



# Growing with Our Supply Chain

photo:  
Roxana Di Franco  
Technical Training - LAC  
Buenos Aires, Argentina

# Growing with Our Supply Chain

GRI: 102-9; 103-3; 204-1

In 2018, IGT’s supply chain consisted of more than 11,000 vendors worldwide, which accounts for about USD 2.23 billion in annual spending in both direct and indirect supply categories. “Indirect” supplies include technology, computers, hardware, software, networking equipment, communications services, and standard maintenance, repair, and operations (MRO) commodities that are purchased to support the Company’s customer-facing deliveries, as well as its internal infrastructure. “Direct” supplies support the manufacturing of IGT products that are delivered as part of IGT’s customer-facing solutions.

IGT purchases most of the parts, components, and subassemblies necessary for manufacturing its terminals and slot machines from outside sources. It also outsources all the manufacturing and assembly of certain lottery terminals to a single supplier; other products have portions outsourced to multiple qualified suppliers. Local suppliers are based in the U.S. and Italy, where the majority of employees are situated and the greater portion of revenues are generated.

Sound business relations with suppliers play a key role in IGT’s ability to support customers’ requirements, as they are essential to maintaining a dependable, competent source of supply for the uninterrupted flow of quality goods and services. The Supplier Code of Conduct serves as a guide to the

moral, legal, and ethical standards expected of suppliers when doing business with the Company.

### Selecting Our Vendors

IGT works with suppliers that ensure high-quality goods and services and meet high economic, ethical, and socio-environmental standards according to five informal, strategic requirements:

- Capability
- Competency
- Compliance (quality)
- Value
- Support

IGT uses suppliers selected and evaluated based on a scorecard, with a numerical score that considers the quality of the goods and services supplied, the capacity to adapt to the delivery deadlines requested, costs, and financial stability of the supplier.

All suppliers of goods and services are required by law to receive specific certifications, making them subject to periodic inspections and visits. Obtaining International Organization for Standardization (ISO) quality certifications is a priority for all IGT suppliers.

IGT requires the suppliers to certify compliance with the Declaration of the European Union on restrictions regarding the use of hazardous substances (RoHS, or Restriction of Hazardous Substances).

IGT also requests suppliers that operate in countries characterized by weak legislation regarding



### Qualified Minority Business Enterprises

In the U.S., IGT works with top-quality suppliers, including suppliers classified as Qualified Minority Business Enterprises, especially in the lottery and instant

ticket printing businesses. To be identified as a Qualified Minority Business Enterprise, a public agency must certify that the supplier is owned (at least 51%) by one or more of the following:

- Minority group members
- Women or

Disabled veterans Typically, in U.S. lottery competitive procurements, the Request for Proposal (RFP) includes an obligation to allocate a share (approximately 10%, usually) of the total budget to Qualified Minority Business Enterprises,

thus allowing lotteries to contribute to the generation and distribution of economic value. In another approach, the RFP awards additional points to a proposal if a share of the total budget is allocated to Qualified Minority Business Enterprises.

the protection of human rights to acknowledge receipt of IGT’s Supplier Code of Conduct, which requires suppliers to share the ethical commitments listed within the Code of Conduct, with particular reference to the practices of environmental protection, proper management of personnel (rights of association and collective representation, ban on using child labor, and forced labor).

The suppliers that do not fall within the legislation of western nations — specifically so-called “developing countries” — are subject to screening of their compliance with human rights based on the principles expressed in the United Nations International Bill of Rights. The major Original Equipment Manufacturer (OEM) suppliers are visited periodically to check their compliance with rules regarding social and environmental responsibility, in addition to quality, costs, capitalization, and other financial aspects.

IGT’s procurement departments adhere to their respective ISO documents that outline the supplier engagement process, including a supplier questionnaire, commodity team responsibilities, classification

of strategic suppliers, and first article submissions. Furthermore, IGT has undertaken an initiative to standardize payment terms across its supply base, negotiating existing, non-standard terms, and tracking suppliers featuring unique payment terms.

By working with IGT’s quality engineering department, IGT’s procurement team monitors suppliers’ quality and metrics. By using advanced inspection equipment, onsite audit reviews, and timely communication techniques, quality engineering ensures that suppliers have the data required to manufacture raw material that meets IGT’s needs at the point of use. This helps IGT meet its customers’ expectations for quality, cost, and delivery.

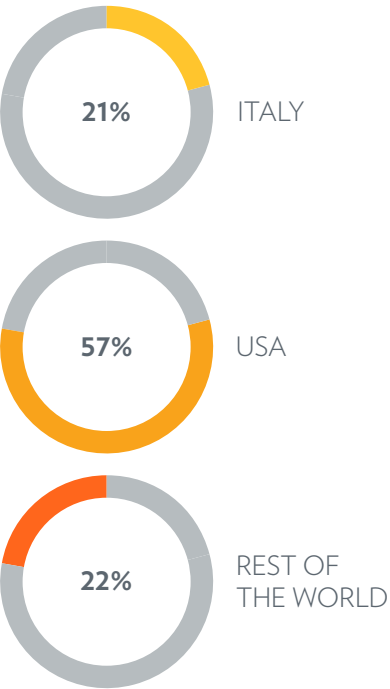
IGT expects suppliers to effectively assess, select, develop, and monitor their material sources and subcontractors, thus complying with IGT’s Environmental Compliance Policy, as well as its regulatory, jurisdictional, and environmental policies and regulations. IGT retains the right to use alternate suppliers if an existing supplier is unwilling or unable to comply with IGT’s

policy. The use of local, small, and/or disadvantaged businesses, including minority and women-owned companies, is considered when making sourcing decisions.

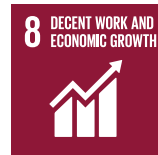
### Environmental Assessment of Our Suppliers

IGT designs and manufactures products that are environmentally compliant with the jurisdictions where the Company operates. IGT’s environmental compliance policy encompasses processes, including design, source of procurement, warehousing, manufacturing, reconditioning, and delivery. Therefore, IGT has developed procedures for engineering materials, quality engineering, logistics, customer service, and suppliers to ensure that its products meet environmental compliance requirements. The IGT process ensures reasonable measures are taken to determine environmental compliance of existing products, convert existing products to meet environmental compliance requirements, and ensure reasonable precautions concerning environmental compliance on an ongoing basis.

### Geographical Distribution of Spending \*



\* Distribution of spending on suppliers



## In line with its core value of being responsible, IGT strives to carry out steps to protect human rights.

The supplier's management approach to environmental assessment is where IGT directs the material supplier's management team to conduct an informal inspection of conditions while onsite. Environmental assessments are more intense for suppliers in high-risk, loosely regulated jurisdictions (like China and Mexico) than in low-risk, highly regulated areas (like the U.S., Canada, and the European Union).

When visiting suppliers in high-risk areas, members of the supply management team conduct informal assessments of environmental conditions, checking if appropriate licensing from the local government is in place. Special attention is paid to waste management from industrial processes that produce hazardous solid waste, like the chroming, plating, and painting processes. IGT adheres to preventive maintenance (PM) procedures and schedules for related equipment to confirm that PM schedules support hazardous liquid containment integrity.

Observable exceptions to the standard are communicated and

discussed on the spot with the supplier for correction. Exception conditions are noted in the supplier visit report and followed up during the next visit.

In 2018, there was no formal environmental policy or contractual obligation for compliance with the suppliers. Any environmental audit was done informally and in good faith with the suppliers.

### Respecting Human Rights in the Supply Chain GRI: 103-3

In line with its core value of being responsible, IGT strives to carry out steps to protect human rights, both in its business and along its supply chain. IGT published its first Modern Slavery Act Statement in June 2017 and, since then, has increased its efforts by raising awareness among suppliers. As one of its corporate social responsibility (CSR) initiatives, IGT is working toward eliminating the risks of human rights violations related to its global operations.

Regarding the supply chain, IGT established a due-diligence system to identify the risks related to the supply chain structure and

operations, mitigate the risk of such exposure in its supply chain, and undertake proper preventive actions to ensure human rights are properly protected, both now and in the future.

In 2018, IGT mapped all businesses' and suppliers' activities by industry, sector, and geographical area of operation to identify and prioritize those areas that could put IGT's business at risk. As a result, IGT determined that 9% of the analyzed suppliers had a high risk of exposure to modern slavery.

During the 2018 financial year, IGT collected questionnaires from suppliers that were deemed high-risk during the 2017 mapping exercise. More than 90% responded. The results demonstrated that IGT's suppliers are aware of issues surrounding human-rights-related topics.

In 2018, IGT's Code of Conduct was updated to include the Company's zero-tolerance approach to modern slavery and commitment to implementing and enforcing effective systems and controls to reduce the risk of contracting with suppliers who practice modern slavery.

Because of the questionnaires' analysis in 2018, IGT published its Supplier Code of Conduct in March 2019. The Supplier Code of Conduct includes requirements related to business ethics and regulatory compliance, human rights and labor practices, environmental regulations and protections, responsible mineral

sourcing, health and safety, and confidential and proprietary information.

IGT continues to strengthen its approach to managing the risk of modern slavery within its business, and respond to changing risks.

### Conflict Minerals

IGT complies with the final rule on conflict minerals adopted by the U.S. Securities and Exchange Commission (SEC). This rule requires the implementation of reporting and disclosing procedures regarding conflict minerals. Conflict minerals - which include tantalum, tin, tungsten, and gold - are defined as those originating in the Democratic Republic of Congo (DRC) or adjoining countries, and any other mineral or derivative thereof determined by the U.S. Secretary of State to finance conflict in the DRC or adjoining countries and therefore enabling armed groups to commit, contribute to, or benefit from serious violations of human rights, violations of international humanitarian law, or violations amounting to crimes under

international law.

Since certain minerals are required to manufacture land-based machine products (including, but not limited to, slot machines, video poker machines, video lottery terminals, electronic or video bingo machines, lottery terminals, instant ticket vending machines, and ticket scanners), we must diligently eliminate conflict minerals in this process. IGT has implemented policies and procedures, including a conflict minerals report, to ensure the minerals IGT and its suppliers use are DRC-conflict-free and that IGT complies with the SEC's rules.

IGT developed its policies, procedures, and processes following the second edition of the Organization for Economic Cooperation and Development's (OECD) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, and its related supplements.

IGT's procedures include:

- Defining suppliers that are affected by conflict minerals
- Identifying risks
- Communicating supplier responsibilities
- Establishing and using a cross-functional team to complete all parts of the reporting process
- Collecting necessary information

### Conflict Minerals Diligence Program and Due Diligence Process

To identify and trace conflict minerals in IGT's supply chain, IGT established a due-diligence program based on procedures and tools provided by the:

- OECD
- Electronic Industry Citizenship Coalition (EICC)
- Global e-Sustainability Initiative (GeSI)

The Responsible Minerals Initiative (RMI), an entity founded by members of the EICC and GeSi, provides a Conflict Minerals Reporting Template. The template standardizes the way in which country-of-origin, smelter, and refinery information is reported, and facilitates the transfer of this information through the supply chain. IGT requests that in-scope suppliers contributing to 95% of IGT's expenditure and whose products contain conflict minerals use the template to convey the required information to the Company. IGT also requests that its suppliers 1) adopt a conflict mineral policy with the RMI's Conflict-Free Smelter Program (CFSP) assessment protocols, and 2) establish their own due-diligence program to ensure their own suppliers are CFSP-compliant and provide a detailed report to IGT on that effort.

Reasonable Country of Origin Inquiry (RCOI)

The Responsible Minerals Initiative's (RMI's) Conflict-Free Smelter Program (CFSP) audits smelters and refineries to identify those that are Democratic Republic of Congo-conflict free. As part of the RCOI process, IGT adopted the RMI approach and traced the origin of conflict minerals by identifying smelters, refineries or recyclers, and scrap supplier sources. IGT used the RMI and its CFSP to trace the conflict minerals back to the mine of origin. Because some suppliers source material from a number of sub-suppliers, IGT has determined that it may take time for some suppliers to verify the origin of conflict minerals (directly or indirectly) as required by the RCOI.

- Maintaining records of activity, responses, and conclusions.

IGT established a cross-functional team to comply with the SEC's rule. The team's duties are to:

- Identify which suppliers provide products to IGT containing conflict minerals.
- Distribute a conflict minerals letter with an environmental policy and the RMI's Conflict Mineral Reporting Template to all suppliers determined to be in scope
- Track which suppliers have responded, and retain the completed RMI Reporting Template and policies
- Review the responses and conduct further diligence if warranted
- Maintain smelter information from suppliers, and check smelter identification against the Compliant Smelter & Refiners list (at [www.conflictreesourcing.org](http://www.conflictreesourcing.org)) and the Smelter Reference

list in the current RMI Reporting Template

- Report IGT's due-diligence process and compliance obligations to senior management annually.

To identify relevant suppliers subject to due diligence, IGT reviewed the 389 suppliers where more than 95% of the Company's production occurs in 2018. From the list of 389, IGT removed suppliers that do not sell the Company conflict minerals. If there was uncertainty, the supplier was considered in scope. As a result, IGT identified 53 suppliers subject to further due diligence.