

# TAX STRATEGY

# Table of Contents

- 1. *The Company's goals in relation to the tax variable ("Tone at the Top")* ..... 3
- 2. *Risk Appetite* ..... 3
- 3. *Tax planning and intercompany transactions* ..... 4
- 4. *The rewarding system and the incentive mechanisms* ..... 5
- 5. *The penalty system*..... 5
- 6. *Dissemination of a corporate compliance culture*..... 5
- 7. *Tax governance* ..... 6
- 8. *Relations with tax authorities* ..... 7

## **Introduction**

As the Italian leader in the regulated gaming sector, IGT Lottery S.p.A. (hereinafter also “the Company”) is responsibly engaged in maintaining a complex network of relationships with numerous stakeholders involved in a variety of relevant aspects, from regulatory obligations to the protection of the most vulnerable.

The trust that players and customers place in IGT’s products is reflected in the certainty that legal gaming operations are conducted in full compliance with the laws in force and according to a logic of protection of the rights, both personal and property, of all stakeholders. Indeed, IGT has always believed that ethics and integrity are the essential prerequisites on which to base its activities. Through appropriate company procedures, constantly refined over time, IGT ensures the proper conduct of its business and maintains its leading position in the Italian market.

### *1. The Company’s goals in relation to the tax variable (“Tone at the Top”)*

IGT Lottery S.p.A. and the Italian companies in the group controlled by it (hereinafter referred to as “the IGT Italia Group”) are aware of their corporate responsibility for the impact that the IGT Italia Group’s activities have on society and strive to promote behaviour and choices at all levels of their organisation which contribute to the wellbeing of society and to create shared value with all stakeholders in a long-lasting manner.

With this in mind, the IGT Italia Group considers it strategic to pursue corporate objectives by developing and integrating within the policies that express its sensitivity to sustainability and, more generally, to Environmental, Social and Governance (ESG) issues, an appropriate tax strategy that guarantees correct application of relevant tax regulations, inspired by the principle of the so-called “fair taxation”. To this end, the IGT Italia Group aims to promote relations with the tax authorities that are characterised by good faith and transparency and to develop the personal and professional skills of the resources involved in the tax process and in the management of the associated risks.

### *2. Risk Appetite*

In keeping with the Code of Conduct adopted, the IGT Italia Group’s conduct is inspired by the principles of fairness, transparency, honesty and integrity, which in the area of taxes are implemented in the proper discharge of tax obligations and in substantial compliance with regulatory provisions.

Specifically, the IGT Italia Group complies, in form and substance, with all the provisions contained in laws, regulations and best practices, at both national and international level, through mechanisms of cooperation and transparency with the tax authorities. In this respect, the IGT Italia Group’s objective is threefold:

- i. to ensure the payment of all the taxes due, as well as the timely and correct fulfilment of all the obligations under tax law;
- ii. to avoid or limit double taxation or double non-taxation;
- iii. to apply all favourable tax provisions in full compliance with all the laws in the jurisdictions involved.

### *3. Tax planning and intercompany transactions*

The management of the business activities of the IGT Italia Group in the area of taxation is aimed at:

- not resorting to transactions, the establishment of commercial relationships or the implementation of corporate structures that are devoid of economic substance;
- avoiding conducts or choices motivated solely by the abusive reduction of the tax base or the transfer of profits to other jurisdictions or entities;
- rejecting the use of so-called “aggressive tax planning” schemes as identified in international best practice;
- setting transfer prices in intercompany relations in accordance with the “OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations” and the Italian legislation transposing them.

In cases where IGT Italia Group companies are involved in commercial relations with related parties not resident in the same jurisdiction, the criteria applied to value transactions for transfer pricing purposes are indicated in the financial statements or in other documentation relevant for tax purposes (e.g. Group Transfer Pricing Policy and Transfer Pricing documentation drawn up pursuant to the Order of the Director of the Italian Revenue Agency of 23 November 2020).

Tax risk control mechanisms (understood as the risk of operating in violation of tax regulations or in contrast with the principles and purposes of the tax system) are integrated into the Company’s overall risk management and control system (regulated by the IGT Italia Group’s Policy “Internal Control and Risk Management System (ICRMS)”, with specific controls, in order to guarantee the correct assessment of taxes and ensure transparent and accurate compliance, including through the timely involvement of the Tax function, in assessing the tax impact of activities identified as sensitive, including extraordinary transactions. The proper operation and effectiveness of these controls is monitored by the Tax Risk Management function.

The IGT Italia Group also has a system ICRMS and a compliance programme for the prevention of offences pursuant to Legislative Decree No. 231/2001, both subject to the approval of the Board of Directors of IGT Lottery S.p.A. and its Italian subsidiaries.

Furthermore, in view of the listing of IGT PLC on the New York Stock Exchange (NYSE), the IGT Italia Group has also established an Internal Control System over Financial Reporting that oversees the preparation of financial statements in accordance with the US Sarbanes-Oxley Act of 2002 (SOX).

The Tax Control Framework is a further element of the Company’s internal control and risk management system.

The IGT Italia Group avails itself of the tax incentives recognised by the law on equal terms with other operators only where they are aligned with its industrial and operational objectives and consistent with the economic substance of its investments, in compliance with all specific reference regulations.

In implementing the principles expressed in this tax strategy, the IGT Italia Group pursues, as a priority objective, the certainty of the tax positions adopted. In cases where tax regulations give rise to doubts of interpretation or difficulties in their application, Group

companies adopt a reasonable interpretation of the same inspired by the principles of lawfulness, also availing themselves of internal and/or external consultancy and activating, where appropriate, forms of prior dialogue with the tax authority, working in concert with the latter in order to reach a common assessment of the applicable tax regime.

In defence of the interests of the Company and its stakeholders, the IGT Italia Group considers it legitimate to uphold, even in litigation, the reasonable interpretation of the rules it has adopted, where there are differences of interpretation with the competent tax authority (so-called “agree to disagree”).

#### *4. The rewarding system and the incentive mechanisms*

The reward system and the incentive mechanisms granted to employees and management are based on realistic goals consistent with the tasks, activities carried out and responsibilities entrusted. In no way and for no Company function does the IGT Italia Group envisage incentive mechanisms that could push management to make unethical choices or choices in conflict with laws and regulations, including those of a tax nature.

#### *5. The penalty system*

Failure to comply with the rules of conduct and with the ethical principles contained in the IGT Italia Group’s Code of Conduct is grounds for disciplinary penalties up to and including dismissal, in accordance with the applicable national regulations and without prejudice to the possible adoption of different penalty measures connected with responsibilities of another nature.

No unlawful conduct or conduct in violation of the provisions of the Code of Conduct or even merely illegitimate or improper conduct shall be justified or considered less serious, even if carried out in the interest or to the benefit of the IGT Italia Group.

#### *6. Dissemination of a corporate compliance culture*

The IGT Italia Group encourages and promotes the awareness of its directors and employees in relation to tax risk. To this end, the IGT Italia Group promotes training courses both for individuals who carry out their activities in the tax area and for those working in other departments that may be involved. This is in order to create a corporate culture aimed at compliance with tax regulations and an awareness of the tax risks to which the Group is exposed in the pursuit of corporate objectives and strategies.

The employees and Management of the IGT Italia Group are required, at all levels, to base their conduct on the “general principles” set out in the IGT Italia Group’s Code of Conduct in force, such as lawfulness and transparency, in addition to what is set out in this tax strategy.

Failure to comply with these principles may result in legal action and disciplinary measures being taken against the recipients, also in keeping with the provisions of the Code of Conduct.

## *7. Tax governance*

The Board of Directors of IGT Lottery S.p.A. approves the Tax Strategy and any amendments and additions thereto, and on an annual basis, if necessary with the aid of other specifically delegated corporate functions, supervises its actual implementation, also based on the annual report received from the Tax Risk Manager.

The Boards of Directors of the Italian subsidiaries adopt this document with autonomous resolutions and ensure its application to the extent of their fields of competence.

In order to ensure that the Company’s tax management is aligned with the risk appetite defined in the previous paragraph, IGT Lottery S.p.A. is committed to adopting and maintaining an adequate internal control system to guard against tax risk, a Tax Control Framework that meets the characteristics of effectiveness established by international guidelines, domestic standards and practice. In agreement with IGT Lottery S.p.A., and in accordance with a principle of proportionality, subsidiaries may provide for a gradual application of the IGT Lottery S.p.A. Tax Control Framework on the basis of the specific characteristics of their operations and organisational complexity.

In this context, the Tax Control Framework is understood as the set of tools, organisational structures, standards and corporate rules aimed at allowing, through an adequate process of identification, measurement, management and monitoring of the main tax risks, a form of business management that minimises the risk of operating in violation of tax regulations or in contrast with the principles or purposes of the law.

In particular, it is based on four pivotal elements:

### **Roles and responsibilities**

In assigning roles and responsibilities within the Tax Control Framework, IGT Lottery S.p.A. adopts organisational solutions in line with the best national and international corporate governance practices and principles.

The Board of Directors of IGT Lottery S.p.A. recognises its role of governance and direction in the management of tax risk and exercises it through the establishment and formalisation of a Tax Control Framework, in which responsibilities are divided into three levels of control.

### **Internal “regulatory” instruments**

IGT Lottery S.p.A. has established and maintains a regulatory procedural body in which the objectives, characteristics and management activities of the tax process are formalised, as well as the activities for the detection, measurement, management and control of tax risk: the Tax Strategy and the Tax Compliance Model.

The Tax Compliance Model is the operational document that contains the description of the activities and operating rules of the Tax Risk Management process.

### **Tax Risk Management Process**

In order to ensure proper management of tax risk, IGT Lottery S.p.A. has established a dynamic process designed to ensure its continuous improvement and adaptability to major changes affecting the Company's structure and business model or any changes in tax legislation. The tax risk management process governs the activities of *i) Planning; ii) Identification and assessment of tax risks; iii) Handling of tax risks; iv) Monitoring of tax risks; v) Preparation of improvement plans; vi) Reporting; vii) Communication and training.*

### **Information and reporting flows**

In relation to the Tax Control Framework, to enable the Board of Directors to perform its supervisory role, the Tax Risk Management function prepares a report to the management bodies of IGT Lottery S.p.A. at least once a year. Said report acknowledges the results of the monitoring of the internal control system of tax risk and the status of tax risk management for the tax reporting period.

On the basis of these reports, the management bodies make their own assessments of the adequacy of the Tax Control Framework as a whole.

## *8. Relations with tax authorities*

The IGT Italia Group guarantees transparency and fairness in its dealings with the tax authorities.

In this context, in particular, the IGT Italia Group undertakes to:

- communicate in a clear and transparent manner to the tax authority any changes in the tax strategy, and medium and long-term tax planning of possible risks associated with the most relevant transactions;
- provide correct, accurate and timely information and respond promptly to requests from the tax authorities;
- settle any issues related to tax returns before they are finalised, and, if disputes should subsequently arise, reach an agreement with the tax authority to resolve them;
- communicate any changes that have occurred with regard to the mapping of tax risks;
- provide information on the functioning of the tax risk management and control system and a list of any deficiencies detected by monitoring activities.