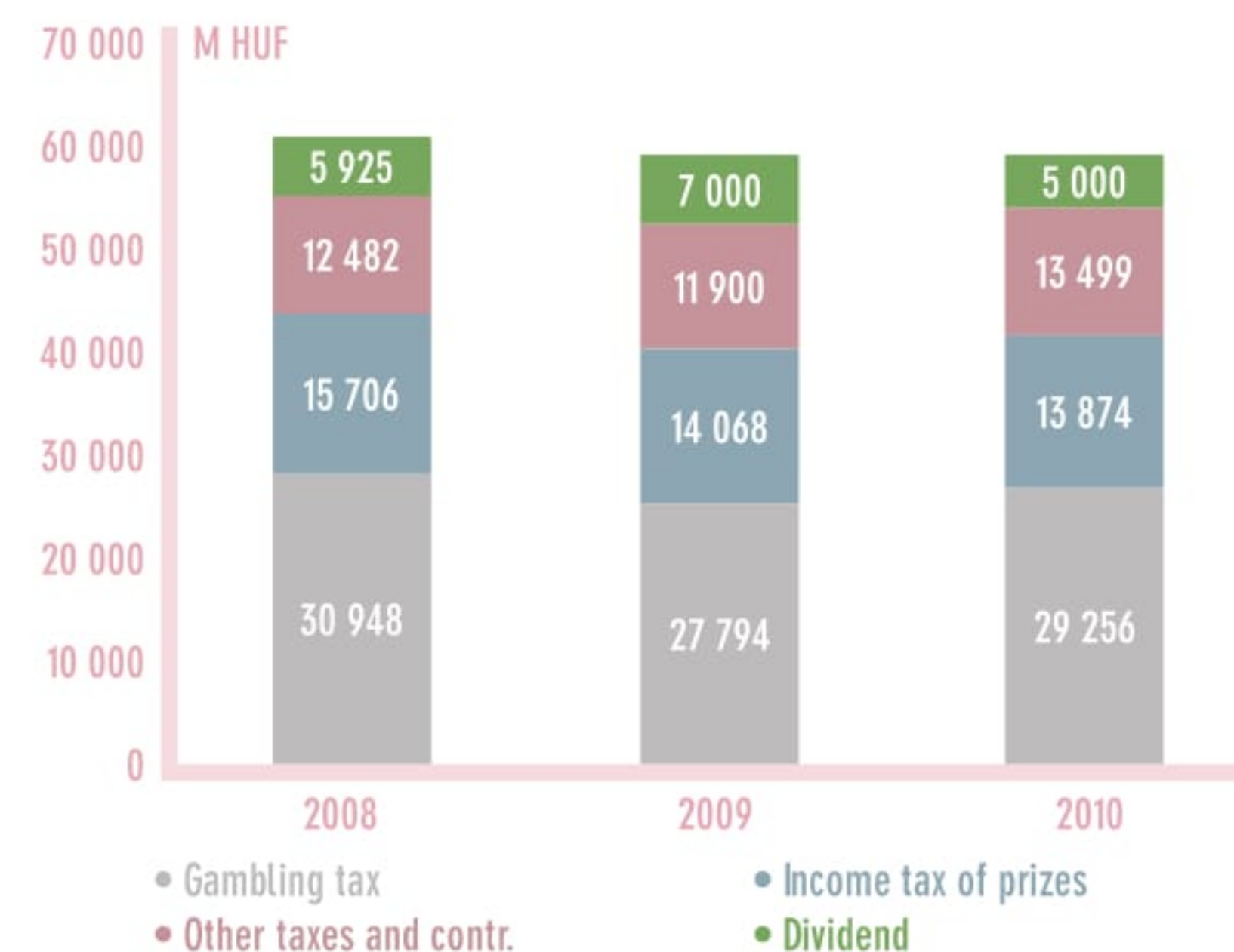


### Financial obligation

Thanks to the state tax policies that regulate the market, Szerencsejáték Zrt. can contribute to public expenditure substantially. Based on payments and dividends booked for 2010, our contribution to the budget was HUF 61.6 billion, surpassing that of the previous year.

The largest entry in our contributions to the budget, i.e. the gambling tax reached HUF 29.3 billion according to the books, HUF 1.5 billion more than in the previous year. The personal income tax payable for the prizes shown in our financial accounts, HUF 13.9 billion, is practically equal to that of the previous year. The cause is that the games that are rapidly expanding (bookmaker's bets, scratch cards) entail no personal income tax payment obligation.

### Contributions to state revenues



### Profits

The Company attained operating profits of HUF 6.8 billion, 3.1 billion more than in the previous year, mostly thanks to the changes of our turnover and cuts in expenditure.

Our financial profits reached HUF 1.1 billion, and after deducting our extraordinary losses (because of finances devoted to the direct support of socially useful goals, i.e. sponsorship and donation) our profit before taxes reached HUF 7.1 billion. With the deduction of corporate tax, our profit after tax was HUF 5.6 billion.

# 2010



Profits (million HUF)	2008	2009	2010
Operating profit	5 849	3 653	6 758
Financial profit	1 406	2 440	1 068
Profit before tax	6 891	5 727	7 119
Profit after tax	5 925	5 096	5 589

### Economic values produced and shared

Produced and shared economic values assembled in a structure based on GRI guidelines differs from the structure usual in accounting. In this arrangement the indicator of produced economic values is the sum of revenues minus net prizes and financial income. The manner these economic values are shared shows that Hungarian society receives a fair share from the profits of state-owned gambling services. Retained profits include development investment devoted to the restoration and enhancement of instruments of production.

Direct economic values produced and shared (million HUF)	2008	2009	2010
<b>Produced economic values</b>	<b>89 614</b>	<b>84 923</b>	<b>88 867</b>
<b>Shared economic values</b>	<b>87 083</b>	<b>82 589</b>	<b>85 858</b>
Other operating expenses	21 448	22 582	22 346
Employees' salaries and in-kind benefits (including payroll taxes and contributions)	8 252	8 240	8 636
Payments to capital investors	5 925	5 096	5 000
Payments to the budget (excluding payroll taxes and contributions)	50 518	45 936	49 033
Community investment	939	735	843
<b>Retained profit</b>	<b>2 531</b>	<b>2 334</b>	<b>3 009</b>

### Risk management

The Company's activities entail market, operating, legislative and financial risks. The Company pays particular attention to these risks and constantly keeps them at an acceptable level.

Market risks may include in the short term (over a period of one year) changes to the income situation of households and variations in the part of their income that is freely available. We try to mitigate the risk by strengthening the sports betting field – the segment where competition is the strongest. One of the most important elements of our operating risks is the safety of our systems and protection of the players' privacy. Our data protection systems are highly developed and our procedures are strict enough to minimize the risk in this area. A legislative risk is the planned amendment of the Gambling Act; however, this is not expected to have any impact yet on our operation in 2011. As for financial risks, the changes of our economic environment creates uncertainty. Our expenditure structure was changed considerably when we introduced wage bill management to our finances. We only invest our liquid instruments into low-risk securities, we assume no long-term commitments, our price and exchange rate exposures are therefore low.

### Protection of information

Information protection, i.e. the safety of the systems Szerencsejáték Zrt. uses for game organization is basic to the business operation and successes of the Company. Safety, both in terms of the entirety of the system and in terms of the individual safety of its elements forms the basis and guarantee of the Company's operation. Consequently, we only use the safest systems, we employ the most advanced technologies available and we introduce strict safety regulations that we comply with at all times. Data received are stored at various locations, i.e. no actual

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data loss can occur. Our whole information system is closed, any external, unauthorized access is physically impossible.

Our drawings rely on devices in compliance with international standards and Hungarian regulations. Both the devices and the drawing process are verified by independent, external auditors (the Gambling Authority, public notaries, the measurement authority).

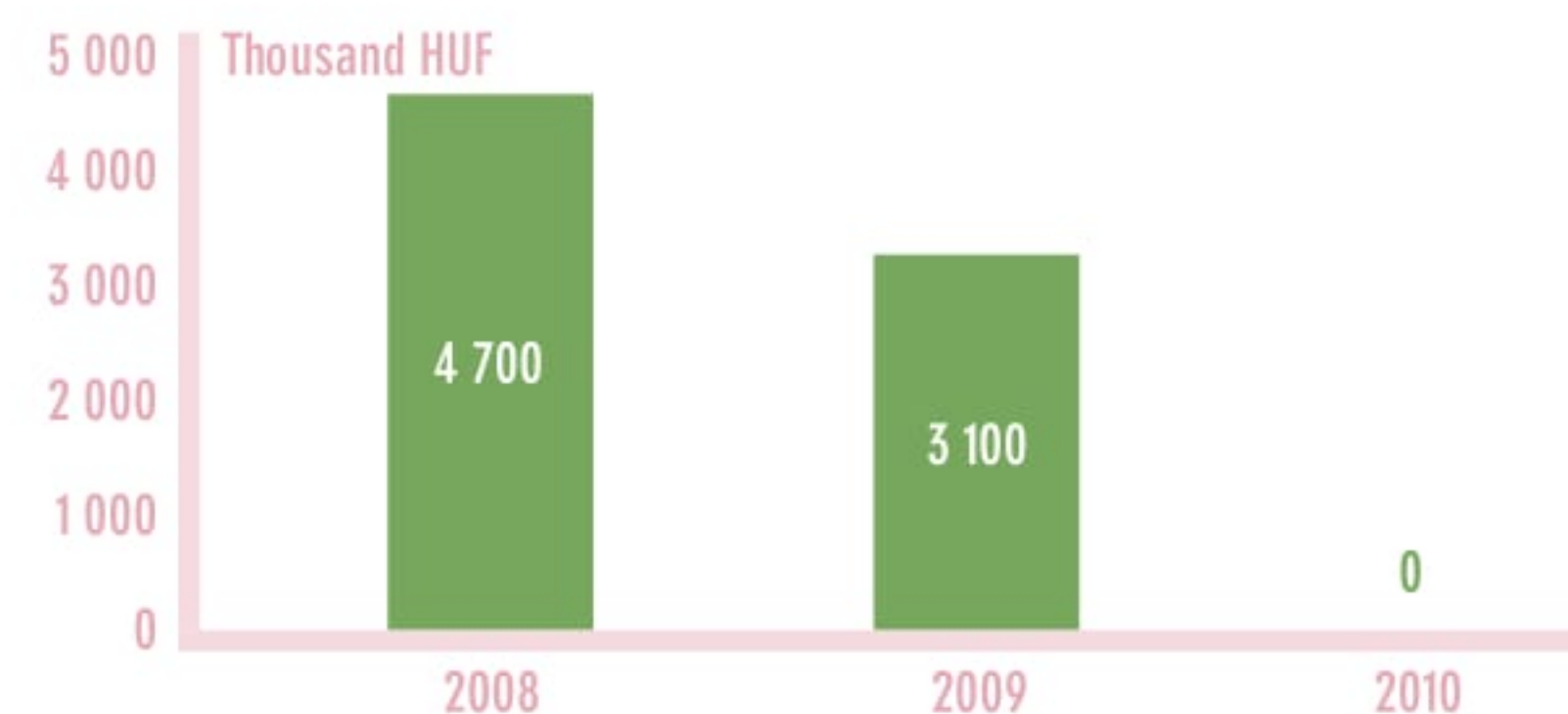
Besides our employees operating the system, safe operation is ensured by the Gambling Supervision Department of the tax authority and oversight by experts of the supplier of the system, a US development company. The system is audited during the annual audits and during specific examinations necessitated by some development tasks, carried out by IT audit companies with the most extensive expertise.

#### Legal affairs

The Company rarely has any legal disputes or lawsuits related to claims to prizes. Our games are precisely regulated and organized in a correct and safe manner – therefore these legal disputes have practically no negative consequences for the Company.

Most fines imposed by the Gambling Authority result from deviations from accepted gaming plans. We are proud to announce that in 2010 our Company incurred no fine at all.

Amount of fines and penalties



# 2010



## 7. Responsible gaming

A game is basically a joy and problem-free recreation; however, it is important to know that in a small group of people it can induce behavioural issues and can lead to addiction. A responsible gambler only spends as much on gaming as he or she can afford. The amount they spend on gambling is actually a price paid for entertainment. They know that winning is a matter of chance and there are no certain methods for winning. However, excessive gambling can lead to the development of addiction in some risk groups. Gambling addiction is a true addiction the treatment of which entails considerable difficulties for both the experts and the patients themselves.

The organization of responsible gaming is a whole spectrum of activities beyond legal obligations that we employ to protect our players from the harmful effects of excessive gambling. This includes, prominently, the exclusion of gambling options available to minors, protection of social groups otherwise vulnerable and provision of information and tools necessary for prevention and treatment.

Szerencsejáték Zrt. has devoted particular attention to responsible gaming for years. This is not only important as a moral consideration, it is also highly significant strategically: we manage responsible gaming as an integral part of our business strategy and day-to-day business activities that we revise and develop on a continual basis.

### 7.1. Process and results of integration

We believe that the principles of responsible gaming must be manifest throughout our business processes and responsibility cannot be shifted to the players. Consequently, we restructured our business processes so as to meet the Responsible Gaming Standards of the European Lotteries. The programme extended to various changes in the field of

game development, trade, marketing, communications and human relations.

- We call people's attention to the mental hygiene issues caused by excessive gambling in all our outlets. Our 'Play in moderation!' brochure gives advice and information on the prevention of issues and the management of already existing problem situations.
- Our game description booklets ('How to lotto?', 'How to bet?', etc.) contain detailed instructions and precise odds, so informing our players adequately to enable them to decide how much money to risk.
- The terminal operator course educates sales colleagues about the principles and practice of responsible gaming, as well as the regulations to comply with.
- We created the Code of Ethics and Code of Advertisement Ethics of our Company with full consideration of the principles of responsible gaming, so they contain a number of specific rules for this field.
- We do our best to provide more and more information on our website on the social impact and risks of gambling, and the method of help. The cooperation we formed with the Healthcare Strategic Research Institute (ESKI) led to the creation of a gambling addiction information page on ESKI's website.
- In case of our online players a 'traffic light' calls the attention to the level of danger any games entail, and a system of self-limitation and warning features help keep gambling moderate. Our players can also test their susceptibility to gambling addiction.

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A new feature we launched in April 2010 offers our online players the option to set a limit before actually making a bet as to how much they intend to spend at most in the long run. They can set daily and weekly spending limits using the 'Self-Limitation' item in the menu of the online betting system or can set the warning functions. This self-limitation is intended to prevent the formation of problem gambling and related unaffordable spending that can lead to true financial difficulties.

In the second half of 2010 we launched a multi-stage responsible gaming campaign that called people's attention to the danger of problem gambling / gambling addiction and set out the responsible gaming promotion practices of the state lottery company.

The integration of the principles of responsible gaming to the operation of our Company can definitely be considered a success. The games of our Company (although they can be very different if we compare e.g. the slow-pace, 'sober' lottos and the racy Puttó) do not encourage excessive spending and in general do not elicit addiction. Our advertisements are moderate, we do not make the impression that we offer a way to become rich quickly and certainly.

As a benchmark of the success of this integration, in June 2010 we received a certificate from EL attesting our compliance with their Responsible Gaming Standards.

## 7.2. Szerencsejáték Zrt. as a promoter of responsible gaming

With the prize we received from EL, a union of 72 European lottery companies, Szerencsejáték Zrt. became one of the 14 gambling organization companies of the continent that went through the thorough qualification procedure and met all its tough requirements to finally deserve the classification that is only due to the best.

The qualification was preceded by an independent audit carried out by auditor PricewaterhouseCoopers. This included the screening of the Company's operation and activities in line with the requirements of international standards. At the end of the investigation it was recognized that Szerencsejáték Zrt. only markets games that do not fall into the most dangerous category that can lead to the formation of addiction.

The international recognition was a result of our Company's long-term, responsible approach. This, however, entails numerous obligations that we have to live up to during our daily work. These include the organization and financing of researches related to gambling addiction, support for the orientation of problem gamblers, displaying information material to prevent the formation of addiction and provision of information on our online interfaces.



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### 7.3. Obligations we assume

The responsible gaming obligations we assume are based on the standards elaborated by EL which group objectives to 10 different classes.

1. Research
2. Employee training
3. Sales agents' programmes
4. Game design
5. Remote gaming channels
6. Advertising and marketing
7. Treatment referral
8. Player education
9. Stakeholder engagement
10. Reporting, measurement and certification

We now highlight some subdomains of the above classes that the wide public is most likely to get in contact with. Compliance with reporting obligations, listed in topic 10, is certified by this report, the preparation of which was undertaken during the process necessary for obtaining the certification.



### 7.4. Research: Problem gambling and responsible gaming

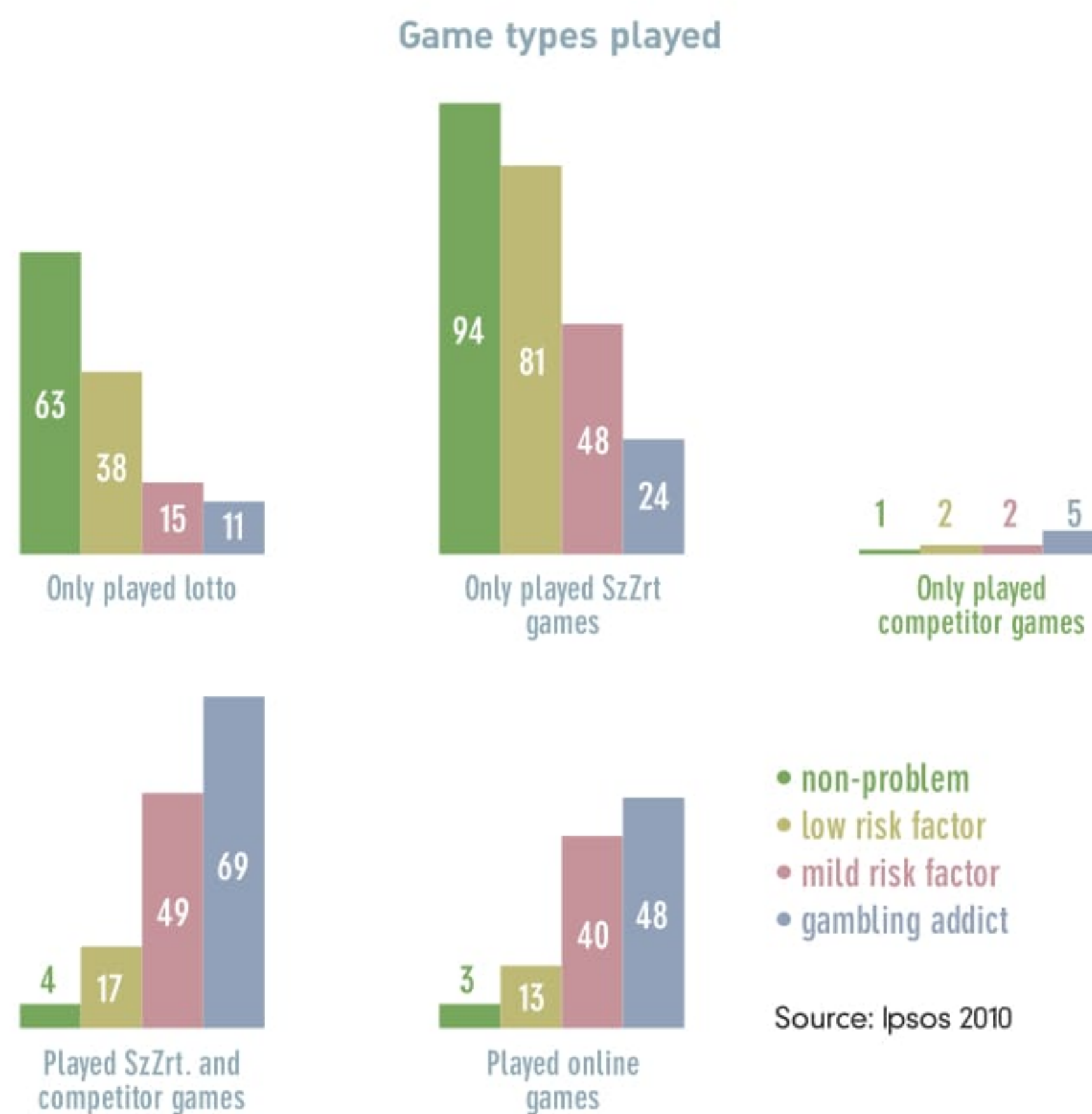
Ipsos Zrt. conducted a national survey at the order of Szerencsejáték Zrt. that was finished at the beginning of 2010. The research included 10,000 respondents and was aimed at better understanding the Hungarian gambling addiction situation and the impact of each game. According to the study 'Problem gambling and responsible gaming', 1.2 percent of the Hungarian population 18 years old or older lives with gambling addiction, i.e. a total of 100,000 persons are affected, whereas the risk factors of 3.8 percent of players are mild and 5.7 percent are exposed to low risks.

The survey also revealed that public opinion considers problem gambling a severe addiction, almost on a par with drug and alcohol abuse. Most respondents knew the basic characteristics and consequences of gambling addiction. The study revealed that problem gamblers prefer quick-paced games that offer an immediate chance to win and games the challenge of which is always varies over time. Slot machines, casinos and the majority of online games are exactly like that, so these pose increased dangers for players. However, gambling addicts tend not to be too selective, so practically any kind of game available is just fine with them.

The survey, based on the gambling practices of the previous year, showed that 94 percent of recreational gamblers chose the games of Szerencsejáték Zrt. 24 percent of gambling addicts only play with our Company, 69 percent place their bets everywhere (but primarily at our competitors), mostly in casinos and at slot machines. 48 percent of addicts choose online gambling. It was also revealed that only 11 percent of non-problem gamblers played as a minor whereas this proportion is 31 percent among addicts.

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The study shows in detail that family members of gambling addicts consider their financial situation much worse than the control group of the study. Whereas 13 percent of family members here feel they live in misery, in the control group only 3 percent do. 45 percent of family members spoke of a considerable decline in their financial situation compared to the period when there had been no excessive gambling in the family. The research revealed that 67 percent of all respondents expected Szerencsejáték Zrt. to support research and 84 percent expect awareness-raising campaigns from the organization.

## 7.5. Responsible gaming design

Our responsible gaming practices also entail prevention, including the design process. The GAM-GaRD software developed by the International Responsible Gaming Organization (IRGO) enables us to examine and assess the level of gambling addiction development risks a given game entails – before the game is actually introduced to the market.

GAM-GaRD examines the risks of all games based on ten characteristics. Each characteristic is unambiguously defined and can be ranked objectively using a scale. They receive scores during the assessment and these scores make up a total score for the game that, just like traffic lights, classifies each game into one of three categories. Games entailing low risks get green lights – this is the case if the total score received during the GAM-GaRD assessment of the game is under twenty. Games in the moderate risk category get a yellow light (this means a total score between twenty and thirty); and games with a total score above thirty get a red light as these entail high risks for vulnerable members of society.

At the beginning of 2010 we examined all games of our Company using the GAM-GaRD criteria and we found not one game with high risks. Before introducing any new products, we always consider GAM-GaRD rankings.

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## 7.6. Defence of minors

Protection of minors is key to almost all subclasses in the EL standard: e.g. in employee trainings, researches etc. Hungarian legislation prohibits the participation of persons under 18 years of age in gambling. Moreover, law prohibits any advertisement that calls on infants or minors to participate in gambling and it is also prohibited to display gambling advertisements in publications that are basically targeted at infants or minors.

Consequently, the protection of youth is consciously a key design criterion in all development activities, media and marketing campaigns performed by Szerencsejáték Zrt. One such consideration during development is that the game should not be attractive to minors. During the design of scratch cards we play particular attention to avoid subjects and looks attractive to minors.

Furthermore, we think it is key that our advertisements and other marketing activity do not target minors and possibly avoid using motifs that children like and are acquainted with.

Our Code of Ethics of Advertisement and Support accepted at the beginning of 2010 stipulates that no persons under 18 years of age can appear in our advertisements, nor can people whose looks suggest they are minors. The age limit logo appears in all our advertisements (in printed materials, information and other posters and the visual material of TV commercials).

As shown above, we take compliance with the rules on the age limitation of 18 years very seriously. Although, if accompanied by adults, naturally children can enter our outlets, they cannot participate in any games and

we do not sell any coupons or scratch cards to them. The warning on the age limitation of 18 is displayed on the back of scratch cards and the front of coupons and in the Participation Regulation available at all points of sale.



The general parts of all documents pertaining to points of sale (regulations, contracts, manuals) prescribe that a sticker with the text 'No persons under the age of 18 may participate in gambling' must be displayed; monitoring tasks include the daily supervision of whether the sticker is there and its contents can be read. The sticker must be replaced if necessary. Sales regulations (concerning sale, payment of prizes, conclusion of contracts) also stress the prohibition by stipulating that in case doubts arise, the player must be requested to certify their age. If they fail to do this, they are refused the sale or the payment of the prize.

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The limitations of course also apply to the Company's online betting site. Besides the warning text displayed here and the red circle with the number 18, the registration process to the online betting system also requires the player to declare that they are above 18 years of age. Players who use m-com, i.e. mobile phone payment and anonymous registration receive a warning in the first text message sent to them by the Company.

Responsible gaming, including the protection of minors, plays an important part in the training of Szerencsejáték Zrt.'s employees as well. Our Company prepares training material regularly. These always include references to the rules of organization, the social risks of gambling and the fact that terminal operators are not allowed to serve youth under the age of 18. Trainings include an introduction to the measures for the protection of youth and players, the description of warnings about gambling addiction. This background enables salespersons to go beyond mere references to legislation – it provides them with genuine arguments of corporate social responsibility for defending our regulations in sale situations.

### 7.7. Code of Ethics of Advertisement and Corporate Giving

We comply with strict regulations in the making of our advertisements, partially based on the new Code of Advertisement Ethics prepared by the Self-Regulatory Advertisement Body (ÖRT) and the Hungarian Advertisement Alliance in 2009 and partially stemming from Szerencsejáték Zrt.'s own Code of Ethics of Advertisement and Corporate Giving.

Our advertisements must comply with general advertisement principles, generally accepted moral and ethical standards and public

taste. As a result of our previous cooperation with advertisement bodies, ÖRT's new advertisement ethical codex contains some rules specific to gambling products. For example the advertisement cannot suggest that gambling is a solution to personal, professional or education problems or that it substitutes work income, is a means of attaining financial security or solving financial problems.



Beyond these our Company worked out its own ethical norms. For example our advertisements are designed not to attract minors and not to encourage them to participate in our games. Our communication is not directly targeted at groups that are vulnerable because of their age or other social factors and we do not cooperate with service providers that offer express loans for participation in games. We do not rely on customer loyalty incentives beyond rational limits that would encourage a more intensive participation in the games in order to improve odds. Advertisements of our Company must always clearly show that winning is a matter of chance.

A commitment of ours in the field of sponsorship is that in order to protect those under 18 we avoid supporting projects that target at persons without an income of their own.



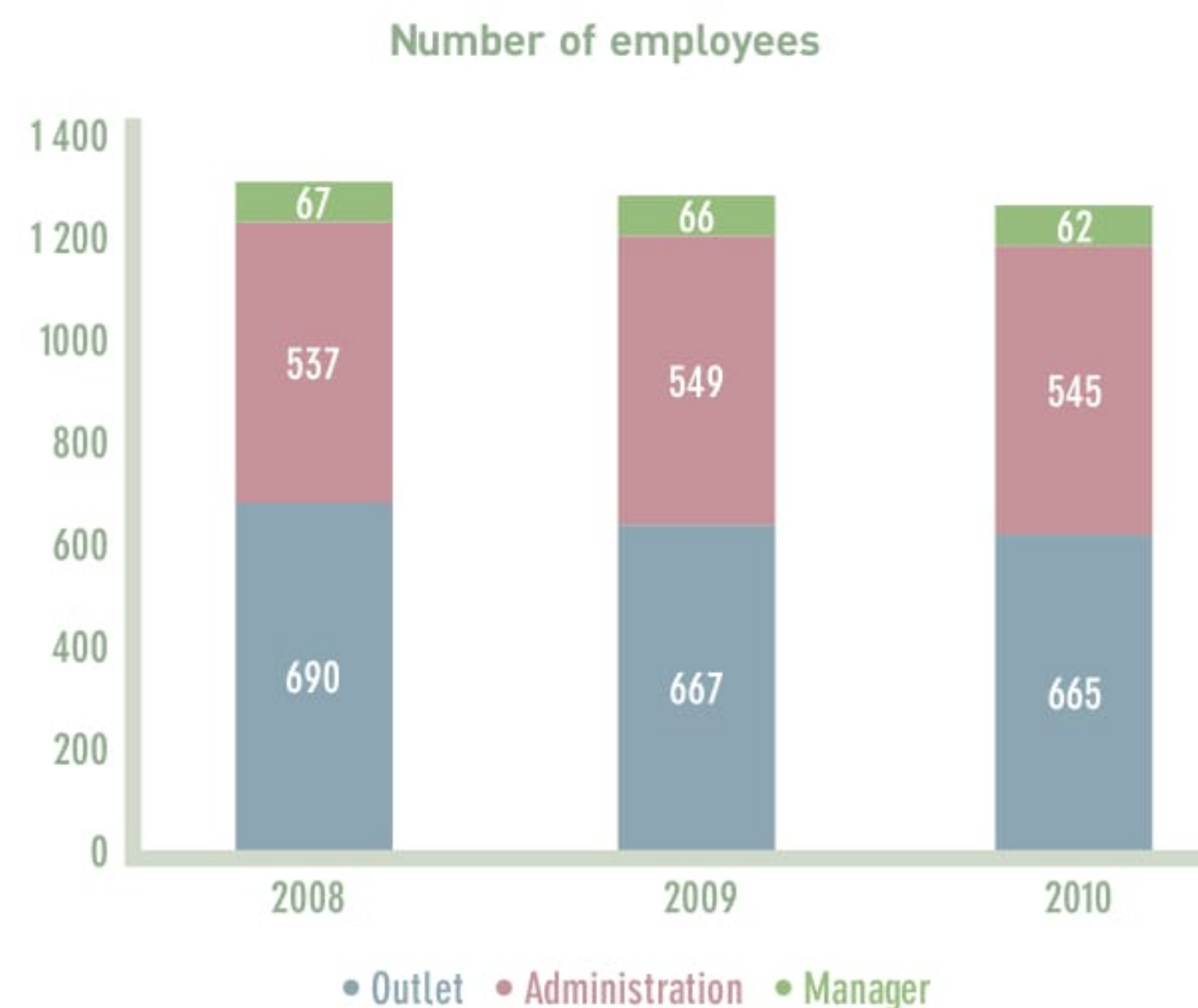
## 8. Responsible employment

As a corporation with nearly 1,300 employees we created well-organized human resource processes and since 2007 have set down the main principles of our Company's responsibility as an employer and our commitment to our employees in our Code of Ethics, which all contribute to maintaining and enhancing the general satisfaction of our employees. The Code of Ethics puts into words the behaviour expected from employees as well, detailing for example guidelines about equal treatment, working conditions and the management of conflicts of interest.

As a responsible employer we attribute great importance to the creation of healthy working conditions, the training of our employees and we devote key attention to the creation of equal opportunities at work. Besides these we also think it important to use our opportunities to participate proactively in solving social issues. This is why we have maintained for years (through our subsidiary) our charity sales network that employs people with disabilities as salespersons.

### 8.1. Labour practices and working conditions

Based on the principles of corporate social responsibility we profess as our own, Szerencsejáték Zrt. does its utmost to provide the best working conditions possible to its employees.



\*See the Appendix for the number of employees per region

The Collective Bargaining Agreement contains the rights and obligations of employees, available to our administrative staff through the intranet and to those in outlets also in printed form. The Collective Bargaining Agreement applies to 99.4 percent of the Company's employees, with the only exception being those working under manager's contracts. Although our Company did not join any international agreements, we comply with the employee guidelines of the International Labour Organization.

The management of Szerencsejáték Zrt. regularly consults employee representation bodies within the company, the Trade Union and the Works Council. The deliberations ensure that opinions and suggestions

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of the employees get directly to the decision-makers. This applies for working conditions, wages and benefits alike. The Collective Bargaining Agreement is also renewed annually after negotiations with the Trade Union and the Works Council. Representatives of the Trade Union are also present in the Company's Supervisory Board.

Continuous relations and employee feedback is also ensured by our 'idea chests', now available for several years. While our outlet employees can dispatch their ideas and suggestions using the internal posting system, in the office buildings we installed chests for this purpose. By the end of 2010 our employees sent 52 questions to us in 25 subjects (e.g. the introduction of cafeteria benefits, expanding benefit kinds, remarks on mystery shopping, etc.) via the idea chests that were answered by relevant departments.

Transparency of human resources and training records as well as data safety are ensured by an advanced information system that the Company expands continuously, as needed.

#### Health and safety

We consider guaranteeing the health and safety of our employees as a priority. The basic principles laid down in our Equal Opportunity Plan include the maintenance of health and prevention of illnesses as well as increasing the health consciousness of our employees. To this end we provide them with the option to participate at screenings important for their health free of charge.

Beyond obligatory work health screenings, Szerencsejáték Zrt. organized various screenings in 2010 and we also continued the health awareness raising courses that we're able to hold thanks to our ongoing cooperation with a partner institution.

In 2010 260 employees participated at a complex cardiovascular screening program in the whole country and we provided specific men's and women's screenings to a further 120 colleagues. Several of our colleagues benefited from the skin cancer screening program organized in Budapest.

Thanks to the practice now followed for many years, we provide the opportunity of consultation with specialist physicians in our Budapest offices once a week. In order to get acquainted with safety regulations, all our employees are required to participate at a fire and work safety training course.

In accordance with our bylaws we support our colleagues working in front of display screens to have display goggles made every two years. Besides the above we help the recovery and rehabilitation of our colleagues with illnesses – thanks to an agreement concluded with Budapest Gyógyfürdői Zrt. (Budapest Spa Zrt.), our colleagues working at the Headquarters can avail themselves of several spa services. Regional Directorates sought similar solutions at the expense of their local budget.

In 2010 our colleagues again had the opportunity to participate at a stress relief programme. The Company provided this programme as a service for employees in positions entailing increased stress. From 2010, as an auxiliary feature to our distance learning courses in information technology, we provided a wide-range online stress management course to all our colleagues with access to the intranet.

2010



## 8.2. Safeguarding and developing human capital

Our Company is in a special situation – we are the only important game organizer on the Hungarian market, so retaining our highly educated and experienced employees is a question of strategic importance as their replacement or training would be, because of the specificity of our activity, a more difficult task than in many other industries. It is for this reason that our employees are among Szerencsejáték Zrt.'s most important assets.

Fluctuation was 13 percent in 2010, mostly consisting of changes in the staff serving at the Central Board of Directors office.

Total employee fluctuation* 2008 Age	2008			2009			2010		
	Male	Female	Σ	Male	Female	Σ	Male	Female	Σ
<30	40	97	137	49	59	108	27	71	98
30-50	19	45	64	12	21	33	11	24	35
50<	14	34	48	13	19	32	23	14	37
<b>Total</b>	<b>73</b>	<b>176</b>	<b>249</b>	<b>74</b>	<b>99</b>	<b>173</b>	<b>61</b>	<b>109</b>	<b>170</b>

\*See the Appendix for employee fluctuation per region.

### System of remunerations

Our system of remunerations recognizes the work and performance of our employees – we provide wages to them in line with the specifics of their work, their individual performances and labour market situation as a whole. Our part-time employees receive, proportionally, the same benefits as our full-time employees get.

Average beginner's salaries in proportion minimal wages*	2008	2009	2010
<b>Northern Transdanubia Regional Directorate</b>	<b>3.71</b>	<b>3.69</b>	<b>2.72</b>
<b>Regional Directorate of Pécs</b>	<b>3.61</b>	<b>4.13</b>	<b>3.23</b>
<b>Regional Directorate of Szeged</b>	<b>2.88</b>	<b>3.50</b>	<b>2.93</b>
<b>Regional Directorate of Miskolc</b>	<b>2.38</b>	<b>2.66</b>	<b>2.66</b>
<b>Regional Directorate of Budapest</b>	<b>2.83</b>	<b>3.85</b>	<b>3.86</b>
<b>Headquarters</b>	<b>3.40</b>	<b>3.44</b>	<b>3.68</b>

\*With respect to our colleagues in administrative positions.  
Our colleagues in outlets receive performance-related pay.

Several positions with the Company (e.g. sales representatives, shop managers, outlet salespersons, technicians, oddsmasters) entail performance-related pay in order to promote business performance. Besides this mostly managers have performance objectives that can be translated to premiums, but a performance incentive system also exists for subordinates, however, without personalized tasks.

Annual objectives of managers (above the level of head of department) is defined by their line manager. Managerial objectives, besides the successes of the Company and performance of personal professional tasks, always include criteria for responsible gaming. Evaluation of managers' performance takes place at the end of the year through self-assessment and reports by line managers.

### Training and development

A success-oriented enterprise is highly interested in devoting great care to the professional development of its employees. Employees also require professional trainings themselves beyond the mere fulfilment

2010



of their obligations. Szerencsejáték Zrt. is a successful enterprise and intends to remain one. What's more, because of the specificity of the industry, knowledge and expertise of our employees are difficult to replace. It is very important for us to support and encourage our employees in continuous learning and development of their knowledge and skills. We revise our training concept regularly, also considering the interests of each employee and those of the Company.

In 2010 we provided our employees with a marketable software operator course and English language courses via distance learning. A number of our employees received further training under education agreements. Our employees regularly participated at specific trainings aimed at developing skills necessary for their respective professional fields.

Average training hours per employee	2008	2009	2010
Outlet employees	21	20	8
Administrative employees	8	16	5

The integration of recent graduates has been supported by our trainee programme for years which aims at introducing young recruits to the activities of the Company as a whole and also providing details of various professional fields. The programme is efficient in serving the interests and needs of both the employer and the recent graduate. In 2010 four persons participated in our trainee programme at the Company. We also prepare an information material for recent graduates and new recruits on the activities, operation, internal structure and regulations of our Company, as well as the opportunities which help integration to the working community.

We perform training of employees (e.g. outlet salespersons, number draw anchors, hardware technicians) in line with the Professional Training Regulations. Outlet employees must, according to their employment contracts, have valid examinations in terminal management, order of business, money and value management and safety issues. Their training is complemented by additional examinations and skill development trainings. There are trainings for outlet employees before the introduction of new games, systems or products as well, depending on the skills needed. Each training closes with an exam.

### Equal opportunities

The measures we take for the financial and moral appreciation of our employees and for providing them with a good working atmosphere are part of our everyday practice. However, we are fully aware of the fact that the analysis and assessment of our employees' situation, the development of services and their adjustment to current changes still require our continuous devotion.

Employees by age and gender	2008		2009		2010	
	Male	Female	Male	Female	Male	Female
<b>Employees</b>						
<30	43	106	54	103	58	104
30-50	264	532	263	542	262	559
50<	124	225	117	203	99	190
<b>Management bodies</b>						
<30	0	0	0	0	0	0
30-50	7	4	4	2	4	1
50<	8	0	6	0	5	0

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The Equal Opportunities Plan, the Code of Ethics and other internal regulations complement legal stipulations in guaranteeing equal treatment and opportunity to all. Basic accomplishments, objectives and detailed tasks are laid down in the annual Equal Opportunities Plan of the Company.

The Equal Opportunities Plan applies to all employees employed by the Company and in the regards of some principles and objectives also to persons participating in processes preceding the establishment of employment and also to those retired from the Company after the termination of their employment. The Plan contains the definition of disadvantaged employee groups employed by the Company, actual objectives and tasks for the year aimed at improving their situation, as well as the tools necessary for accomplishing these. As for its duration, the Plan is valid in the current calendar year and is renewed every year.

It is the employer's prime interest to accept an Equal Opportunity Plan that the employees of the Company feel their own, i.e. they accept and support the measures and programmes included in it. To promote this goal, the preparation of each plan is preceded by an analysis of the accomplishments of the previous year. The Trade Union is also informed of this. During the preparation of the plans we take the development proposals of the Trade Union and regional directorates/regions into consideration and, as far as possible, strive to implement them.

Proportion of base salaries of men and women  
(women= 100%)



\* Remuneration of outlet employees is performance-based.  
Our manual workers are all men.

Szerencsejáték Zrt., in order to make sure that the Equal Opportunities Plan of 2010 efficiently serves the interests of employees, also made a sociological survey among its employees. All employees of the Company received the questionnaire and although completing it was voluntary, 36.7 percent thought it important to voice their opinions.

Besides the above we also reviewed our measures taken to ensure the equal opportunity of employee groups with different backgrounds in connection with our Social Label (socially responsible employer) certification. This certification examines the best practices of the internal social life of companies. After careful preparation, in March 2010 Szerencsejáték Zrt. won the silver medal of Social Label.

2010



Surveys and summaries are unequivocal in establishing that in 2010 numerous measures were taken, going beyond legal requirements, in order to promote responsible employment and maintain the well-being and health of our employees at work. Our employees in different walks of life are supported by a wide range of extra-salary benefits (e.g. schooling support, holidays organized by the company, case-by-case aids).

During 2010 a number of information packages were published for disadvantaged groups, informing them in a to-the-point, easy-to-understand style about the legal background, benefits and allowances. The information packages were delivered in a printed form to all our employees, to all outlets and organizational units, and we also made them available through the intranet. The feedback from our colleagues was positive – many of them were informed of some benefits due to them from these packages that in fact made them appeal directly to the ministry, local governments or other institutions.

The Equal Opportunity Plan prescribed a survey of opportunities for part-time employment that the Company provides on a case-by-case basis, at the request of the employer. Part-time employment is especially advantageous for young mothers whose children only begin going to crèche or nursery school. Young mothers who return to work nowadays require part-time employment not only in saleswoman positions but also, ever more often, in administrative ones.

Besides the above, the Plan defined further accessibility plans that basically mean making outlets fully accessible. According to the information of the Security and Investment Directorate, 2 further outlets were made accessible in 2010 and in 19 outlets owned by the Company and 4 rented ones alarm bells were installed for disabled persons.



2010





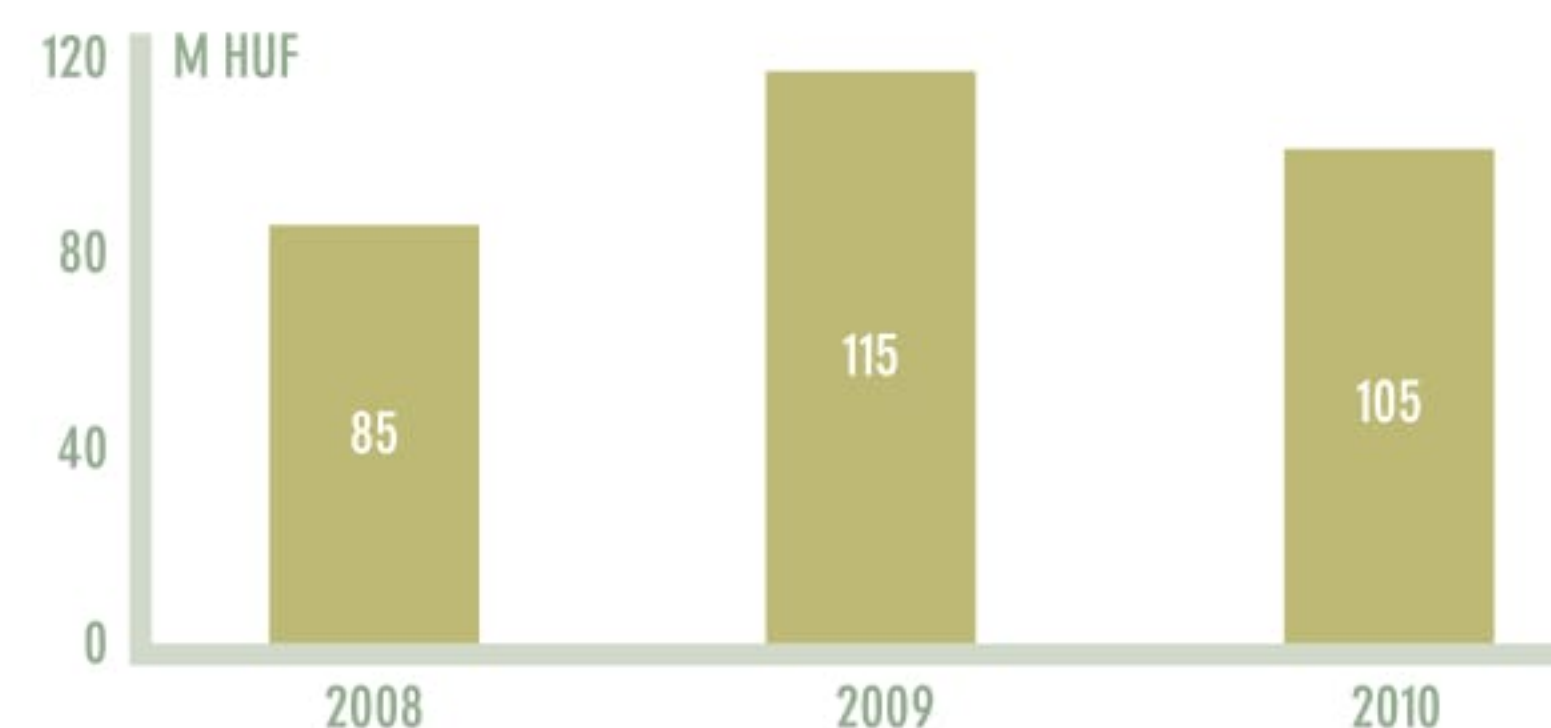
### 8.3. Our charity network

One of the most important entities enjoying the support of Szerencsejáték Zrt. is the charity network of our own subsidiary, SZRT-SERVICE Kft., that has employed people with disabilities as salespersons for more than seven years. The Company considers this network and the tasks related to its operation and development a social mission that can serve as an example to other companies to act professionally in creating appropriate employment conditions for disabled employees in the general market and to launch and uphold successful employment maintenance programmes.

In 2010 two hundred disabled persons were employed by our subsidiary. 190 of them were employed in 72 settlements of the country exclusively in the sale of scratch cards whereas 10 persons were engaged in the sale of the whole product range of Szerencsejáték Zrt. in the three outlets of SZRT-SERVICE Kft.

As the operation of the sales network is not profitable in itself, Szerencsejáték Zrt. contributes to offsetting the costs. This employment programme, besides the creation of the best practices, also serves a socially recognized positive objective by re-introducing several hundred disabled persons to the labour market and by helping them to become successful workers. The number of employees in the network temporarily declined in 2008 as a result of some changes in legislation; workforce in 2009 again reached the current number of 200.

Support for the maintenance of the charity network



SZRT-SERVICE Kft. cooperates with NGOs and professionals upholding the interests of disabled employees. As a result of its accomplishments in the recruitment, employment and employment retention of disabled persons, in October 2010 the company received the 'Disabled-friendly Workplace' prize.

2010



## 9. Our social commitment

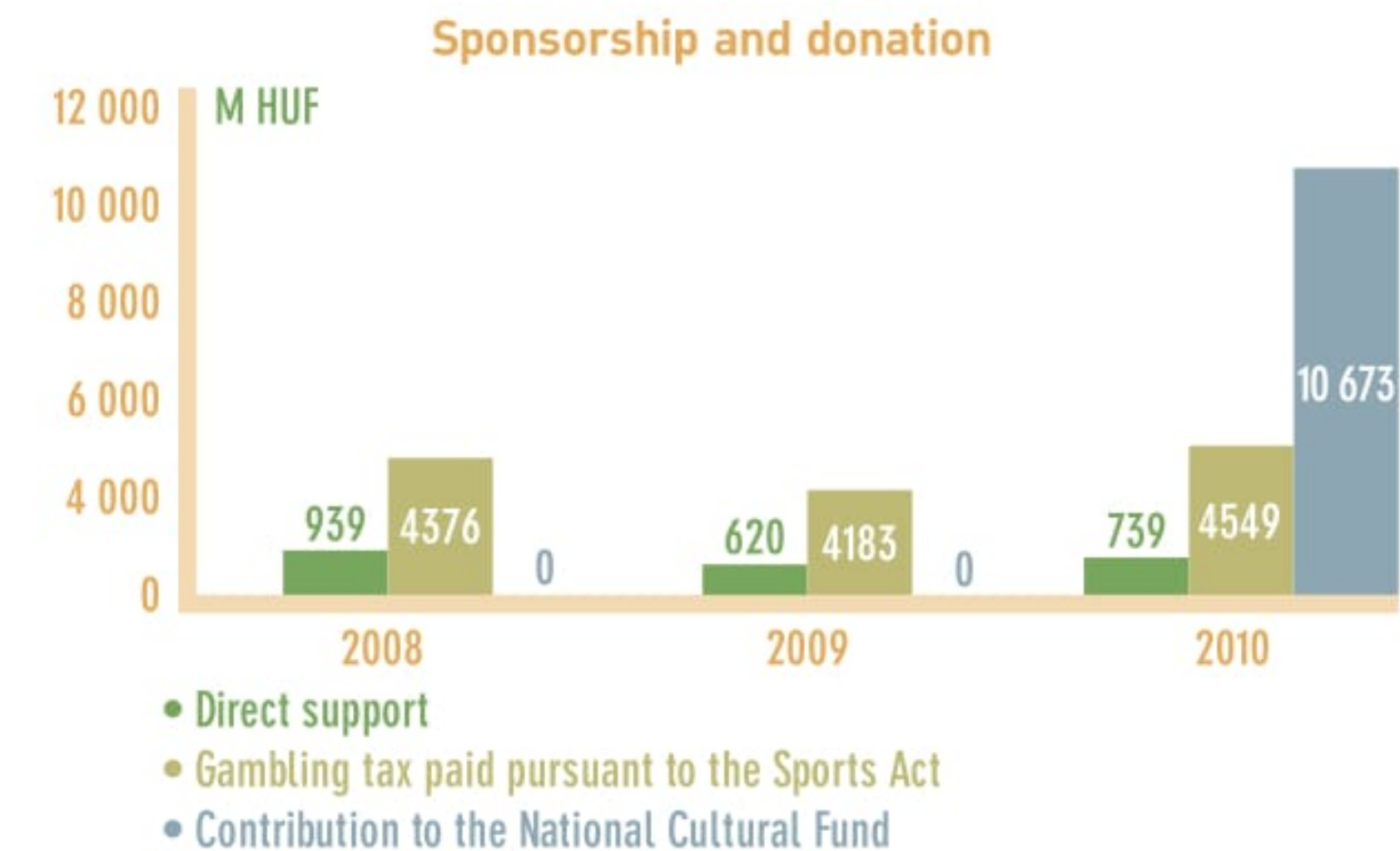
Szerencsejáték Zrt. bears responsibility for communities whose members play the Company's games. Consequently, we have supported Hungarian culture and civil initiative for years, supported communities through the sponsorship of various programmes and organizations and contributed to the creation of values in culture, sport and healthcare. We prioritize events important for the whole of society and movements requiring national collaboration.

### 9.1. Basic principles and directions

A substantial part of our revenues is devoted to public goals and sponsorship, some of it directly, some of it in the form of indirect support. According to legislation, 12 percent of the gambling tax of prize draw games, 50 percent of the gambling tax of bookmakers' bets and the gambling tax of totalizator sports betting (Toto, Goal Toto) must be devoted to the support of Hungarian sport. This has been a legal requirement for years; and as from 2010 ninety percent of the gambling tax of the five-number draw lottery is due to the National Cultural Fund. These amounts are utilized through the central government budget in which our Company has no direct influence. Based on legislation, we contribute to sport subsidies with more than HUF 4.5 billion through the budget and we grant more than HUF 10.5 billion for the operation of the National Cultural Fund.

Besides the above, we also utilize our net revenues to render direct support, primarily in the key areas of sport, healthcare and culture. MNV Zrt., the organization exercising owner's rights over our Company set the limit that can be devoted to sponsorship (including funds supplied indefinitely and those supplied under a sponsorship agreement) in 0.5 percent of our annual sales revenues. In 2010 this meant HUF 843 million – this is the amount we decided about during the year, but ac-

tual payment is several times delayed until the next year. Actual payments in 2010 were HUF 739 million.



### Direct support, independent decision-making

Szerencsejáték Zrt. provides equal opportunity to all organizations in its direct support activities as well. Requests received undergo the same procedure: they are assessed by a Social Advisory Body, consisting of independent experts under obligation of secrecy, and then, considering the recommendation of the Body, the CEO makes the final decision. Organizations concerned are then notified by the Company.

The Social Advisory Body carries out its work pursuant to the Donation Regulation accepted by the Board of Directors of Szerencsejáték Zrt. and the Bylaws of the Body. The Council holds its meetings as required, at least two every calendar year; practice in 2010 meant monthly sessions. The Social Advisory Body consists of 5 members, its members being experts designated by the CEO.

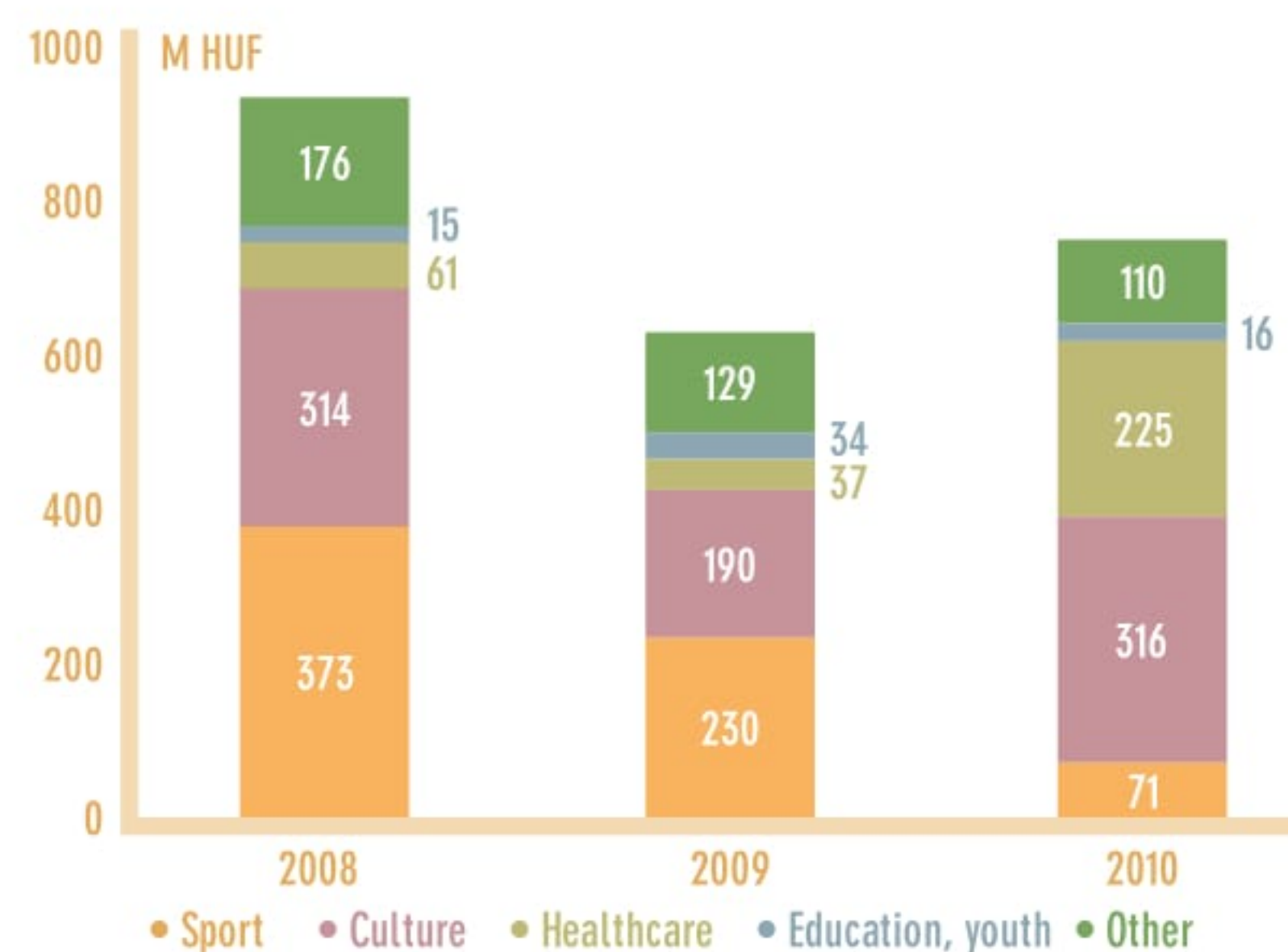
2010



## Donation in 2010

We used our 2010 allocation to render direct support to 123 requestor organizations. In line with our donation principles, we used our resources primarily in the field of healthcare, culture and sport; however seeing our towns inundated by the flow or the red sludge disaster of Kolonár that shocked the whole country did also induce us to take action.

Direct assistance rendered by Szerencsejáték Zrt.



### Donation to victims of the flood and the red sludge disaster

Our Company provided HUF 5 million in donation through the Hungarian Interchurch Aid Organization to towns and villages stricken by the flood of May–June 2010, eventually distributed to help rebuild the community building of the village of Ócsanálós, flooded by the Hernád river, and to help the families directly.



The flood of red sludge of 4 October 2010 moved the whole country. One day after the ecological disaster members of the management of our Company and a multitude of our employees working at various organizational units felt as one man that they wanted to do something to help the people living in the red sludge catastrophe area. At first, our Company provided HUF 20 million as immediate aid to the local governments of affected villages and later it provided HUF 10 million to help the work conducted by the Hungarian Interchurch Aid Organization in the area. Our Company opened a separate charity collection bank account for our employees who wished to help. Even a charity collection to gather useful items was organized in the Budapest offices and the regional directorates of the Company. As a further stage of the collection, also in cooperation with the Hungarian Interchurch Aid Organization, we installed collecting boxes in 100 outlets with outstanding turnover.

# 2010

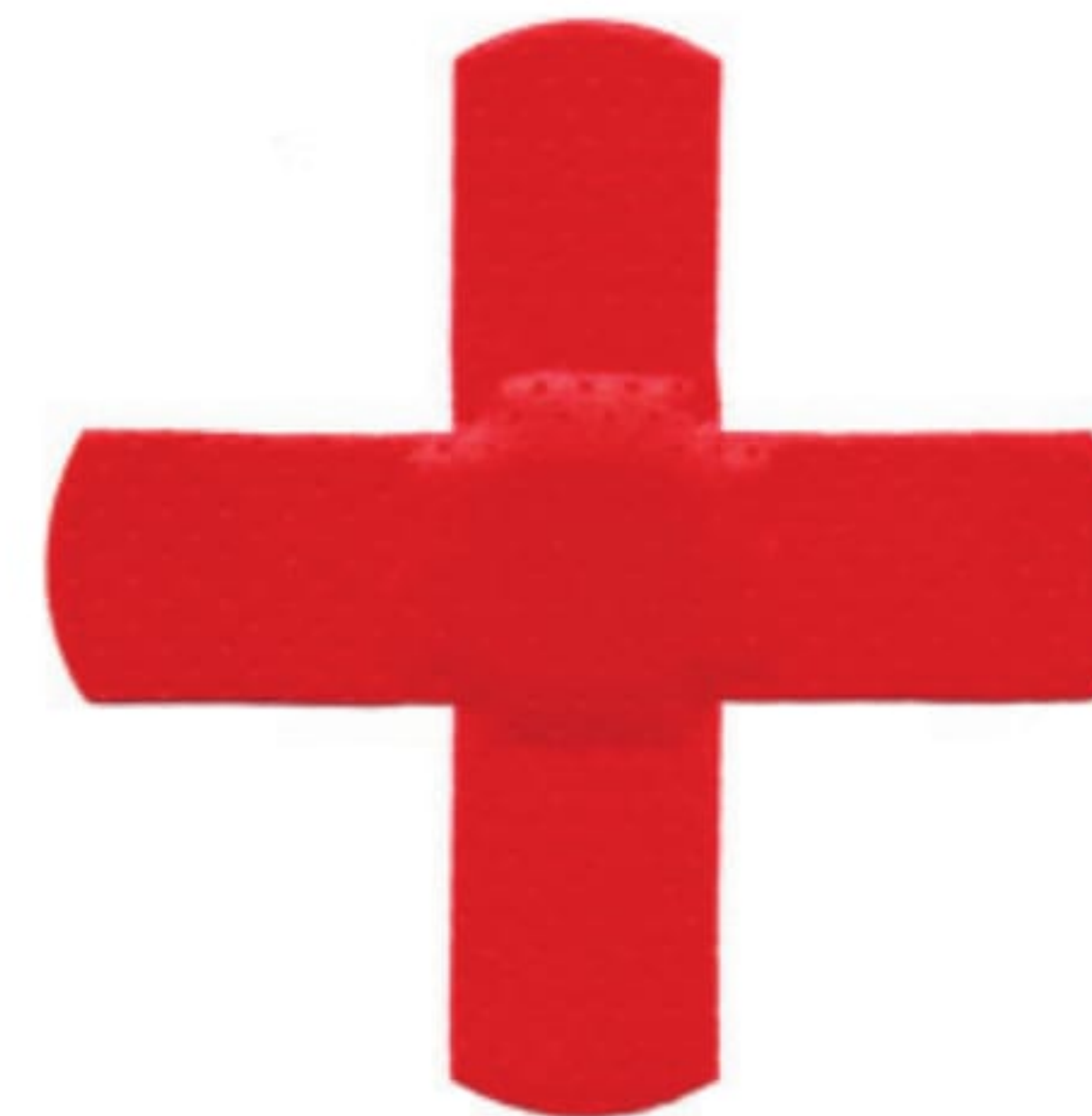


### Medical devices and hospital development for a quicker and higher-quality recovery

Our Company is committed to improving the healthcare situation in Hungary. During 2010 we granted donation of almost HUF 225 million to 22 hospitals, healthcare institutions and NGOs. Key targets of our support activities were the Tűzoltó street Children's Clinic, the National Institute of Cardiology and Hetényi Géza Hospital of Szolnok. We supported the Bone Marrow Transplant Department of Szent László Hospital with the procurement of some life-saving devices, we bought automatic blood coagulation measurement devices for the Together for Children with Leukaemia Foundation and we helped the National Ambulance Foundation with the procurement of life-saving devices necessary for emergency treatments.

Foundation for a Better Treatment of Patients in the Péterfy Hospital bought some indispensable medical devices with the help of Szerencsejáték Zrt. The special saw is used in the traumatology operating theatre of the hospital for almost two hundred operations annually. This procedure is much less invasive and more precise than the use of traditional chisels, is more protective to surrounding tissues and requires a smaller exposure. The device now acquired is huge help in the continuous treatment of patients, promoting the protection and recovery of the health of several hundred people each year.

Szerencsejáték Zrt. also devoted finances to the restoration and development of hospital departments. This is how, among others, the National Institute of Rheumatology and Physiotherapy and Department II of General Medicine of Szent János Hospital of Budapest was renovated.



### Our support for sports in Hungary

It is only natural of Szerencsejáték Zrt. to devote a substantial part of its income from sports bets to promote the cause of Hungarian sport. In 2010 we entered into a number of sponsorship agreements with the best teams of the most popular sports, for example the basketball team Szolnoki Olaj and the handball team MKB Veszprém. Our Company supports Hungarian ice hockey – besides supporting the Hungarian hockey alliance, Alba Volán Sport Club and the Ice Hockey Department of Újpest Athletics we also supported the organization of Tippmix Hungarian Cup. We also support tennis (another sport that always plays an important role in our sports betting branch), actually through the support granted to the women's tennis tournament Budapest Grand Prix WTA Tour, but we did not neglect sports less at the centre of attention either, such as synchronized swimming.

# 2010



We place particular emphasis on also supporting mass sport, not only professionals. For example Szerencsejáték Zrt. was the sponsor of an event called Fit Mix held in May 2010 in Arena Savaria in Szombathely. This sports event was primarily centred around the prevention of diseases, maintenance of health and the promotion of a healthy diet. On the day of movement and healthy lifestyle several hundred persons participated at the special fitness classes and at health screenings and counselling sessions, available free of charge.

We also attribute key importance to the situation of our sportsperson compatriots with disabilities. Szerencsejáték Zrt. is one of the sponsors thanks to whom the Hungarian Paralympic Committee can enable sportspersons to participate in international events and buy the necessary equipment.

#### Various grants to preserve the variety of Hungarian culture

Besides the indirect support of the National Cultural Fund we also support Hungarian culture directly. We helped the publication of cultural periodicals, a hikers' magazine or even a folk music album, we sup-



ported the organization of balls, literary evenings and the Opera Festival of Miskolc, we supported libraries, theatres, folk dance groups and even the reconstruction of the belfries of Mathias Church were also made possible with the help of Szerencsejáték Zrt.

Our Company supported the events of the International Artistic Colony of Zala, held in 2010 for the 20th time. The twelve-day event organized by the Humanity in Zala Foundation and the For Zala Association saw the participation of 32 painters – foreigners and Hungarians from neighbouring countries – and brought a different spirit into the lives of the people of Zala: these few days spent together made the communal lives of these settlements take on a more lively form where social gatherings and local events made everyday village life more colourful. Inhabitants could gain an insight into the various phases of creating works of art, be they graphic illustrations, crayon drawings, paintings in oil or aquarelles. The success of the camp is shown by the fact that several local governments expressed their intention of receiving artists and organizing meetings in the next year.

#### World of Animals scratch card – for the protection of endangered species

In 2010 Szerencsejáték Zrt. formed cooperation with the Hungarian organization of World Wild Fund (WWF). The World of Animals scratch card that we published under this cooperation calls the attention of players to endangered animals living in Hungary. The design contains photos of the animals and a short description for information. Besides this we also support the work of the organization directly, with 1 HUF gross for all scratch card sold. The revenues enabled our Company in 2010 to support an action for saving the steppe oak-forest next to Nagykőrös.

2010



## 10. Our environmental responsibility

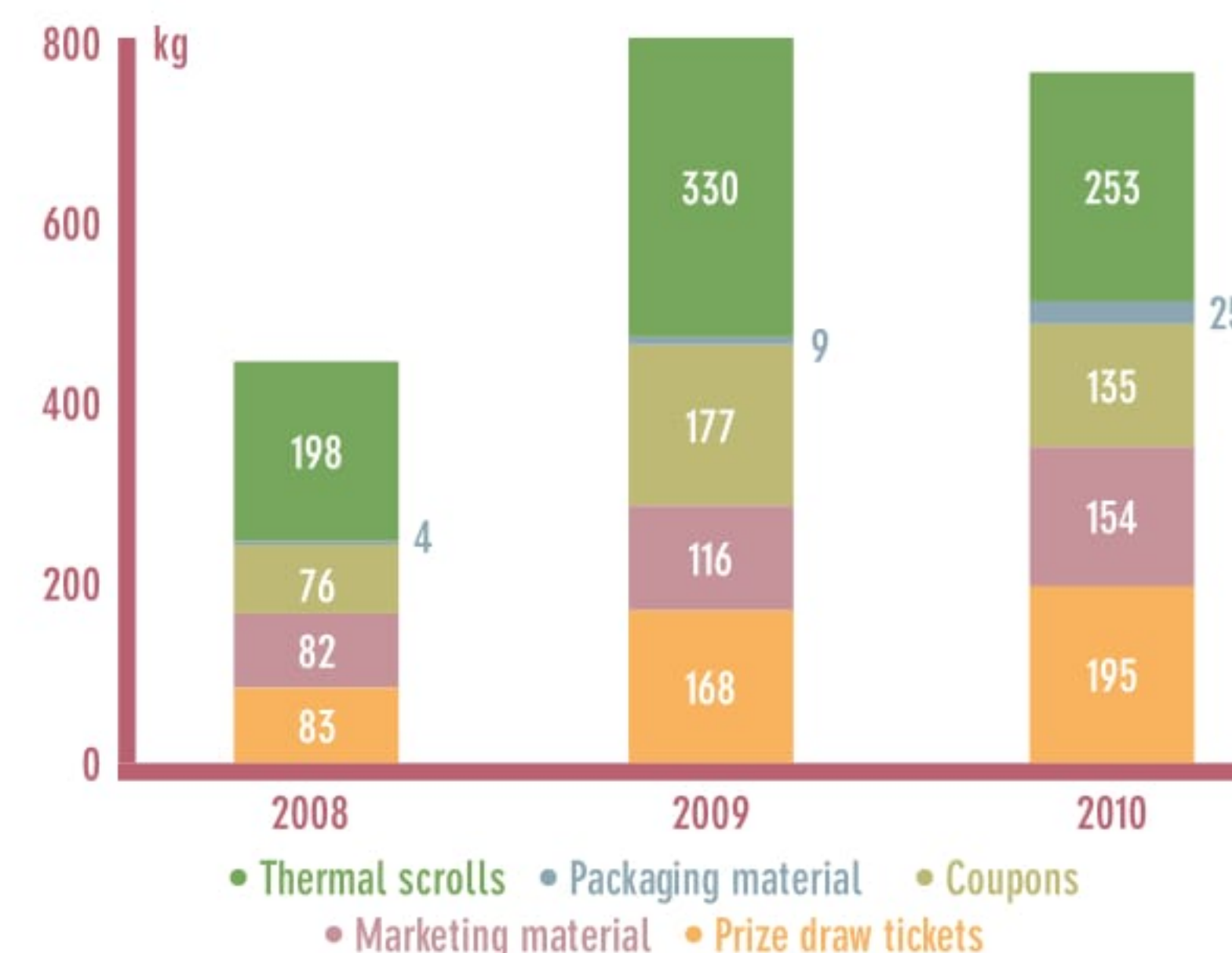
In recent years Szerencsejáték Zrt. has recognized that the protection of the environment plays an important role in its responsible operation. We try to bring down our environmental impact to the minimum and make our employees understand that every small step towards this goal helps. In recent years we have devoted a lot of energy to collect and analyse a wide range of environmental data in a systematized manner. As from 2009, we have prepared an environmental map every year – we used this as the grounds for this chapter of the report. In order to improve our environmental performance, we laid down the following basic directions:

- improving environmental consciousness in base activities and logistic processes;
- educing the environmental impact of operation tasks, especially the reduction of our use of paper and energy;
- decreasing the amount of waste produced;
- connection to other activities of the Company related to sustainability.

### 10.1. Use of raw materials

Activities and services of Szerencsejáték Zrt. require a large amount of raw and supplementary materials, a large part of which consists of paper usage. The spreading of interactive games has a positive impact on consumption as bets placed over the phone, by the internet or text messages do not require the use of coupons and thermal paper tickets of terminals installed at points of sale. By merging one-week and five-week coupons we substantially decreased the number of coupons to be shipped to the points of sale while uniform packages reduced the number of spoilage created as a result of damages and creases.

Procurement of raw materials



Besides graphic representation and technical parameters, environmentally friendly design and production is also important in the preparation of our scratch cards. Our partners manufacturing scratch cards actively contribute to this objective.

At the request of the Company, the manufacturers made available the documents on their sustainability policies which include declarations about the products being manufactured in line with environmental regulations. Both of our big suppliers use paper deriving from forests specifically maintained for industrial purposes and, in order to reduce emission, water-based and UV light treated ink during the manufacturing process. In addition, they are committed to recycling and managing waste, using environmentally friendly packaging and reducing energy consumption.

2010





At present, the manufacturers work on the certification of the whole process of their activities to obtain the certificate of the Forest Stewardship Council (FSC). As soon as the suppliers obtain this certificate, our Company will be allowed to include a mark on the products they make.

Ever since the marketing of the 'Winning Card' scratch card in mid-2010 a 'recycling' emblem on the back has shown the recyclability of our coupons.

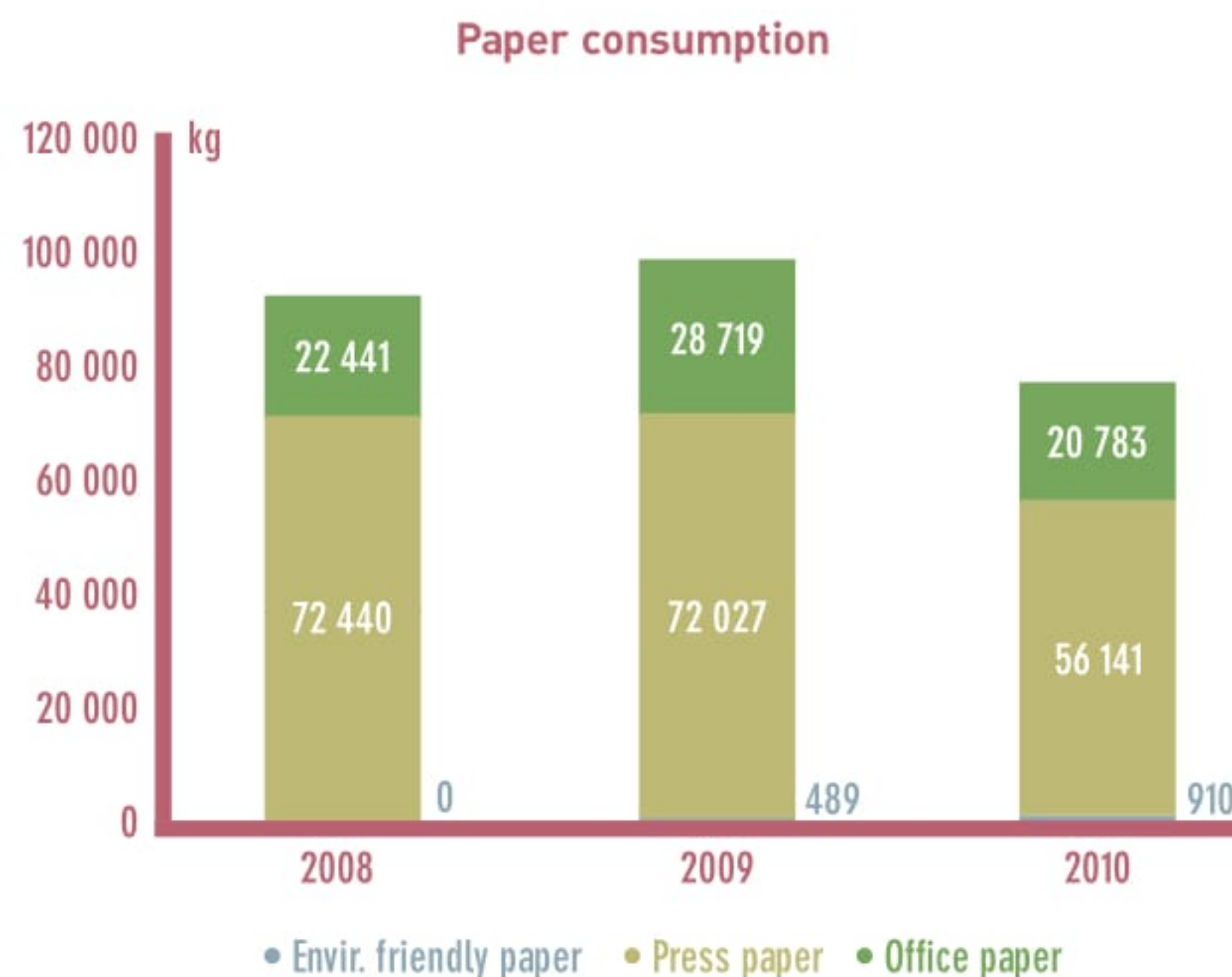
### Paper consumption

The largest part of Szerencsejáték Zrt.'s material consumption is paper. Paper consumption mostly comprises the printing of marketing material, posters, flyers, but office usage is also responsible for a high amount. As shown by the orders, the local press of Szerencsejáték Zrt. prepared 6-700 types of material every year, with the amount being in the range from a few hundred to several hundred thousand copies.

Thanks to the efforts of recent years, we attained spectacular results in the field of raw material consumption (and waste production) by rationalizing the marketing material delivered to points of sale, providing for the electronic data processing of lottery ticket stocks of shops and doing away with previous over-packaging by identification with bar codes. Paper wipes meant a high amount of waste in office buildings with several hundred employees. Although it seems a small step, by today we have replaced these with energy-efficient hand dryers.

2010 saw our paper consumption reduced by 23.1 percent compared to the previous year. Despite this considerable reduction our Company still

kept consuming about 70-80 tons of paper on a yearly basis, the smaller part of which (about 20-30 tons) consisted of office, the larger part of press consumption. To improve the situation, we reconstruct the Company's home press and two duplicating machines will provide for preparing the necessary prints. Moreover, we plan to reduce significantly the use of desktop printers and to install environmentally friendly, central printers in our office buildings. These printers count pages and require codes to be used, thereby making it possible to monitor usage and carry out printing tasks more effectively. We expect that these measures will promote duplex printing and lead to considerable reduction of our paper consumption.



2010



The Company's Marketing and Communications Directorate introduced the option of greeting our business partners with electronic postcards during the holiday season at the end of the year. Thanks to the template attached to the letter we could thank our partners for their cooperation during the year in a quick, elegant and environmentally friendly way instead of the traditional paper-based greeting cards.

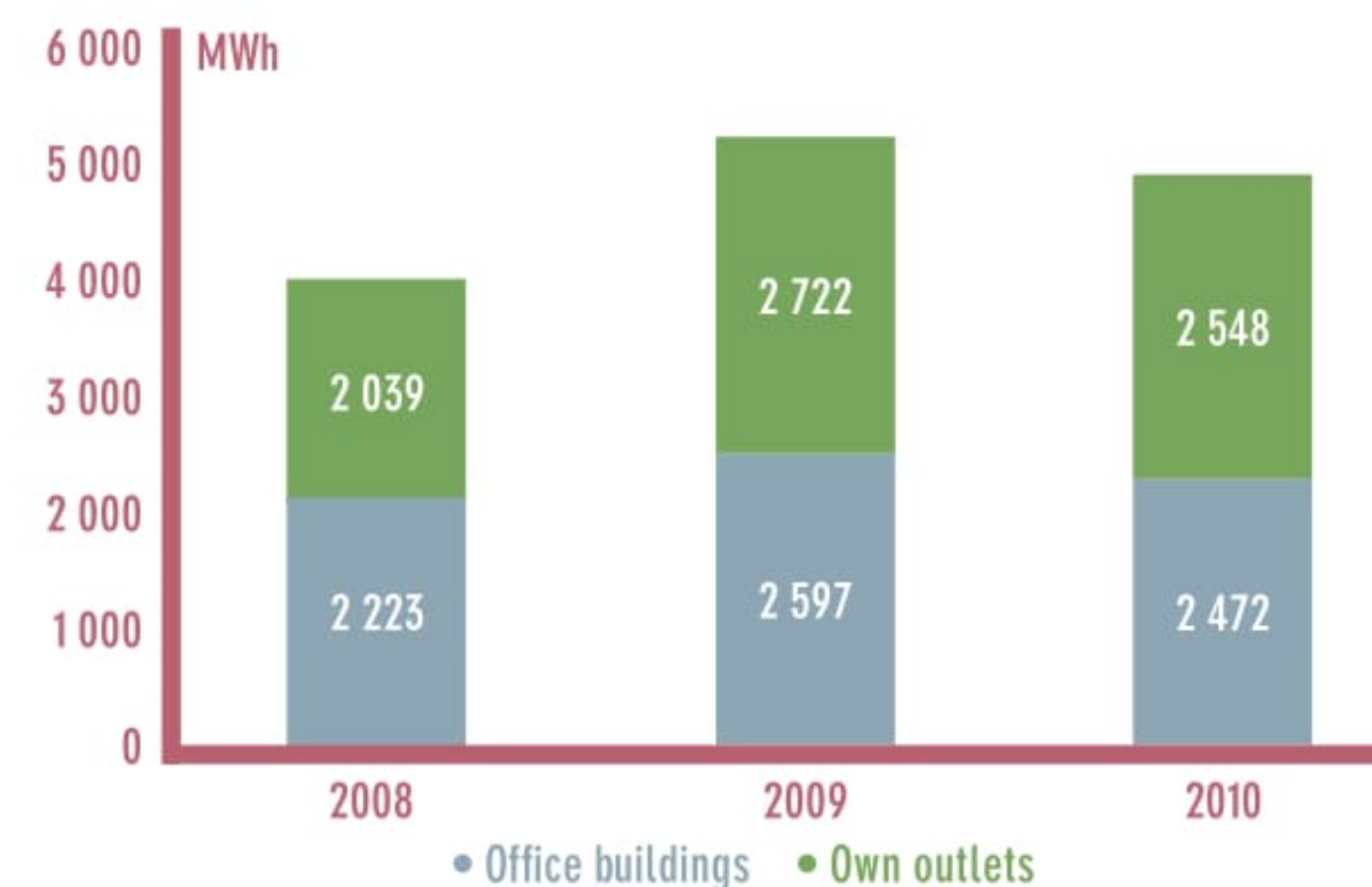
## 10.2. Energy efficiency

Climate change is one of the biggest dangers humanity is facing in our days. Climate change is primarily brought about by the use of fossil fuels in energy production and transportation. Szerencsejáték Zrt. mainly uses energy, primarily electric energy and natural gas, to heat and cool its buildings. The engineering system of our central office building allows the recovery of the heat energy generated during production; this is eventually used to create hot water. The heating in most buildings is based on natural gas, we use district heating only in a few outlets.

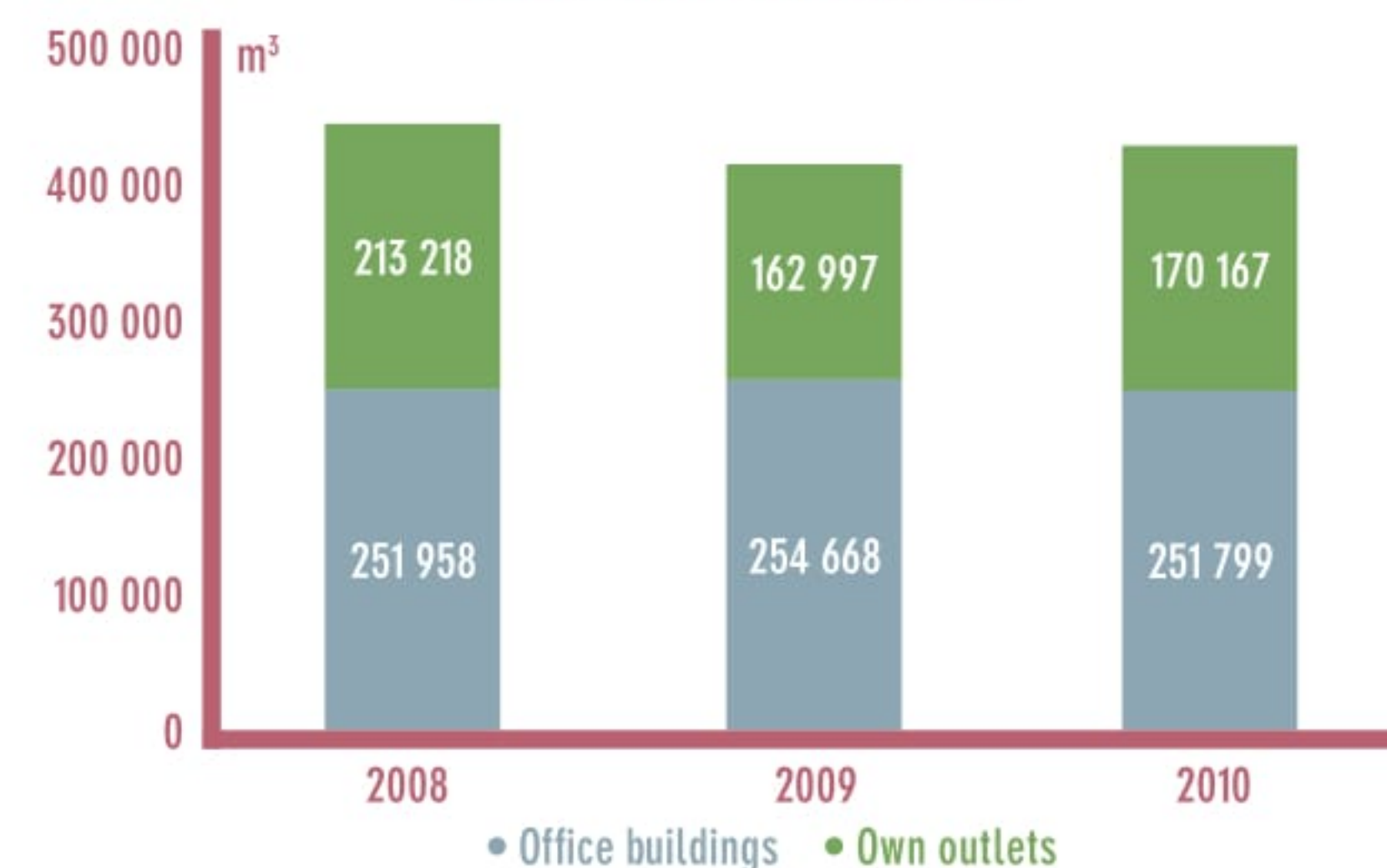


As an experience, we modernized lighting in some outlets by installing LED lamps and alternative, infrapanel-based heating systems. All over the country we began the installation of terminals that save more energy.

Electric energy consumption



Natural gas consumption



2010



### Electric energy

Typically, Szerencsejáték Zrt. uses electric energy for lighting in office buildings and points of sales, for cooling and for operating office devices and its information infrastructure. The largest part of our electric energy consumption is composed by the energy consumption of our office buildings (49 percent). This is one of the reasons why we plan an energy audit in the year 2011. In order to reduce energy consumption, we plan to modernize lighting and operate air conditioning more efficiently.

### Natural gas consumption

Our Company uses natural gas for heating, providing our premises with hot water and for cooling our Headquarters. Of these usage areas naturally heating is the one that consumes the most energy. Although our corporate gas consumption increased 1 percent from the previous year, it was still 9.3 percent lower than it had been in 2008.

Because of their considerable consumption, our central office buildings need special attention. Cooling the computer rooms requires continuous operation of the air conditioning systems, making the office building use a considerable amount of natural gas throughout the year. Beyond this, in summer the cooling of offices and public places, in winter the heating of the building and (of course in much lower amounts) the generation of hot water contribute to our total consumption. We also use residual heat from the air conditioning system to produce the latter. At our Fehér street premises gas consumption only comprises heating and hot water generation.

## 10.3. Waste collection

Development of our waste management is one of the most important tasks we're facing, including the prevention of waste generation and an increase in the proportion of recycled waste.

One of the greatest successes of recent years, we have been able to continuously increase the proportion of recycled waste. In our central office buildings we introduced a selective waste collection system and some steps forward have been taken in our regional directorates as well. We only rely on companies having the necessary licences and complying with all relevant legislation in waste collection and treatment.

The Green Page in our Company's intranet helps inform our employees as widely as possible about the importance of waste management and our accomplishments attained that in the long run we hope will contribute substantially to increasing our employees' consciousness in this area.

### Communal waste

Communal waste is generated at the Company mostly as a result of everyday activities of our employees. The total amount is dependent on the number and consciousness of employees. The amount is also considerably affected by the selective waste collection system we introduced – and the efficiency of it. Communal waste is always removed and treated by public utility companies, in line with existing contractual conditions.

### Selective waste collection

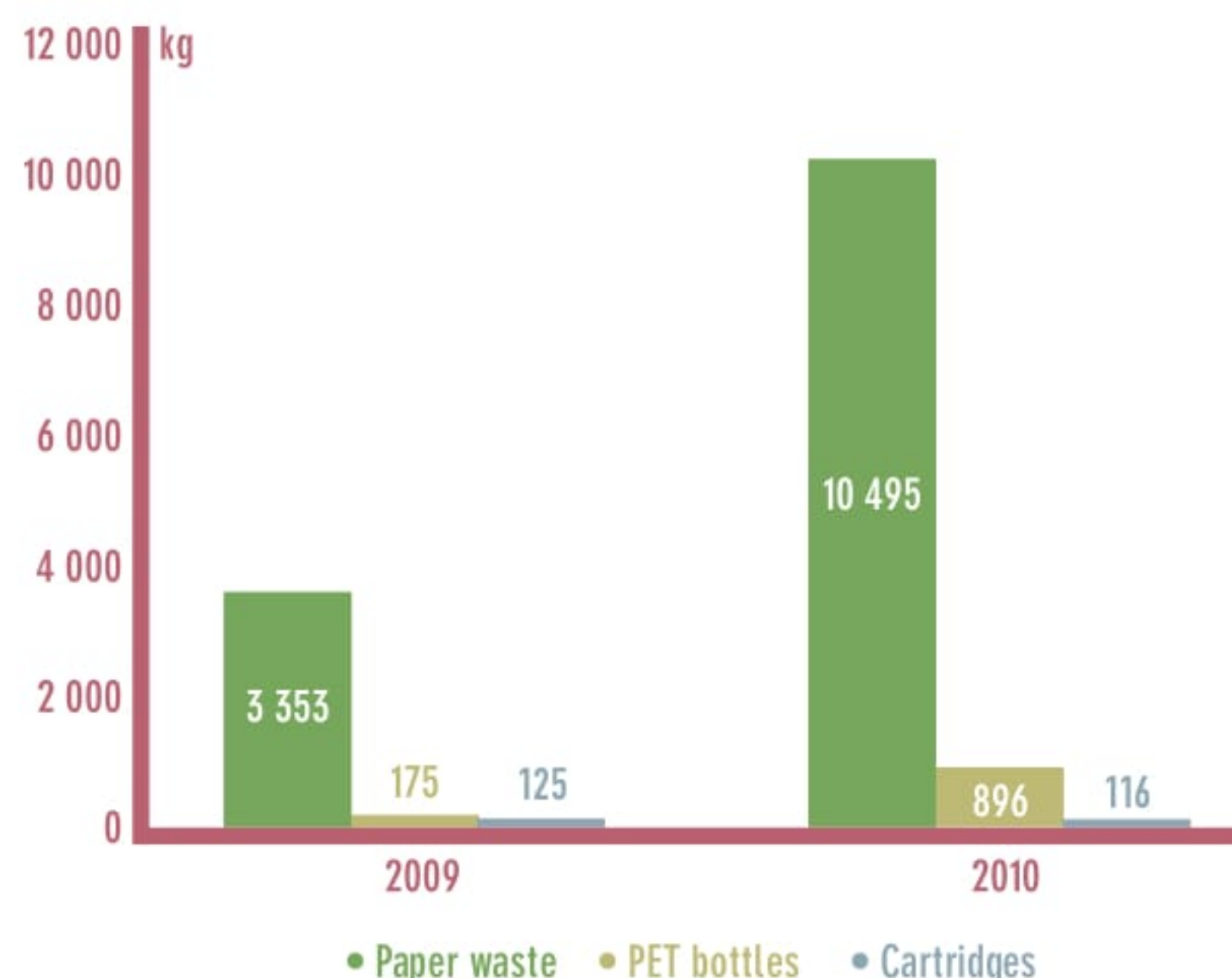
A large part of the communal waste can be collected selectively, an option we have been offering in our office buildings since 2009. We concluded agreements for the implementation of the selective collection –

2010



the service provider installed storage bins for PET bottles, aluminium cans, e-waste, ink and toner cartridges and waste batteries, as well as mechanical presses for plastic bottles and 610-litre shipping containers. As a result of the introduction of selective waste collection, the amount of communal waste decreased substantially and case-by-case needs beyond the contractual frameworks were also eliminated.

**The amount of selective waste in our central offices**



Paper generated at the Fehér street premises, returned scratch cards and application materials are also treated by a contractual partner. The company provides grated containers to collect and store paper, cardboard and packaging material, free of charge. It is important to note that

unlike it was in the past, waste is not delivered to a waste incinerator – it is grounded and recycled instead.

### Hazardous waste

The operation of Szerencsejáték Zrt. generates hazardous waste in minute amounts, mostly as a result of our press activities. Besides this information technology devices used in offices and a small proportion of waste batteries increase the amount of hazardous waste. We always store hazardous waste in line with legal regulations and we only hand it over to specialized companies with the proper licences.

The normal operation of the press, thanks to the technology used, does not generate any hazardous waste. Some hazardous waste is generated irregularly, mostly as a result of cleaning the machines and from packaging materials contaminated with ink – we store these separately by type and hand them over to a subcontractor. The service provider meets green recycling requirements by extracting metal from the contaminated metal received. Silver is also extracted from the fixative solutions.

### Electronic waste

Various kinds of electronic waste are generated at the Company from microwave ovens to computers to refrigerators. These are collected and kept on file separately, in line with regulations. We have several hundreds of kilograms of electronic waste, the parts of which contain valuable elements such as iron, non-ferrous metals, gold, silver, copper and molybdenum, and also hazardous substances that can nonetheless be utilized, such as lead and zinc. This e-waste is not sold in its original form, they are disassembled and recycling is limited to their constituent materials. Since 2008, the electronic waste generated at our Company has been reduced by two thirds, to 287 kilograms.

2010





#### 10.4. Clean air protection

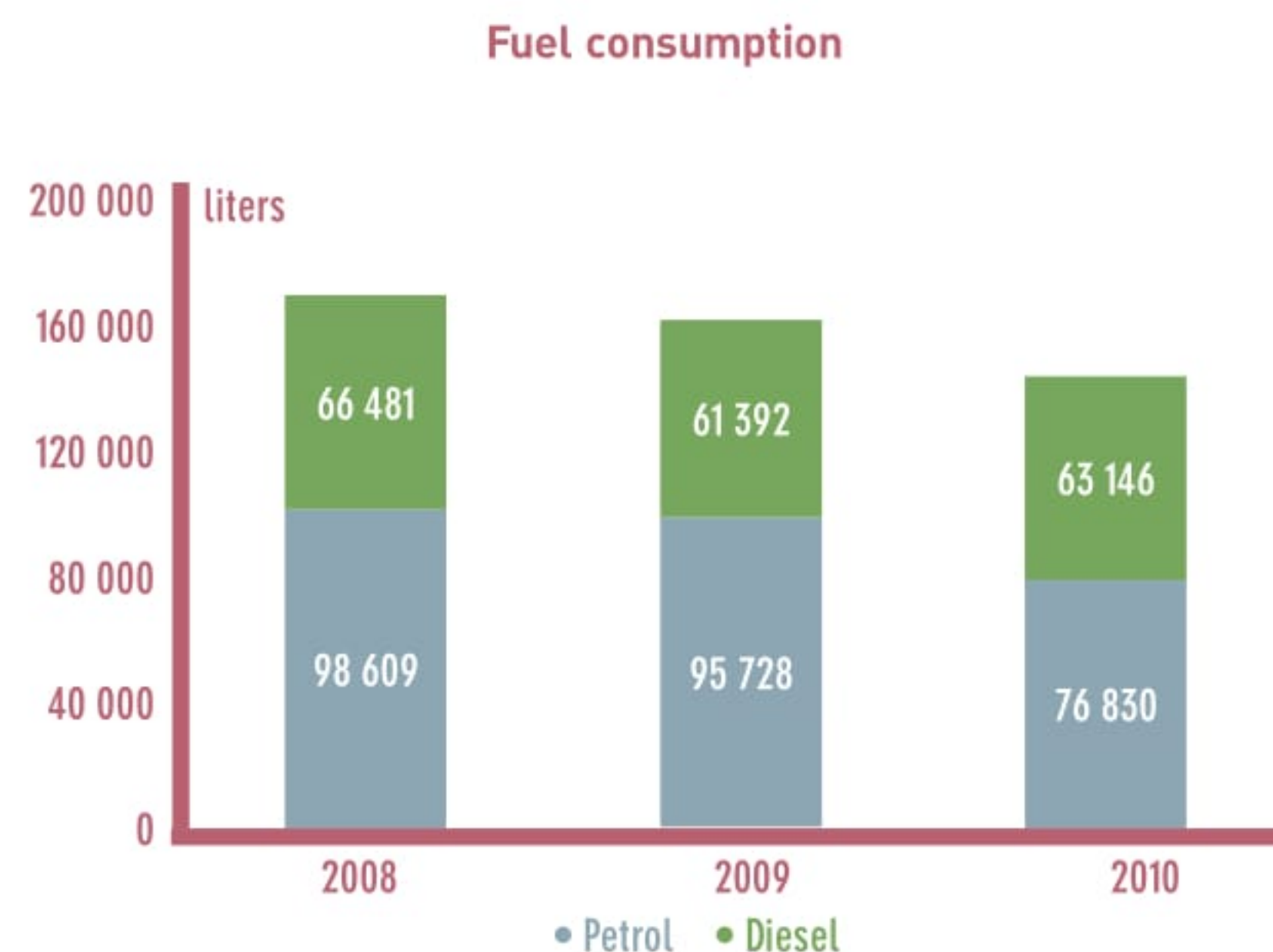
The activities of Szerencsejáték Zrt. do not entail any substantial direct emission of pollutants to the atmosphere. We operate low-emission, modern boilers to heat our buildings and to provide hot water, and we always pay environmental impact fees related to these as required by law. Emission is monitored annually. Emission values of boilers, as required by law, are declared to the environmental protection agencies.

Air pollution in our central buildings (kg)	2008	2009	2010
Sulphur dioxide	0	0	0
Nitrogen oxide	200	128	102
Carbon monoxide	100	27	22
Solid material	0	0	0
Carbon dioxide	378 000	349 000	315 000

We support public transport by virtue of an agreement between Szerencsejáték Zrt. and BKV Zrt. the state-own public transport company, under which a bus service operates between Örs vezér square and our Fehér street premises on each workday, before and after working hours. Our employees regularly use this service. The central office buildings and several outlets offer bicycle stands to the employ-

ees. This, although does not entail any substantial decrease in our emissions, is an important factor in increasing the environmental consciousness of our employees.

The fuel consumption of the Company mostly consists of the direct consumption of managers' cars, our transporters and key-based cars. Our car fleet consists of 49 petrol-based and 21 diesel-based cars. We have the emission of our vehicles checked regularly, in line with relevant legislation.



The number of our vehicles remained the same, yet our annual fuel consumption decreased by 10.9 percent in 2010, compared to the previous year. Kilometres covered also decreased by 9.7 percent in this period. Vehicles directly owned by the Company ran 1.7 million kilometres in 2010.

2010

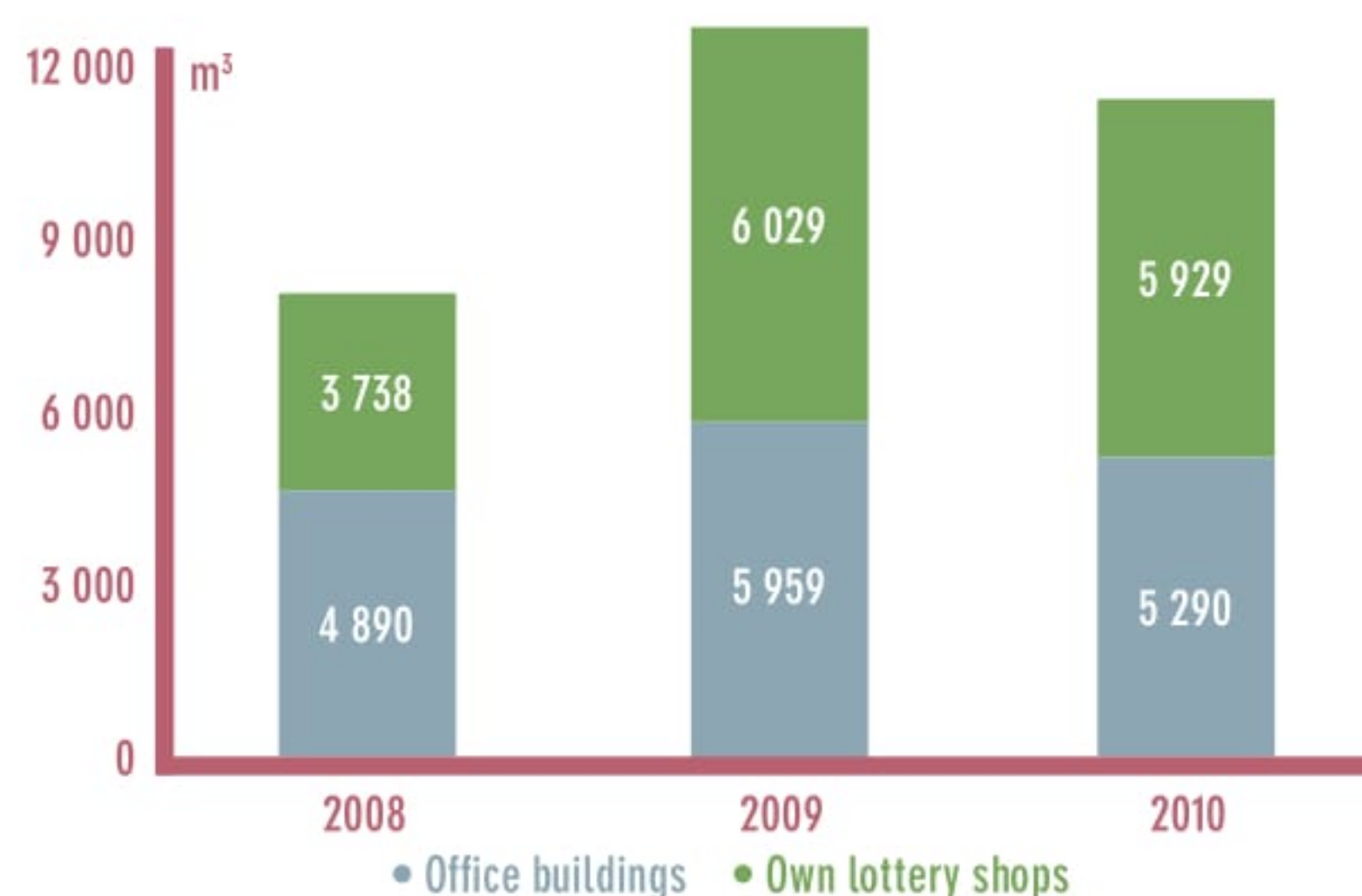




### 10.5. Water management

Hot water is only used for community purposes at Szerencsejáték Zrt., so we can't report any substantial environmental impact in this area. The amount of waste water leaving our buildings is practically identical to our water consumption. Industrial waste water is not generated; community waste water is discharged through the utility network.

Water consumption



### 10.6. Environmental protection expenditure

Expenditure related to environmental protection entails the costs related to the Company's investments, environmental product charges, costs of licences we need and fines, if any.

During the course of the past year we did not have any case requiring the elimination of damages nor emissions over limits, so we did not pay any environmental fines or penalties either. The Company pays air pollution fees for the pollutants emitted by the boilers. In line with the reduction of the emission, our fee payment obligations decrease year by year.

Environmental expenditure (thousand HUF)	2008	2009	2010
Fines, penalties	0	200	0
Air pollution fee	24	15	12
Environmental product charges	17 146	20 699	19 740
<b>Total</b>	<b>17 170</b>	<b>20 914</b>	<b>19 752</b>

Szerencsejáték Zrt. regularly complies with its legal obligations on the management of waste packaging material. We pay product charges for the paper of marketing materials, our 'Luck Mix' journals, toto schedules, posters displaying results, participation regulations, coupons, thermal rolls, scratch cards and their wood and foil packaging materials. This obligation is more substantial, entailing a payment obligation of about HUF 20 million each year for our Company.

2010



# Glossary

## Accumulation/Accumulation of prizes

In case there is no winner in some prize classes of a totalizator game/bet in a given drawing session, the amount of the prize due to this prize class is transferred to the next drawing session, in the same prize class. Luxor and Joker games only allow the accumulation of prize class 1.

## Big prize

Prize won with a scratch card or coupon (reception certificate) at a prize drawing session that entails a net prize to be paid of HUF 200,000 or above.

## Bookmaker's bet

A kind of betting in which the organizer of the bet offers the bettor an amount (based on odds) for the occurrence or result of an event defined in the betting offer that will be paid to the bettor, in case they win, pursuant to the conditions of the agreement.

## Company

Szerencsejáték Zártkörűen Működő Részvénytársaság (Gambling Private Limited Company).

## Corporate social responsibility (CSR)

Corporate social responsibility is a practice of corporations, i.e. business approach to take the economic, social or environmental impact of its activities into consideration, that is a way of maximizing profits while minimizing negative consequences. This is a voluntary activity that goes beyond legal requirements and meets wider social expectations vis-à-vis the company and its development. (International Business Leaders Forum)

## Environment

Environment means the immediate surroundings of the organization, including the air, the water, the land area, natural resources, flora and fauna, and human beings and their interactions. (In this respect the immediate environment includes everything from the inside of an organization to global systems.)

## European Lotteries (EL)

This international organization created by European lottery companies seeks to promote communication between lottery companies, within the European and international gambling industry, the institutions of the European Union and governments of Member States, to promote the solution of problems resulting from the special situation of the industry, and to create and disseminate best practices. The organization is headquartered in Basel and is made up of organizations from 40 European countries.

## Forest Stewardship Council (FSC)

An organization created for fostering the sustainable utilization of forests. The standards defined by FSC aim at creating a cultivation of forests that is socially and environmentally friendly and also economically

viable.

## GAM-GaRD

GAM-GaRD is a special risk analysis software developed by the International Responsible Gaming Organisation (IRGO). This helps examine and assess already during the design phase whether a future game can contribute to the development of gambling addiction.





**GRI (Global Reporting Initiative)**

GRI is a process and an independent institution that promotes the involvement of those concerned for supporting the comparability and transparency of sustainability reports by elaborating and disseminating an internationally available guideline for sustainability reports.

**Net sales revenues**

Sales revenues from gambling minus net prizes due to players after the deduction of personal income tax payable after the prize. Net sales revenues means the actual amount devoted by the players to gambling that can be shared between the state and the organizer.

**Prevention**

Activity aimed at stopping a possible event from taking place and eliminating its causes.

**Principle of Materiality**

Error or omission of some data in a report can be considered material if it is important enough in a given context to make it probable that the correction of such would influence the opinion or decision of a person relying on the content of the report.

**Responsible gaming**

The promotion of responsible gaming is a whole spectrum of activities by the organizer of the games, extending beyond legal obligations, that it employs to protect its players from the harmful effects of excessive gambling.

**Stakeholder**

A person or a group affected positively or negatively by an organization's activities, products, accomplishments or performance.

**Sustainability impact**

Any change occurring in the economic, natural or social environment (either positive or negative) that is partially or fully a result of the organization's sustainability factors.





**Sustainable development**

Development that meets the needs of the present without compromising the ability of future generations in meeting their own needs. (See the Brundtland Report of the UN)

**Totalizator system**

The totalizator system is a kind of a game or betting where prizes or bets are pooled – this forms the prize pool. A proportion of this amount (defined in the Gambling Plan approved by the Gambling Authority) is distributed as prizes, in line with the conditions also defined therein.

**Transparency**

Transparency means that information related to decisions and processes is directly available to those whom the decisions or their implementation can affect. The range of information is sufficient and complete, easy to understand and published by means that are readily available. Besides the above, transparency also entails decision-making and implementation that are effected in a predictable way, in the course of a process following pre-defined regulations and requirements.

**World Lottery Association (WLA)**

WLA is an association of the lottery companies and gambling organizers of 90 countries in 5 continents of the world. The organization is committed to collecting best practices, promoting the exchange of knowledge and expertise between its members and the professional development of its member companies. Values professed by WLA are based on the ideal of corporate social responsibility. The organization is headquartered in Basel, the total sales revenues of its members reach USD 180 billion annually.

**Vulnerable player**

Vulnerable players are adult persons who have biological, psychological or emotional susceptibility to excessive gambling or players whose personal circumstances entail a higher risk in the regards of the development of gambling addiction.



## Appendix

Number of employees	2008	2009	2010
<b>Northern Transdanubia Regional Directorate</b>			
Manager	3	3	2
Administration	41	38	22
Outlets	100	101	101
<b>Regional Directorate of Pécs</b>			
Manager	3	3	2
Administration	38	40	23
Outlets	126	124	123
<b>Regional Directorate of Szeged</b>			
Manager	3	3	2
Administration	43	42	25
Outlets	116	111	111
<b>Regional Directorate of Miskolc</b>			
Manager	3	3	1
Administration	43	41	24
Outlets	143	136	133
<b>Regional Directorate of Budapest</b>			
Manager	3	3	1
Administration	43	46	27
Outlets	205	195	197
<b>Headquarters</b>			
Manager	52	51	54
Administration	329	342	424
Outlets	0	0	0
<b>Total</b>	<b>1 294</b>	<b>1 282</b>	<b>1 272</b>

Total employee fluctuation		2008			2009			2010		
Région	Age	Male	Female	Σ	Male	Female	Σ	Male	Female	Σ
N. Transd.	<30	0	7	7	0	5	5	0	11	11
	30-50	1	4	5	0	2	2	1	3	4
	50<	0	4	4	1	3	4	1	0	1
Pécs	<30	5	29	34	4	11	15	1	11	12
	30-50	6	13	19	2	4	6	0	1	1
	50<	1	11	12	1	4	5	0	0	0
Szeged	<30	3	10	13	2	5	7	1	9	10
	30-50	4	7	11	0	5	5	0	3	3
	50<	2	5	7	1	1	2	1	1	2
Miskolc	<30	3	16	19	2	6	8	0	6	6
	30-50	1	9	10	1	2	3	1	6	7
	50<	1	4	5	4	3	7	1	2	3
Budapest	<30	5	13	18	9	6	15	1	16	17
	30-50	0	8	8	1	5	6	2	4	6
	50<	0	5	5	3	5	8	6	3	9
Headq.	<30	24	22	46	32	26	58	24	18	42
	30-50	7	4	11	8	3	11	7	7	14
	50<	10	5	15	3	3	6	14	8	22
Total		73	176	249	74	99	173	61	109	170

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## List of GRI indicators

Name and number of indicator	Chapter
Strategy and analysis	1.1. Welcoming message
	1.2. Welcoming message
Organizational profile	2.1. Our activity
	2.2. Our activity
	2.3. Our activity
	2.4. Our activity
	2.5. Our activity
	2.6. Corporate management structure
	2.7. Our activity
	2.8. Our activity
	2.9. Corporate management structure
	2.10. Key pillars of our responsible op.
Report parameters	3.1. Introduction
	3.2. Introduction
	3.3. Introduction
	3.4. Imprint
Report scope and boundary	3.5. Introduction
	3.6. Introduction
	3.7. Introduction
	3.8. N/A
	3.9. Reporting principles
	3.10. N/A
	3.11. N/A
GRI content index	3.12. List of GRI indicators
Governance	4.1. Corporate management structure
	4.2. Corporate management structure
	4.3. N/A
	4.4. Responsible employment
	4.5. Responsible employment
	4.6. Responsible employment

Name and number of indicator	Chapter
Governance	4.7. Corporate management structure
	4.8. Introduction
	4.9. Corporate management structure
	4.10. Responsible employment
Commitment to external initiatives	4.11. Responsible gaming
	4.12. Our activity
	4.13. Our activity
Stakeholder engagement	4.14. Our stakeholders
	4.15. Our stakeholders
	4.16. Our stakeholders
	4.17. Our stakeholders
Economic performance	EC1 Our key business accomplishments — responsible management
	EC2 N/A
	EC3 N/A
	EC4 N/A
Market presence	EC5 Responsible employment
	EC6 No data
	EC7 No data
Indirect economic impact	EC8 Responsible employment; Társadalmi elkötelezettségünk
	EC9 Our key business accomplishments — responsible management
Materials	EN1 Our environmental responsibility
	EN2 Our environmental responsibility
Energy	EN3 Our environmental responsibility
	EN4 No data
	EN5 No data
	EN6 N/A
	EN7 No data

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Name and number of indicator		Chapter
Water	EN8	Our environmental responsibility
	EN9	N/A
	EN10	N/A
Biodiversity	EN11	N/A
	EN12	N/A
	EN13	N/A
	EN14	N/A
	EN15	N/A
Emissions, effluents and waste	EN16	No data
	EN17	N/A
	EN18	N/A
	EN19	N/A
	EN20	Our environmental responsibility
	EN21	No data
	EN22	Our environmental responsibility
	EN23	N/A
	EN24	No data
	EN25	N/A
Products and services	EN26	No data
	EN27	No data
Compliance	EN28	Our environmental responsibility
Transport	EN29	Our environmental responsibility
Overall	EN30	No data
Employment	LA1	Responsible employment
	LA2	Responsible employment
	LA3	There was none.
Labour/management relations	LA4	Responsible employment
	LA5	Responsible employment

Name and number of indicator		Chapter
Occupational Health and Safety	LA6	Responsible employment
	LA7	There was none.
	LA8	Responsible employment
	LA9	Responsible employment
Training & Education	LA10	Responsible employment
	LA11	Responsible employment
	LA12	Responsible employment
Diversity and equal opportunity	LA13	Responsible employment
	LA14	Responsible employment
Investment and procurement practices	HR1	N/A
	HR2	N/A
	HR3	N/A
Non-discrimination	HR4	Responsible employment
Freedom of association and collective bargaining	HR5	Responsible employment
Child labour	HR6	N/A
Forced and compulsory labour	HR7	N/A
Security practices	HR8	N/A
Indigenous rights	HR9	N/A
Community	S01	No data
Corruption	S02	No data
	S03	N/A
	S04	N/A
Public policy	S05	Welcoming message
	S06	No data
Anti-competitive behaviour	S07	N/A
Compliance	S08	Our key business accomplishments — responsible management

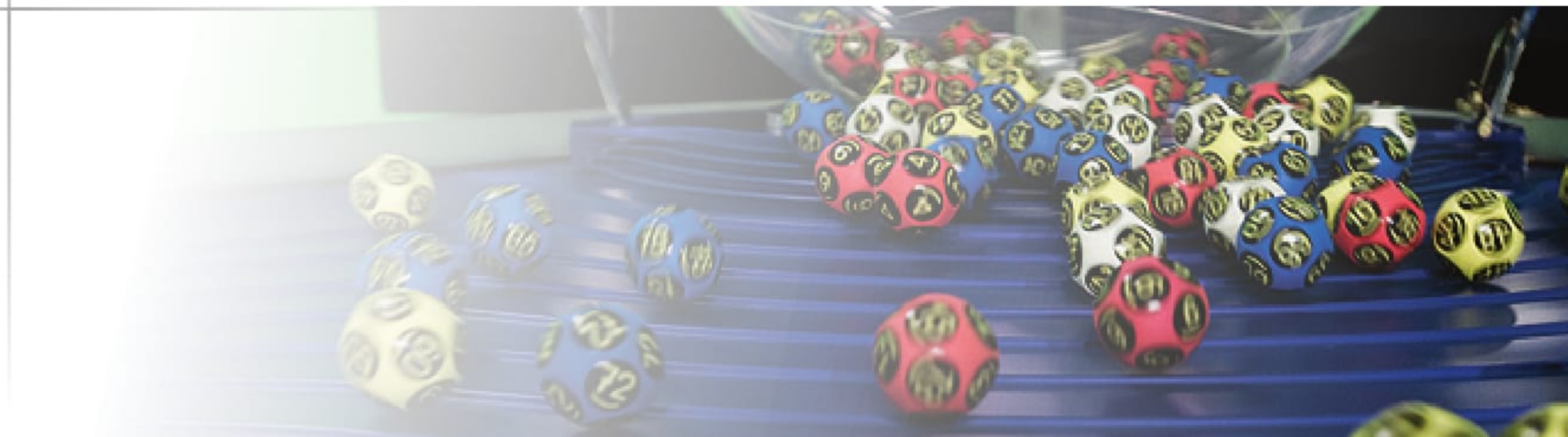


Name and number of indicator		Chapter
Customer health and safety	PR1	Responsible gaming
	PR2	No data
Product and service labelling	PR3	Responsible gaming
	PR4	N/A
	PR5	No data
Marketing communications	PR6	Responsible gaming
	PR7	No data
Customer privacy	PR8	No data
Compliance	PR9	Our key business accomplishments — responsible management



2010





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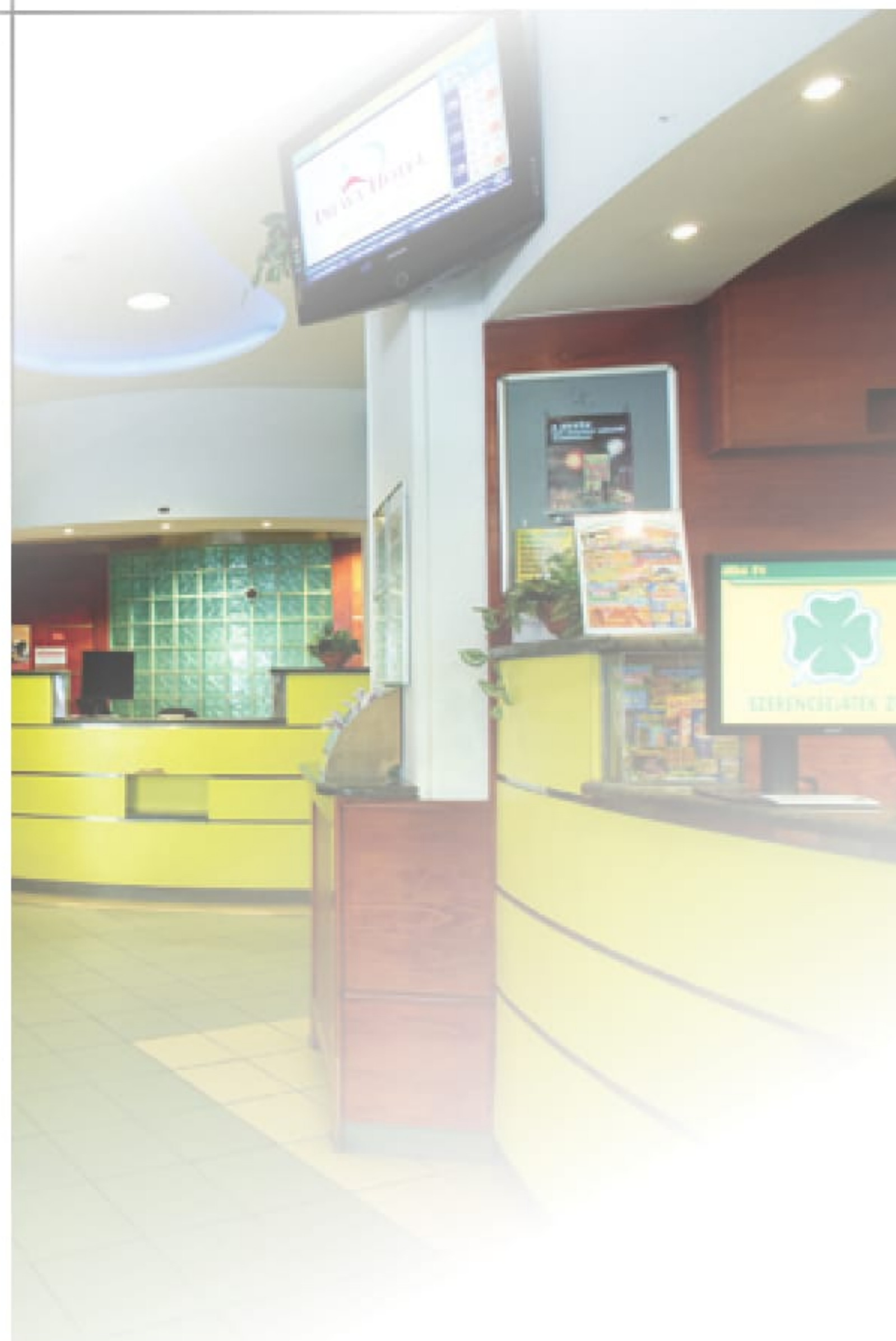
## Please share your opinion with us!

Your opinion and suggestions are very important for us, as it is only through dialogue based on mutual trust that we best can meet both the needs of society and our business objectives.

Our colleagues at the Corporate Social Responsibility Department are waiting for your feedback on our sustainable development accomplishments and our report at [csr@szerencsejatek.hu](mailto:csr@szerencsejatek.hu).

Our report and other news about our Company's CSR activities are available online on the Company's website: [www.szerencsejatek.hu](http://www.szerencsejatek.hu).

Thank you in advance!



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