

Good Operations 2018



Novamedia



Novamedia Sverige AB

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Scope and boundaries of the report and guidance for reading

This sustainability report is about Novamedia Sverige AB (company registration no. 556375-6328), a company operating on Sweden's regulated gambling market. Novamedia Sverige AB develops and operates charity lotteries under the Swedish Postcode Lottery brand, on behalf of the Swedish Postcode Association (registration no. 802416-1146). Novamedia Sverige AB is a wholly-owned subsidiary of Novamedia B.V. (registered company no. 33293056) based in Amsterdam (NL) and, together with other subsidiaries, is part of the Novamedia group.

In the report, Novamedia Sverige AB is referred to as "Novamedia Sverige" or "the company"; the Novamedia group as "Novamedia" or "the group"; Novamedia B.V. as "the parent company", and the Swedish Postcode Association as "the association".

The relationship between Novamedia Sverige and the Swedish Postcode Association is one of mutual dependence. Novamedia Sverige has granted the Swedish Postcode Association an exclusive licence to use the Postcode Lottery product format and brand on the Swedish gambling market. The Swedish Postcode Association holds the permits to operate the lotteries and Novamedia Sverige

is the operating company that handles business development and the operation of the Swedish Postcode Lottery on behalf of the association. A significant part of the impact that the company's activities have on society is the charitable funds generated by the lottery and that is distributed by the Swedish Postcode Association. In order to give a fair picture of Novamedia Sverige's operations, the impact of funds is therefore included in this report.

The Swedish gambling market is a regulated market that is under the supervision of the Swedish Gambling Authority. The Swedish Gambling Authority is led by a board appointed by the government and ensures that the Swedish gambling market is lawful, safe and reliable. A new gambling regulation (SFS 2018: 1138) entered into force January 1, 2019. The transitional terms of the new gambling regulation entails that the regulation should be applied during 2019 for decisions that are based on the old lottery law, and which have been announced before January 1, 2019. Hence, the Swedish Postcode Association fall under these transitional terms, and hence, will be subject to the new regulation starting from January 1, 2020.

1 A message from the Managing Directors

The Swedish Postcode Lottery is founded on our belief in a strong civil society and that the power of the non-profit sector can help create a better world. Our business is built upon the idea that players win together while at the same time contributing to the work of non-profit organisations. This conviction automatically imposes demands on us, not least that the operations must be sustainable – since you can't give with the one hand and contribute to the opposite effect with the other.

During the year the Novamedia group produced a new sustainability agenda, known as the GO-agenda. GO stands for Good Operations; in other words, sustainable enterprise. The agenda contains clear and ambitious targets within the area of sustainability. A key element of the work with the GO-agenda has been how employees and the outside world perceive us and our operations. A stakeholder analysis carried out during the year showed that all our target groups – lottery players, beneficiaries of lottery funds, partners and employees – were all in agreement: sustainability is very important, even crucial, for an enterprise that is to survive in the long run.

Our stakeholders have high expectations of us and challenge us to aim high and be ambitious in many areas. This report is our way of showing that we accept the challenge. We were able to establish that the stakeholders shared our opinion of which elements are key, and these align well with the strategy on which our continuous work is based. However, we want to be clear that we do not see ourselves as perfect just because we agree on what to focus on. This work will never be finished.

Running a lottery comes with a great responsibility. In the gambling industry, business logic is somewhat turned on its head – in that we constantly “overpromise and underdeliver”. The logic is

that not everyone can win, but everyone can dream. At the same time, we know that not everyone can handle gambling and we believe it goes without saying that we must market the lottery in a responsible way. During the year we reported our own advertising in order to get grey areas in laws and guidelines clarified. We do this to ensure that our own advertising is sustainable. We believe that it is important that the whole industry finds it easy to do the right thing.

A lottery also means prizes. It is thanks to an attractive prize plan that so many Swedes choose to participate in the Swedish Postcode Lottery and existing lottery players stay with us. Naturally, however, the prizes affect both people and the planet. We can help create a better world by requiring our suppliers to produce the prizes sustainably; under good terms for workers and with minimal climate impact, and also by compensating the negative effect of non-cash prizes by investing in emissions-reducing projects.

Monitoring is key if we are to constantly develop our business in a sustainable and responsible way. This year's sustainability work is being reported separately. The aim for the future is to use integrated reporting, to better showcase the value created from the lottery operations. Good business requires systematic sustainability work, and vice versa.

Happy reading!

Stockholm, January 2019

*Anders Årbrandt
Cecilia Bergendahl
Eva Struving*



2 About Novamedia Sverige

Novamedia Sverige believes that the world is better off with a strong civil society. This belief is the heart of the company's business model. Novamedia Sverige operates the Swedish Postcode Lottery on behalf of the Swedish Postcode Association with the aim to offer an entertaining lottery that generates funds for charities.

The vision and history behind Novamedia

Novamedia Sverige is a wholly-owned subsidiary of Novamedia B.V. The parent company Novamedia B.V. was established with the vision and the belief that the world is better off with a strong civil society. The purpose of Novamedia B.V. and Novamedia Sverige is to run charity lotteries that generate money for non-profit organisations and to increase awareness of their important work.

Novamedia B.V. is the creator and owner of the product format and the Postcode Lottery brand. The first Postcode Lottery was launched in the Netherlands in 1989. Given the success of the Dutch Postcode Lottery, Novamedia B.V. later established Postcode Lotteries in Sweden (2005), the UK (2005) and Germany (2016). In 2018, a Postcode Lottery was launched in Norway.

In 2008, the decision was made that all shares in Novamedia should be transferred to a foundation. Today, The Novamedia Foundation owns 100% of the shares in Novamedia. Novamedia's mission continuity is the main objective for The Novamedia Foundation. The foundation has been incorporated with the core function of perpetually holding all the shares in Novamedia Holding. In 2017, the new governance of Novamedia was implemented ensuring that The Novamedia Foundation can never transfer shares in Novamedia to another party, thus safeguarding the continuity of Novamedia's mission.

Vision – the Why

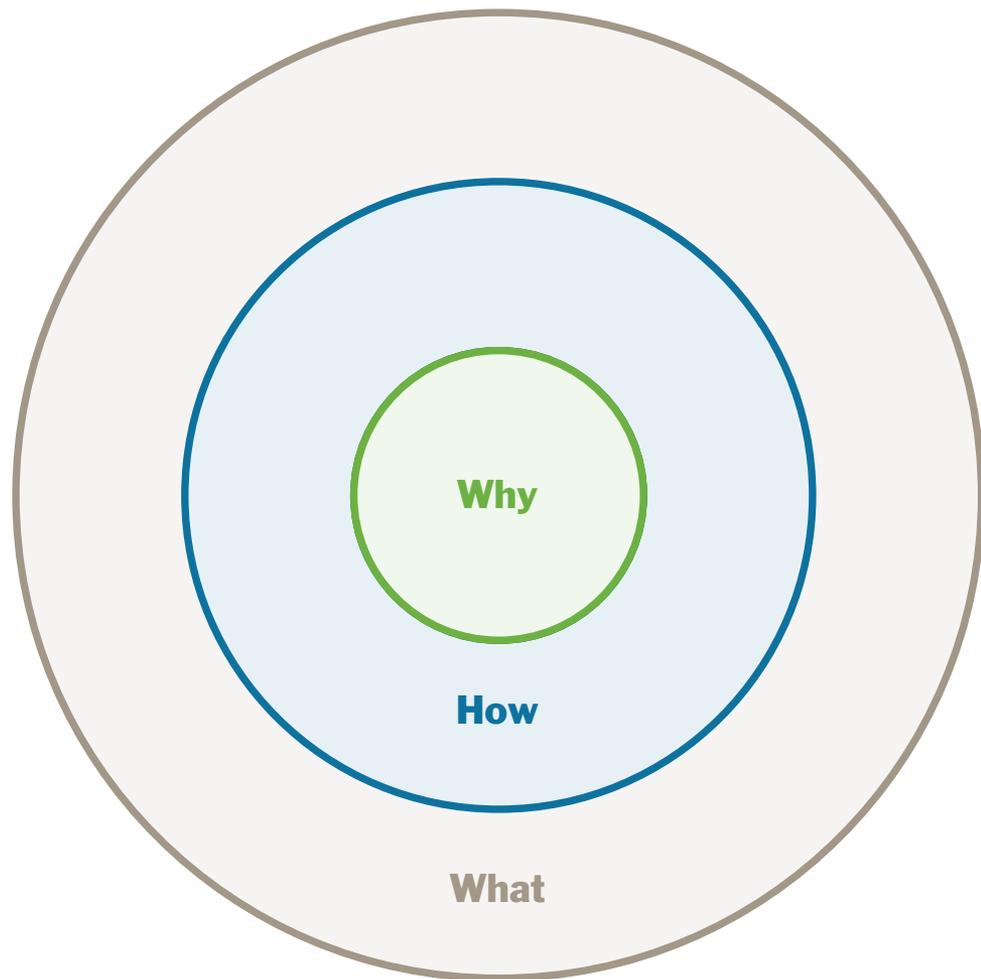
We believe the world is better off with strong social organisations. There can be no change without them.

Mission – the How

To raise funds for social organisations worldwide, increase awareness of their work and to promote their new initiatives.

Activity – the What

We operate charity lotteries to raise funds for social organisations and good causes and make good citizenship fun.



Novamedia Sverige and the Swedish Postcode Association

The Postcode Lottery in Sweden was launched in 2005. A precondition for operating lotteries in Sweden is that it must contribute to good causes. It is the Swedish Gambling Authority that grants lottery permits and the convention is that permits are granted only to non-profit organisations and foundations. To enable Novamedia to launch the Postcode Lottery in Sweden, the Swedish Postcode Association was established in 2005.

Novamedia Sverige is granting an exclusive licence to the Swedish Postcode Association to use the product format and the Postcode Lottery brand on the Swedish gambling market. The Swedish Postcode Association holds the permits to operate the lotteries. Novamedia Sverige is the operator company that, on behalf of the association, handles business development, operations, the production of TV programmes and the lottery and games under the Swedish

Postcode Lottery brand. Novamedia Sverige is responsible for all employees and the office is located in Stockholm.

The Swedish Postcode Association has an independent board. The board decides which non-profit organisation that may be a member of the association and decides on the distribution of funds generated by the Swedish Postcode Lottery. The Swedish Gambling Authority oversees and checks the lottery operations on an ongoing basis and must approve the distribution of funds. At the end of 2018, there were 56 non-profit organisations that received funds generated by the Swedish Postcode Lottery.

The value creation model of the Swedish Postcode Lottery is illustrated on page 10. The model shows the input, output and value created or lost for stakeholders, society and the environment as a result of the lottery operations.

An entertaining lottery

In 2018, the Swedish Postcode Association had seven active permits and Novamedia Sverige operated the lotteries on behalf of the association. The main product – the Swedish Postcode Lottery – is a subscription lottery that is based on the idea of winning together with your neighbours. In addition to the subscription lottery, an online portfolio with bingo and scratch card games is offered. Entertainment is also an important element of the Swedish Postcode Lottery. TV programs include Postkodmiljonären (The Postcode Millionaire) En ska bort (Odd one out) and Drömpyramiden (The Pyramid of dreams).

Lottery economics in a nutshell

The Swedish Postcode Association reimburses Novamedia Sverige for the costs incurred in developing and operating the lottery and games and producing the TV programmes. In 2018, 42,5% of the total proceeds from the lottery and games went back to the players as lottery prizes. The charitable funds represent the net result after lottery prizes and costs have been deducted. The funds are distributed by the Swedish Postcode Association to the non-profit organisations that are members of the association and beneficiaries to the lottery funds. In 2018, the total revenues from lotteries and games was SEK 3.5 billion, lottery prizes amounted to SEK 1.5 billion and the lottery funds were SEK 0.952 billion. Since it started in 2005, the Swedish Postcode Lottery has generated approximately SEK 10.4 billion to non-profit organisations.

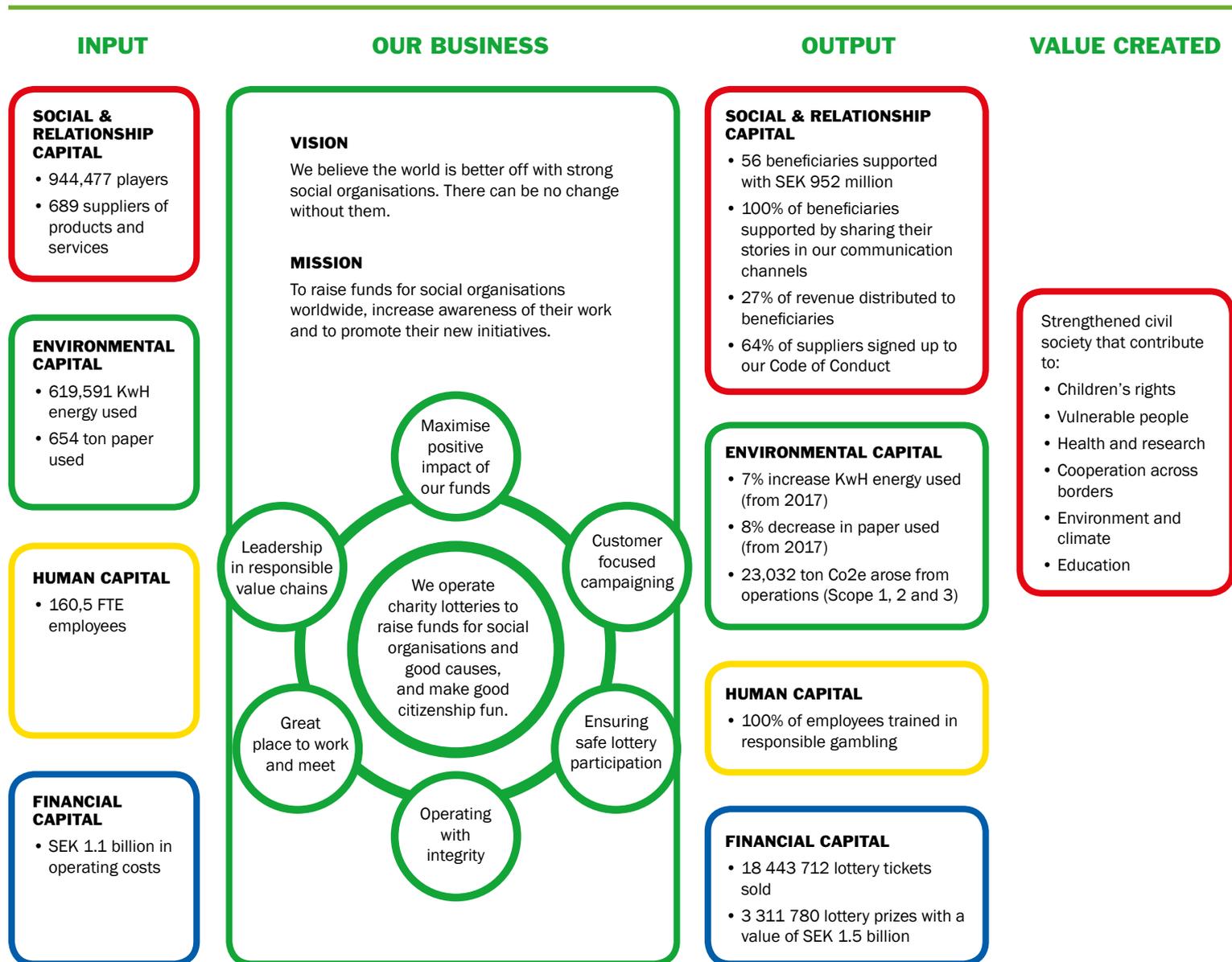
Novamedia Sverige's core values

Novamedia Sverige's operations are based on four core values – courageous, fun, sharing and sustainable. These values are shared by all entities within the Novamedia group and are intended to inspire and unite all employees. The values are reflected in day-to-day operations and guide activities and decisions within Novamedia Sverige.

The Swedish gambling market 2018

The Swedish gambling market consists partly of a regulated market operating under the Swedish Gambling Authority's supervision and partly of an unregulated market with actors without a permit to operate in Sweden. These unregulated actors are based, and operate, from abroad. The unregulated actors have increasingly gained market share. In 2018, the unregulated actors represented about a fourth of the Swedish gambling market.

These new market conditions have spurred the government to re-regulate the gambling market. The new gambling regulation (SFS 2018: 1138) entered into force January 1, 2019. However, the transitional terms of the new gambling regulation entails that older regulation should be applied during 2019 for decisions that are based on the old lottery law, and which have been announced before January 1, 2019. The Swedish Postcode Association fall under these transitional terms, and hence, will be subject to the new regulation starting from January 1, 2020.



* This value creation model represents the Swedish Postcode Lottery, and therefore includes the operations of both Novamedia Sverige as well as the Swedish Postcode Association.

3 Good Operations – agenda & governance

Novamedia Sverige was founded on the basis of a desire and ambition to contribute to a positive development of society. Therefore it is natural that the company integrates a sustainability perspective in its daily operations.

Good Operations agenda

The Novamedia group is a value-driven company that since its inception has worked on sustainability by operating a business with a clear social mission. In 2009, Novamedia broadened the concept of sustainability and today the group's operations are guided by a sustainability vision that goes under the name Planet & People. Based on this sustainability vision, Novamedia has developed a sustainability agenda, or a Good Operations agenda, as it is referred to within the group. Good Operations rest on the ambition to run a sustainable and responsible operation and to be recognized as a frontrunner in responsible leadership. This ambition forms the foundation of Novamedia's sustainability priorities and implies that the business shall be operated with respect to people and to the planet through the entire value chain in a transparent way.

In 2018, the Good Operations agenda was revised in dialogue with a number of Novamedia's stakeholder groups, and new and even more ambitious sustainability objectives were formulated. The agenda sets out Novamedia's

ambitions and directs the efforts within the entire group as well as within Novamedia Sverige.

Novamedia Sverige's Good Operations agenda focuses on the following six areas:

- **Strong civil society:** To maximize the positive impact of the funds generated by the Swedish Postcode Lottery.
- **Responsible campaigning:** To engage in customer-focused and sustainability-driven campaigning.
- **Responsible gambling:** To offer and promote responsible gambling measures with a focus on prevention to ensure safe participation of lottery players.
- **Sustainable purchases and environmental responsibility:** To ensure leadership in responsible value chains by running all parts of the operations with respect to people and the planet.
- **Employer of choice:** To engage in good employment practices and offer a non-discriminatory working environment that ensures a great place to work and meet.
- **Business ethics:** To operate the business with integrity in close dialogue with stakeholders.

GOOD OPERATIONS – AMBITIONS AND OBJECTIVES

STRONG CIVIL SOCIETY

Maximize positive impacts of our funds

- We work with long-term partnerships based on trust with the beneficiaries of lottery funds.
- We make new and courageous initiatives possible.
- We encourage and support our beneficiaries to become more impactful and sustainable.
- We communicate the allocation of funds transparently.

SUSTAINABLE PURCHASES & ENVIRONMENTAL RESPONSIBILITY

Leadership in responsible value chains

- We purchase products and services that are socially and environmentally sustainable and offer non-cash prizes that promote a sustainable lifestyle.
- We challenge, follow-up and engage our suppliers to ensure compliance with our Code of Conduct.
- Our purchasing has a positive impact on the climate.

EMPLOYER OF CHOICE

Great place to work and meet

- We have a diverse and balanced workforce at all levels of the organisation, and apply an equal remuneration policy.
- We support our employees' health and well-being.
- We create an environment where everyone can thrive.
- We trust and empower our people to make change.

RESPONSIBLE CAMPAIGNING

Customer-focused and sustainability-driven campaigning

- We establish long-term relationships with our players.
- We have zero upheld complaints regarding commercial communications.
- We continuously develop and find more sustainable ways to communicate with our players.
- We engage our players and potential players in our mission and promote sustainable and good citizenship.

RESPONSIBLE GAMBLING

Ensuring safe lottery participation

- We offer no high-risk games.
- We provide preventative gambling measures and limit the participation of players.
- We educate our employees and relevant partners in responsible gambling.

BUSINESS ETHICS

Operating with integrity

- We comply with national laws and regulations, follow and support international conventions and general principles for sustainable development.
- We protect players' personal data and comply with privacy and information security guidelines.
- We tolerate zero errors in draws and payment of prizes.
- We ensure fair and safe participation to protect players.

Sustainability governance

The sustainability agenda – Good Operations – is decided centrally by Novamedia B.V. in co-operation with the national entities. There is an international Good Operations team with representatives from each country, which functions as a strategic working group. The Good Operations agenda is then applied within the framework for each country's operations, allowing for local adaptation to meet respective country's circumstances. Hence, the agenda on page 12 is modified to some degree to align with Novamedia Sverige's circumstances.

At the end of 2018, Novamedia Sverige was run by three Managing Directors – Anders Årbrandt, Cecilia Bergendahl and interim Managing Director Eva Struving. During 2018, Cecilia Bergendahl also held the position as the Lottery Manager at the Swedish Postcode Association. The Lottery Manager is responsible for ensuring

that the lottery operations are carried out in accordance with applicable permits, conditions and the gambling regulation. To provide support for the implementation of the Swedish Postcode Lottery's lottery-specific processes, Novamedia Sverige has an administrative support unit known as the Lottery Office.

It is the management of Novamedia Sverige that is ultimately responsible for governing Novamedia Sverige's sustainability work. The company's Sustainability Manager is part of the group's Good Operations team that is responsible to set the strategic sustainability direction. The Sustainability Manager is also responsible for adapting the group's sustainability agenda to the Swedish context and in collaboration with the company's managers ensure that the agenda is integrated into the company's day-to-day operations.

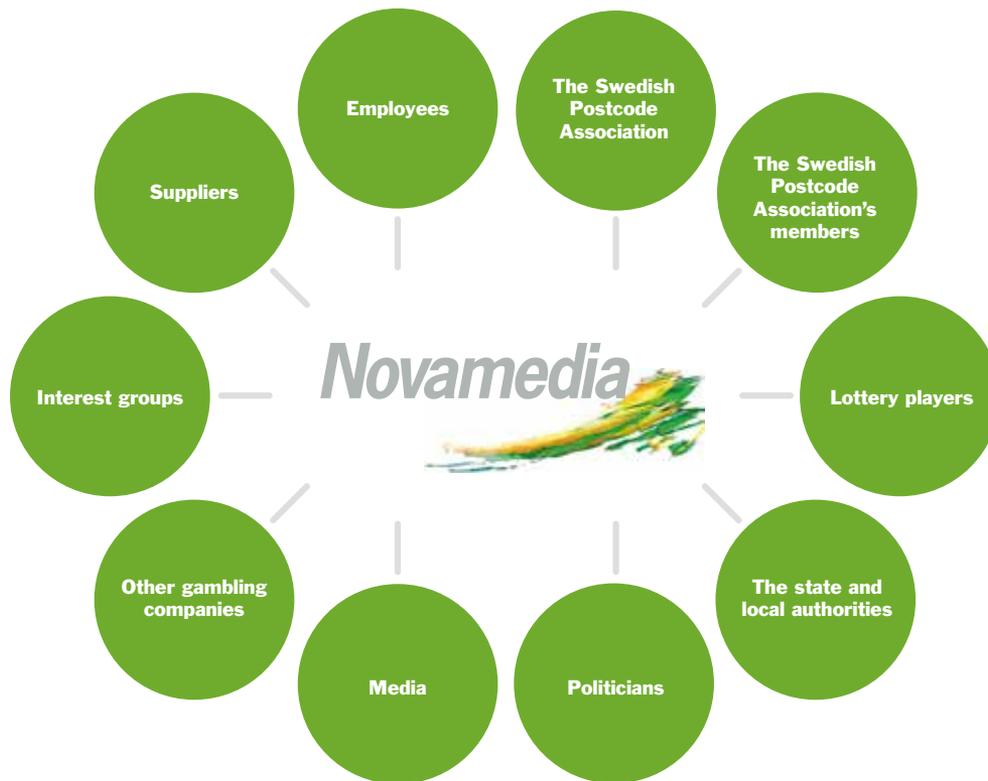
4 Stakeholder engagement

A transparent dialogue with stakeholders is essential to ensure that the company's sustainability efforts stay relevant in an ever-changing world. In other words, regular stakeholder engagement ensures that the company stays true to its social mission.

Novamedia Sverige's stakeholders include all actors and individuals that in one way or another are affected by or have an effect on the company's operations. The stakeholders include, but are not limited to, employees, suppliers,

lottery players as well as beneficiaries of the lottery funds. The diagram below illustrates all interest groups of relevance to Novamedia Sverige.

Novamedia Sverige engages with its stakeholders in different forums to discuss their interests, expectations and concerns about various of topics. These engagements help in the understanding of which issues are important, and thus, how and where to focus the company's sustainability efforts.



Stakeholder engagement in 2018

In 2018, Novamedia revised the Good Operations agenda, and the revisions were highly influenced by the insights that resulted from the stakeholder dialogues conducted during the year. At the beginning of 2018, Novamedia Sverige invited its employees, suppliers, lottery players, beneficiaries of the lottery funds as well as interest groups focusing on prevention of gambling problems to engage in workshops, in-depth interviews and surveys. The aim of the dialogues was to receive input and feedback on the strategic direction and objectives in regards to the company's sustainability efforts.

The results from the dialogues clearly indicated that Novamedia Sverige's stakeholders are all in agreement that it is very important that the company operates its business in a sustainable way. In fact, not only do they believe that it is very important, but they also emphasize that it will be necessary in order for the business (and the planet!) to survive in the long run.

Many concrete insights and suggestions were created during the dialogues that resulted in bringing the ambitions of the sustainability agenda to a higher level. One re-occurring element of the dialogues was the expectation that not only should the operations be run in a sustainable way, but Novamedia Sverige is also expected to be a source of inspiration when it comes to promoting good citizenship and a sustainable lifestyle. Suggestions to meet this ambition included offering non-cash prizes in the prize plan that help the lottery winners to live more sustainably, and to use the different marketing and communication channels to promote good citizenship and sustainable values. These insights, as well as others, have been incorporated into the revised GO-agenda, as can be seen on page 12. The following chapter provides more specific information about the current initiatives and work conducted within the company's six sustainability areas.

5 Good Operations in 2018

STRONG CIVIL SOCIETY

Novamedia Sverige was founded on the belief that the world is better off with a strong civil society. To contribute to a strong civil society is therefore both the heart of the company's business model as well as a very important sustainability area.

Through its operator mandate, Novamedia Sverige makes it possible for the Swedish Postcode Association to generate and distribute the charitable funds from the lottery to the beneficiaries. However, Novamedia Sverige does not only have an ambition to run lotteries that generate funds, but also to maximize the impact of funds. In order to do so, the company focuses on; building long-term relationships with the beneficiaries of funds; providing un-earmarked funding whilst simultaneously making new and courageous initiatives possible; supporting the beneficiaries to become more impactful and sustainable in their own operations; and last but not least, being transparent about how the funds are allocated.

Beneficiaries of lottery funds

At the end of 2018, there were in total 56 non-profit organisations that received funds generated by the lottery. To be eligible to receive funds, the organisation must be a member of the Swedish Postcode Association.

In order for an organisation to be considered as a potential beneficiary, it must meet a number of criteria. These criteria include, but are not limited to, that the organisation must be a non-profit organisation or foundation, have operations in

Sweden and contribute to good causes.

An organisation will be examined by a number of bodies before possibly being approved.

The decision of new memberships is taken by the board of the Swedish Postcode Association.

The organisation must then also be approved as a beneficiary by the Swedish Gambling Authority.

The members of the association all have fund-raising operations in Sweden and are active in Sweden and internationally within areas such as children's rights, environment and climate, health and research, vulnerable people, corporation across borders and education. One of the 56 beneficiaries is the Swedish Postcode Foundation.

The Swedish Postcode Foundation

The Swedish Postcode Foundation was founded by Novamedia Sverige. As a beneficiary of the lottery, the foundation receives a share of the lottery funds. Unlike the other beneficiaries of the lottery, the Swedish Postcode Foundation is not the final recipient of funding received, but was founded to distribute the funds further by supporting projects in Sweden and internationally. The foundation supports projects that tackle societal challenges and contribute to lasting positive change.

The projects funded by the Swedish Postcode Foundation aim to change norms through art and culture, work for children's rights, use of sports as a tool for integration or protection of the environment. In light of current threats to the environment, the foundation has had a particular focus on addressing these challenges. This ambition will continue in 2019. In 2018,

the Swedish Postcode Foundation supported over 100 new projects. The Swedish Gambling Authority conducts regular surveillance of these projects.

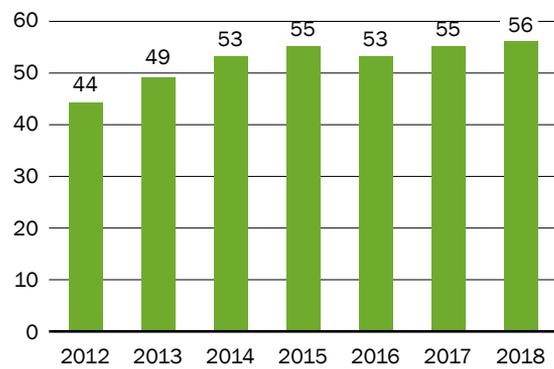
Long-term relationships

The aim is to establish long-term relationships with the beneficiaries of the charitable funds. The number of beneficiaries is continuously increasing as shown in the diagram below.

In 2018, one new member was elected to the Swedish Postcode Association – The Autism and Asperger Association (Autism- och Aspergerförbundet). The Autism and Asperger Association strives to create better conditions for children, young people and adults with autism. They work actively to influence politicians, authorities and other organisations to create better conditions and opportunities for people with autism.

The Swedish Postcode Association

Number of beneficiaries 2012–2018



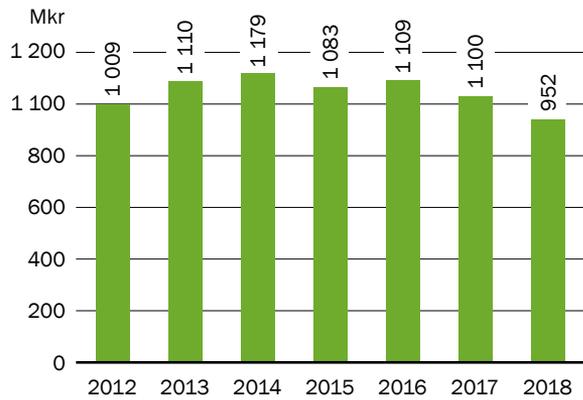
Charitable funds

Overall since 2005 the lottery operations have generated SEK 10.4 billion in charitable funds, which have subsequently been distributed by the Swedish Postcode Association to its members. In 2018, the charitable funds amounted to SEK 952 million. The funds are distributed as follows:

Un-earmarked funds around 65%, project support via the Swedish Postcode Foundation max. 25%, and special projects around 10%. The distribution of the 2018 funds is shown in the diagram below and is described in more detail on the following pages.

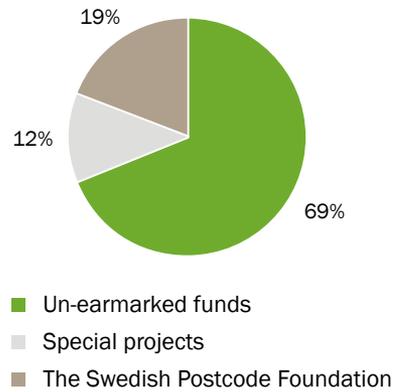
The Swedish Postcode Association

Total funds 2012–2018



The Swedish Postcode Association

Distribution of total funds 2018



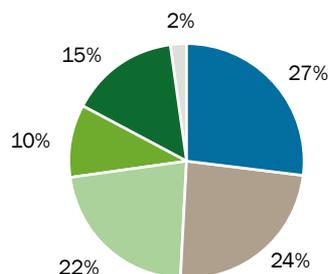
Un-earmarked funds

In order for the non-profit sector to make an impact, it is essential that the organisations themselves are allowed to decide where the funds are most needed. The majority of the support to the beneficiaries of lottery funds is therefore un-earmarked, which means that the organisations themselves decide what activities the money shall be used for.

In 2018, the un-earmarked funds amounted to around SEK 655 million, which corresponds to 69% of the total funds. The diagram below shows how the un-earmarked funds are distributed within the Swedish Postcode Association's focus areas.

The Swedish Postcode Association

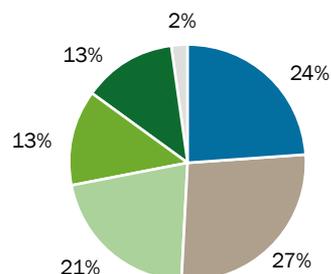
Distribution of un-earmarked funds 2006–2018



- Children's rights
- Vulnerable people
- Health and research
- Cooperation across borders
- Environment and climate
- Education

The Swedish Postcode Association

Distribution of un-earmarked funds 2018



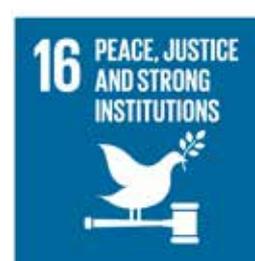
- Children's rights
- Vulnerable people
- Health and research
- Cooperation across borders
- Environment and climate
- Education

Special projects

In addition to the un-earmarked funds distributed to the Swedish Postcode Lottery's beneficiaries, the beneficiaries can also obtain financial support for specific projects from a number of special project funds. The aim of the special project funds is to inspire the beneficiaries to develop new and courageous initiatives in order to contribute to new knowledge on relevant issues. Two calls for proposals of a total amount of SEK 110 million were announced through two special project funds in 2018. The first fund focuses on the following Sustainable Development Goals – 4 (quality education) and 11 (sustainable cities and communities). The other fund focuses on the following Sustainable Development Goals – 3 (good health and well-being) and 16 (peace, justice and strong institutions).

Dialogues with and evaluation of beneficiaries

As part of the operator mandate, Novamedia Sverige is in continuous dialogue with, and conducts evaluation of, the beneficiaries to ensure compliance with all applicable laws and regulations as well as the statutes of the Swedish Postcode Association. Hence, the purpose is to ensure continued eligibility to receive funds. There is a formal process in place to allow for annual monitoring and evaluation. The monitoring is based on, among other things, the effect reporting developed and used by the Swedish Fundraising Council (Frivilligorganisationernas Insamlingsråd or FRII). In addition, there is an



ongoing close dialogue with the beneficiaries, with the aim to maximise the positive impact of the charitable funds. Going forward, the dialogue will also include issues regarding how the organisations work to ensure that their operations are sustainable from an economic, social and environmental perspective.

Transparency

Openness and transparency are key issues for Novamedia Sverige. Transparency is of particular importance in regards to the charitable funds generated by the lottery and how it is distributed by the Swedish Postcode Association. The distribution of the funds is reported in the Swedish Postcode Association's annual report and at postkodlotteriet.se.

RESPONSIBLE CAMPAIGNING

Novamedia Sverige is committed to engage in sustainability-driven and customer-focused campaigning. This commitment entails several elements, including building long-term relationships with the lottery players; ensuring that all marketing efforts are conducted in an ethical way; and continuously develop and find more sustainable ways to communicate with the lottery players. And last but not least, the commitment also includes an ambition to use the company's communication channels to inspire and promote sustainable and good citizenship.

Responsible and ethical marketing

Novamedia Sverige strives to produce marketing that is ethical, with the starting point that all legal requirements as well as all ethical guidelines on marketing must be complied with.

This is of high priority for the company, as its responsible gambling efforts are central to the its operations. Novamedia Sverige is a member of the Swedish Gambling Association (SPER) that works for a responsible gambling industry with a high level of consumer protection. As a member, it is obliged to follow SPER's guidelines on marketing and sales. Novamedia Sverige has also chosen to become a member of the Swedish Direct Marketing Association (SWEDMA) and of Kontakta, memberships that entail that the company has signed up to certain ethical rules relating to marketing and sales.

Training of both personnel and partners involved in marketing and sales is one example of how the company works to ensure that all the rules and ethical guidelines are followed. New

marketing and sales campaigns are also examined by Novamedia Sverige's corporate lawyers to ensure that they comply with laws and ethical guidelines and principles.

Novamedia Sverige safeguards lottery players' privacy and does not contact people who have opted out of communication via Nix, a national barring system, or have registered with the company's own barring system.

Novamedia Sverige encourages examination of its marketing. There are a number of bodies, including the Patent and Market Court (Patent- och Marknadsdomstolen), the Swedish Consumer Agency (Konsumentverket) and the National Board for Consumer Disputes (Allmänna Reklamationsnämnden) to which lottery players or the public can turn to report the lottery's marketing. In fact, the company has even reported its own marketing activities to SEEM, the gambling industry's independent expert group on ethical marketing. This self-reporting was done in an effort to create clarity in the interpretation of SPER's guidelines and to push the agenda of high consumer protection forward.

In 2018, there were two incidents of non-compliance in regards to marketing communications. In these two cases SEEM ruled against the company due to non-compliance with SPER's guidelines.

Sustainable means to communicate

In 2018, the company ramped up its efforts to communicate digitally with its existing lottery players, in an effort to both reduce the environmental impact and to raise satisfaction levels

amongst the players. As part of this, the company began to use Kivra, a platform that allows users to set up a digital mailbox. By the end of 2018, approximately 25% of the communication with existing lottery players was done digitally. The plan is to scale up the digital communication in the coming years.

Promoting good citizenship

One of Novamedia Sverige's ambitions is to promote sustainable and good citizenship. In 2018, the company launched a campaign in one of the largest daily newspapers in Sweden that highlighted the mission and important work of the beneficiaries of the lottery funds. During 55 consecutive days, each one of the 55 beneficiaries received the opportunity to showcase their important work in a full-page ad. The campaign received high attention score and hopefully contributed to engage the readers in important sustainability issues.

The Postcode Lottery – best in class

The Swedish Postcode Lottery was ranked as the most sustainable brand in the Swedish gambling industry in 2018, in the Sustainable Brand Index. The index is based on the opinion and perception of 16 000 Swedes. This title “Best in the industry 2018” created pride within the lottery.

RESPONSIBLE GAMBLING

The lottery and games that Novamedia Sverige develops and operates are meant to be entertaining and fun and offer attractive prizes. However, gambling is associated with a risk. About two percent of the adult population in Sweden suffer from gambling problems*. Novamedia Sverige takes its role as a gambling operator seriously. Therefore, it conducts work in the area of responsible gambling, by offering and promoting responsible gambling measures to ensure safe participation of lottery players.

The initiatives related to responsible gambling are based first and foremost on the company's ambition that no individual shall be negatively affected. However, the legislation also makes requirements concerning responsible gambling activities. Working with responsible gambling is therefore also a compliance issue, i.e. a prerequisite for the association's lottery permits and subsequently Novamedia Sverige's operating mandate.

Membership of SPER

SPER works for a responsible gambling industry with a high level of consumer protection. Novamedia Sverige has been a member of SPER since 2014. In December 2016, the board of SPER decided that the organization should be reshaped from the Ethics Council of the Swedish Gambling Industry into a trade organisation for the gambling industry. During 2017, the organisation became the Swedish Gambling Association or SPER (Spelbranschens Riksorganisation). Membership in SPER is open for all licensed operators and suppliers on the Swedish market.

* Source: The Swedish Public Health Agency's Swelogs Prevalence Study 2015.

One of Novamedia Sverige's Managing Directors, Anders Årbrandt, is appointed as chairman of SPER.

As a member of SPER, Novamedia Sverige undertakes to abide by the organisation's guidelines on marketing and sales of games, and to make responsible gambling an integral part of its daily operations. To engage in responsible marketing is of particular importance in the gambling sector. Novamedia Sverige's work in this area is described on page 21.

Participation in the Independent Gambling Collaboration

Since 2015, Novamedia Sverige has been part of the Independent Gambling Collaboration (Oberoende Spelsamverkan or OSS), a voluntary independent collaboration between operators in the regulated Swedish gambling market, relevant authorities such as the Public Health Agency of Sweden (Folkhälsomyndigheten) and the Swedish Gambling Authority, as well as voluntary organisations that provide support to gambling-addicted people and their relatives.

The shared ambition of the stakeholders in OSS is that gambling for money and lotteries should be developed in a healthy and responsible way, with a focus on responsible gambling and social protection aspects. The participants in OSS all carry out preventive work on gambling-related problems in order to reduce the risks of gambling problems to arise, and communicate the fact that gambling problems are a public health issue. OSS provides a good platform for dialogue and for sharing knowledge with other organisations that, along with Novamedia

Sverige, are working to ensure a high level of consumer protection.

Responsible gambling measures

A large part of Novamedia Sverige's responsible gambling efforts are preventive efforts aimed at players. Responsible gambling measures include:

- A strict minimum age of 18 years.
- A monthly limit of SEK 3,400 for each player (20 subscription tickets).
- A limit of SEK 10,000 per gambling account/month on funds placed in accounts for online gambling. Players are only allowed to have one gambling account.
- The website postkodlotteriet.se offers tools for restricting deposits, losses and gambling time per month.
- Free and anonymous self-testing at postkodlotteriet.se, that provides an opportunity to gain knowledge about one's own gambling habits.
- Information about the helpline – Stödlinjen – can be found on the website and in marketing communications. The helpline is a national support facility financed by the Public Health Agency of Sweden with the task of providing advice and support to individuals with gambling problems and their relatives.
- Professional guidance offered within the areas of law, finance and psychology for those players that win more than 1 million SEK.

Education on responsible gambling

Novamedia Sverige educates, via a digital training concept, all of its employees and relevant partners that have contact with lottery players on gambling problems and responsible gambling. The employees are required to

complete the training at the beginning of their employment and thereafter once every second year. All the employees that were active at the year-end and that began their employment prior to December have completed the training.

Product development with a risk perspective

Novamedia Sverige constantly develops new bingo products and scratch cards. During the product development process the tool Gamgard is used to identify the risk components in the game. This tool, which is used by many operators in the gambling industry both in Sweden and internationally, assess the risk level of a game from the player's perspective. This is an important part of Novamedia Sverige's responsible gambling efforts, since the company is committed to not offer any high-risk games.

Responsible gambling is a prioritized area for Novamedia Sverige, and the company will continue its work in the years to come to ensure safe lottery participation. In 2019, the company will take necessary measures to ensure compliance with the new gambling regulation, applicable from January 1, 2020.

SUSTAINABLE PURCHASES AND ENVIRONMENTAL RESPONSIBILITY

Novamedia Sverige was founded because it wants to contribute to a positive development of society. In order to realize this ambition, it needs to take leadership in responsible value chains by making sustainable purchases and taking environmental responsibility. One of Novamedia Sverige's prioritized sustainability areas is to collaborate with responsible suppliers in order to ensure that the company's operations take people and the planet into consideration throughout its supply chain, and to work actively to ensure that its purchases have a positive impact on the climate. Furthermore, one of the company's new ambitions is to go one step further in the coming years. Going forward, the company will not only continue to ensure that the products themselves are socially and environmentally sustainable, but will also strive to include products and services in the prize plan that promote a sustainable lifestyle.

Supply chain

Novamedia Sverige does not have any production of its own, but affects people and the planet through its supplier relations and purchasing practices. Many of the purchases consist of non-cash prizes for lottery players and other offerings that are used in the sale of lottery tickets. The majority of Novamedia Sverige's suppliers are based in Sweden. However, the products purchased have often been produced in other countries, including countries that are associated with increased risks in respect to the environment and human rights.

Code of conduct

Novamedia Sverige works with a code of conduct for its suppliers, which is a first step to reduce the risk that the company's supply chain has a negative impact on people and the planet. The code of conduct addresses areas such as working conditions and human rights, health and safety, environmental impact and business ethics. It aims to challenge the company's suppliers to act in a responsible way. Suppliers that sign up to the code of conduct are also expected to pass on the requirements to their partners and subcontractors.

At present, the code of conduct is applicable for suppliers from which Novamedia Sverige makes annual purchases exceeding SEK 300,000. The objective is for 100% of significant suppliers to sign the code of conduct. In 2018, the company made purchases from around 700 suppliers, of which 22% were significant based on this materiality criterion. In 2018, 64% of the significant suppliers signed the code of conduct, down from 73% in 2017.

Supplier dialogue and monitoring

Novamedia Sverige engages with its suppliers, to ensure compliance with its code of conduct. The monitoring process includes a risk analysis and a self-audit as the first steps. The self-audit is then analysed by Novamedia Sverige and forms the basis for any next steps. Novamedia Sverige also engages in monitoring subcontractors to some of its suppliers. For instance, most of the non-cash prizes that are given to lottery winners on a larger scale, are subject to a social audit by an external party. The main focus of these audits is to ensure that human

rights are respected at the production site. The suppliers are responsible for arranging the audits of its sub-contractors with an authorized external auditor. Novamedia Sverige then receives the reports and the results and assess them prior to a potential purchase. It happens from time to time that products that are sold in the Swedish market, do not pass Novamedia Sverige's screening process.

Environmental impact

Novamedia Sverige strives to reduce the environmental impact of its operations at the purchasing stage by making conscious purchasing decisions. For instance, when choosing prizes for the lottery players, consideration is given to both the customer perspective as well as the environmental perspective. The customer perspective is important since satisfied lottery players are essential if the Swedish Postcode Lottery is to be able to generate funds for the non-profit sector. Finding the balance between these perspectives is however not entirely obvious, since they do not always go hand in hand. Most of the time however, there is no contradiction between these two perspectives. Continuous work is conducted to increase the share of products that have a circular design and are eco-certified, as well as to reduce the share of products that include fossil-fuelled ingredients, such as plastic.

For many years, much effort has been put to reduce the environmental impact of the public events that Novamedia Sverige organizes as part of the lottery operations. In 2018, continued improvements were made to the company's largest event – the Swedish Postcode Lottery's

Grannyra – that takes place three times a year and receive approximately 7 000 visitors annually. Improvements included serving organic food, reducing the amount of plastic waste, replacing lighting to LED and ensuring that the waste was recycled. At the end of the year, a diploma was received from The Keep Sweden Tidy Foundation (Håll Sverige Rent) in recognition of the environmental improvements made in regards to the Grannyra-events.

Climate footprint and climate offset

In order to realize the ambition of making climate positive purchases, the company needs to climate offset the climate footprint from its operations. Novamedia Sverige calculates and reports its climate footprint throughout the value chain based on the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard. The table on page 27 provides an overview of the company's climate footprint.

In 2018, the climate footprint in the value chain was 23,032 tonnes of carbon dioxide equivalents, which represents a decrease of 3% from 2017. The primary reason for the decrease in the climate footprint is the reduction in the usage of sales offers. This reduction has however been partly offset by an increase in product prizes being offered as a step to increase customer satisfaction.

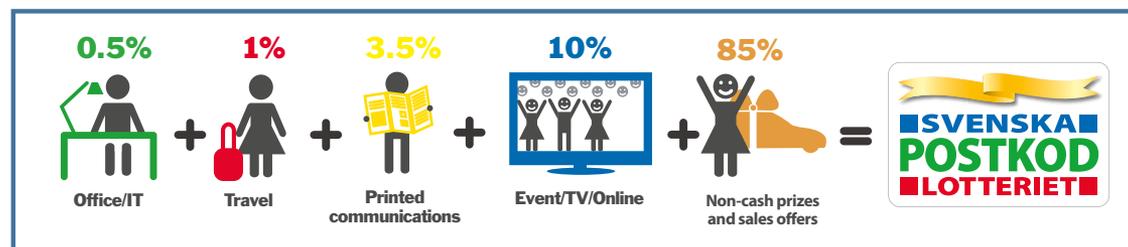
The climate footprint can be broken down into five areas, as shown in the chart on the following

page. As the chart shows, the company's greatest negative environmental impact (85%) is from purchases of prizes won by lottery players as well as sales offers to new lottery players.

Novamedia Sverige's objective is to minimise its climate impact. As part of this ambition, Novamedia Sverige has since 2011 offset the climate footprint from its operations throughout the value chain. Climate offsetting throughout the value chain means that Novamedia Sverige offsets for the impact of its business all the way from suppliers' production to the lottery players' consumption, i.e. both direct and indirect impact. For instance, this means that the company offsets for the emissions that arise in conjunction with the travel won by lottery players through travel gift cards. See the figures on page 27 for more examples of what is included in the company's climate calculations. Climate offsetting is then carried out by investing in emissions-reducing projects that are certified by Gold Standard. Gold Standard is an independent organisation, established by WWF and other non-profit organisations. It certifies the projects after having verified that they contribute positively to the climate as well as other Sustainable Development Goals.

In 2018, Novamedia Sverige invested in a wind farm project in Vietnam as well as a forest oak restoration project in India to compensate for 100% of its climate footprint that arose during the year.

Breakdown of climate footprint in 2018



Examples of what is included in the calculations:

- **Office/IT:** Energy use in the office and in the server centres, commuting by employees, purchases for and waste from the office, such as food and drinks, furniture and IT equipment.
- **Travel:** Business travel by all means of transport and including hotel nights.
- **Printed communications:** The value chain for printed communications, with direct marketing accounting for the largest share, from forestry to distribution to the mailboxes of lottery players, plus transport to recycling facilities.
- **Events/TV/online:** Energy use, transport, travel and consumption associated with the production of events and TV. Electricity consumption from watching TV and digital media such as email, newsletters and website.
- **Non-cash prizes and sales offers:** The value chain for non-cash prizes and sales offers – from extraction of raw materials to the usage of the products.

Emissions	Unit	2018	2017
Total emissions within Scope 1	tonnes CO ₂ e	0	0
Total emissions within Scope 2	tonnes CO ₂ e	11	10
Total emissions within Scope 3	tonnes CO ₂ e	23 021	23 703
District heating (non-renewable)	kWh	16 026	17 234
District heating (renewable)	kWh	162 035	139 437
Purchased electricity (non-renewable)	kWh	0	0
Purchased electricity (renewable)	kWh	441 530	424 707

Novamedia Sverige's climate calculations are based on the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard and include Scope 1 (direct emissions), Scope 2 (indirect emissions from electricity, heating and cooling) and Scope 3 (other indirect emissions). Scope 3 includes emissions from purchased goods and services, fuel and energy-related activities, equipment, upstream transport and distribution, waste, business travel, commuting, leased assets, use of products sold and end-disposal of products sold. The climate impact is reported in carbon dioxide equivalents (CO₂e) and

includes the impact from fossil CO₂, N₂O, CH₄, PFC, HFC and SF₆ where relevant. When converting to carbon dioxide equivalents the Swedish Environmental Protection Agency's values for heat potential (GWP100) are used. Sources of emission factors on which the climate calculations are based are extensive and include documentation from KPMG, scientific reports from sources such as KTH and Chalmers, web tools for emissions calculations from, for example, Tricorona, calculations from the supplier concerned, and other sources.

EMPLOYER OF CHOICE

Novamedia Sverige strives to offer a great workplace that is characterised by equality and diversity. This is important not only because this is in line with the company's vision to contribute to a better and more equal world, but also because it will ensure that the company successfully delivers as an operator to the Swedish Postcode Association. Novamedia Sverige has set the ambitious goal of becoming the best employer in Sweden. In order to achieve this, much focus within this area is put on ensuring an equal and non-discriminatory work environment characterized by diversity and equality; creating a work environment where everyone can thrive; providing support to ensure employees' health and well-being; and empowering employees to make positive change.

Values and work environment

The company works actively to make sure that the employees feel that Novamedia Sverige is the employer of choice. It is a given, that the company meets all legal and hygienic factors when it comes to providing a good work environment. As an example, the company has a policy, guidelines and procedures, that state what should be done in case of harassments or discrimination. The guidelines include, among other things, how and where the person affected can receive support. During the year no cases of humiliating and degrading treatment were reported. There are also clear guidelines and procedures on other matters related to the work environment. The company has a work environment plan as well as a committee that conducts an annual review as well as on-going work to improve the work

environment when needed. Furthermore, all employees, except for the three Managing Directors, are covered by collective agreements. Additionally, as part of increasing the employees' community engagement and opportunities to make change, Novamedia Sverige offers all employees the opportunity to carry out voluntary work during two paid working days every year. The company also offers several opportunities every year for the employees to listen to and become inspired by the beneficiaries of the lottery funds, by inviting them to hold inspirational presentations.

Diversity and equality

Novamedia Sverige's operations shall be characterised by equality and diversity. The objective is to have gender balance amongst all employees, as well as in senior positions within the company. At the end of 2018, Novamedia Sverige had 187 employees, of which 62% were women and 38% were men. In senior positions, 67% were women. Of the company's employees, 18% worked part-time; 26% of the women and 7% of the men worked part-time. The age distribution in the company is shown in the chart on the next page. In 2018, the average age was 38 years.

To ensure that there are no unfair pay differentials amongst employees in the company, Novamedia Sverige conducts an annual survey of salaries of all employees in accordance with legal requirements. The last survey was carried out in the autumn of 2018.

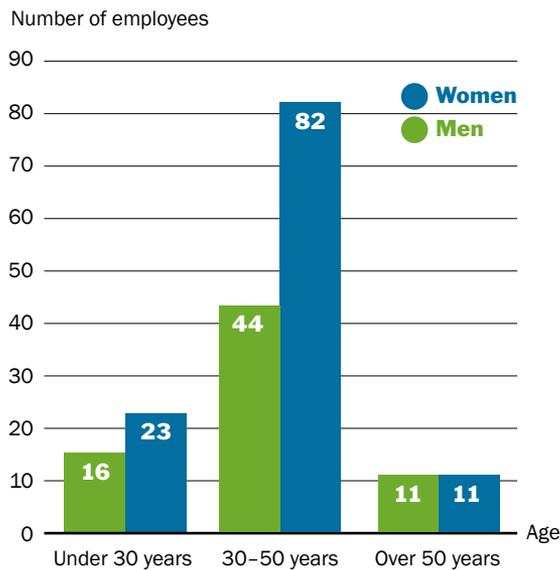
For a number of years, diversity work has been a prioritized sustainability area for Novamedia

Sverige. As part of increasing diversity in the company, recruitment guidelines and procedures have been developed in order to ensure that a diversity perspective permeates the entire recruitment process. In 2017, the company began a partnership with Matchedin, employing new colleagues that were previously unemployed due to limited education, immigration or disability. This partnership was continued in 2018. Since the first colleague was employed in 2017, four additional colleagues have been engaged within the partnership during 2018.

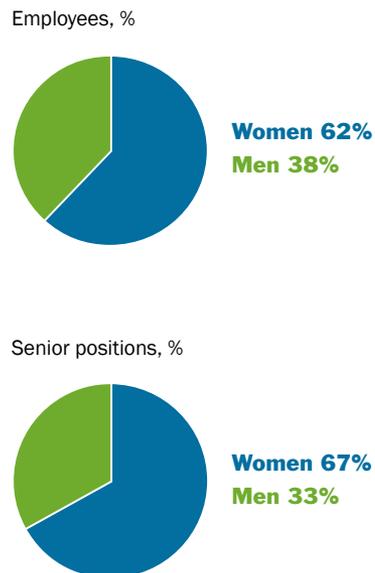
Employee surveys

In order to continuously assess the employees' perceived work situation, Novamedia Sverige conducts employee pulse surveys twice a month, using the &frankly tool. The results of the pulse surveys create an understanding of how the employees perceive their workplace from different perspectives and also engage everyone to take actions and responsibility in developing the workplace. In addition, the company has for many years conducted a bi-annual employee survey, using the Great Place to Work (GPTW)

Age distribution



Gender distribution



method. The survey is a way for Novamedia Sverige to monitor and evaluate its leadership, culture and work environment efforts. The last survey was carried out in the autumn of 2017 with an overall Trust-index result of 73%, compared to 74% in 2015. The aim is to become the best employer in Sweden with a GPTW Trust-index of 90% year 2020. In other words, the ambition is to be the employer of choice that offers a great place to work.

BUSINESS ETHICS

Operating with integrity is of highest priority to Novamedia Sverige and is essential to deliver on the mandate from the Swedish Postcode Association. The company is committed to take all necessary steps to ensure that ethical business practices are maintained within the company as well as in the relations with stakeholders.

Internal controls

To ensure regulatory compliance, the company has a number of policies and systems in place to minimise the risk of infringements. Starting from the General Terms and Conditions of the Swedish Postcode Lottery and the company's policy on data security, among others, a large number of checkpoints are examined both internally and by external parties. The controls are in place to ensure the lottery player's route through the lottery and to guarantee correct processing, from customer registration to payout of lottery prizes. The controls are also designed to ensure correct authorisation and access to data and premises. As an operator, Novamedia Sverige works actively to report and follow up incidents, in order to discover shortcomings and improve the company's processes. Novamedia Sverige's policy on risk management involves increased focus on the work of following up and improving processes, and systematically building in relevant checkpoints relating to regulatory compliance.

Privacy and information security

Extensive work has been conducted to ensure that Novamedia Sverige can deliver on its ambition to protect customers' personal data and

comply with privacy and information security guidelines. During 2017 and 2018, Novamedia Sverige has run an extensive data protection project in order to reach compliance with the General Data Protection Regulation which came in to force in May 25, 2018. During the project the data protection policies have been revised, new processes and operating procedures have been implemented internally and externally and employees have been trained in order to secure compliance. In order to support the registered requests, IT systems and processes of new service have been developed and implemented. As of December 31, 2018, 428 requests (exercise of their rights) have been made from registered players. A majority of these requests concern the right to be forgotten. All requests have been handled within the time frame by Novamedia Sverige's customer service team with assistance from the Data Protection Officer.

The company is currently implementing a comprehensive information security system that will be certified against the international information security standard ISO 27001 during 2019.

Anti-corruption and anti-competitive practices

Novamedia Sverige has an anti-corruption policy that describes the company's guidelines in regards to accepting gifts from external parties. Additionally, the company has an authorization schedule in place to minimize the risk of corruption by ensuring that the signing of contracts and approval of invoices involve several check points at different levels in the organisation.

Issues concerning competition and any anti-competitive practices are important to Novamedia Sverige. These issues are dealt with on an ongoing basis as they arise, e.g. in conjunction with the drawing up of contracts.

In 2018, as in the previous year, the company met its objective of zero tolerance; in other words, no sanctions were brought against Novamedia Sverige during the year in respect to the failure of complying with laws and regulations.

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