

Trevignano, 3 December 2008

Re: PLAYFAIR 2008 letter dated 22 October 2008

Dear Mr. Thomas,

We acknowledge receipt of the letter dated 22 October 2008 on behalf of Clare Murphy, following the seminar on “Decent Work in the Global Sporting Goods Industry, Towards Progress on Substantive Issues”.

In regards to the questions in the section “Freedom of Association and Collective Bargaining”, Lotto Sport Italia would like to report that unions and bargaining agreements are in fact present in our factories in Indonesia, Vietnam and Cambodia, which represent 1/3rd of Lotto’s total production (mostly in Indonesia and Vietnam). We would also like to underline that in our factory in China, which produces around 2/3rd of our sport shoes, freedom of association is restricted by local law, and therefore, is beyond our control. For your information, our Code of Conduct, which is viewable by all on our website www.lottosport.com, includes Freedom of Association, and as a consequence is clearly posted in the entrance of our factories both in English and in the local language, for all labourers to view (including the factories in China).

With reference to the questions in the section “Precarious Employment”, we would like to mention that we are waiting on an update on behalf of FLA in regards to this matter, and once this is finalised, we will try following a similar policy. In addition, Lotto Sport Italia researches and plans the workload of the factories on the basis of the amount of productivity needed, and therefore, identifies a workload plan for the labourers. We also acknowledge that our business is seasonal, however, it is in the factories’ interest to retain workers on a flat rate, although there are some cases where workers leave for more prosperous offers and the consequence is a general lack of labourers. Furthermore, Lotto’s production requires a high level of “know how” for the creation of the products, and therefore has minimal interest in promoting precarious employment as this would only mean the continuous transfer of our “know how” resources from worker to worker. Notwithstanding what above mentioned, precarious employment is a phenomenon that occurs globally, and to all businesses, including first tyre world countries.

The measures that Lotto Sport Italia has taken for the section “Factory Closures” are as follows: We have working relationships of more then 5 years with more than 50% of our suppliers (10% of our total suppliers longer than 15 years), highlighting positive partnerships that have been established, and these factories are present in China, Indonesia and Vietnam. In terms of our selection process, when identifying a supplier we adhere to the terms that are outlined in our Code of Conduct, we also consider whether a supplier can meet our demands of quality and quantity, delivery times and level of service required. We also emphasise that our weight, compared to the weight of our competitors is minimal, and therefore, it is extremely rare that a factory would suffer should we cease our partnership with them, in the instance of a factory closure, it would in fact be Lotto Sport Italia that would suffer.

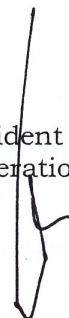
Section D of your questionnaire approaches the subject of “Living Wages”. Lotto Sport Italia would like to underline that there is a distinct difference between Living Wages and Minimum Wages. As previously mentioned, we do not have the power to establish the wage of a factory labourer, as this is not directly influenced by the retail price of our products. This subject should be approached between unions and factory workers. We would be happy to redefine our language and wording in regards to the living wage standard, however, we are not able to influence or cause the development of a wage ladder, including a living wage figure for workers in each country or region due to our limited power. Commissioning an independent study into the lean production methods and whether they reliably deliver increases in wages to workers by increasing the efficiency of production lines without increasing the pace, hours or physical exertion expected of workers is a complex debate which needs to be researched in more depth, identifying exactly what is meant by lean production, as different suppliers may have different assumptions and different interpretations.

In conclusion, it is important to state that Lotto Sport Italia has always given full attention to social issues, and above all, the safety and fair treatment of personnel involved in manufacturing, wherever they work in the world. It is Lotto’s mission to promote and collaborate in CSR activities by taking the necessary measurements, where possible, whenever these are needed. Lotto pays close attention to the evolutions for a sustainable business and is prepared to continuously adapt its approach to managing social needs.

Notwithstanding the above and as briefly mentioned herein, Lotto Sport Italia is a relatively small manufacturer compared to its competitors and as a consequence does not have the necessary resources to attend all meetings and initiatives put forward. This, however, does not inflict on the seriousness with which the company takes these matters, and guarantees that Lotto will constantly update all Policies in regards to reforms or modifications made with local labour and employment laws and regulations.

Yours sincerely,

Gianni Lorenzato
Executive Vice-President
Chief Finance & Operations Officer
Lotto Sport Italia

A handwritten signature in black ink, appearing to be 'Gianni Lorenzato', written vertically over the typed name and title.