

In the business of selling hope

Company/ASX Code	The Lottery Corporation Limited/TLC
AGM time and date	Thursday 10 am 19 October 2023
Location	Sydney, Pullman Hotel Sydney Hyde Park
Registry	Link Market Services
Type of meeting	Physical with webcast (pre-submitted web questions only)
Monitor	David Loosemore
Pre-AGM Meeting	Yes with Chairman Steven Gregg, Harry Boon Rem Chair, Michael Patron GM Performance and Rewards, Chris Richardson GM Investor Relations and assistance from ASA monitor John Wittington

Monitor Shareholding: The individual involved in the preparation of this voting intention has a beneficial shareholding in this company.

1. How we intend to vote

No.	Resolution description	
2a)	Re-election of Harry Boon	For
b)	Re-election of Steven Gregg	For
3	Adoption of Remuneration Report	For
4	Grant of Performance Rights to MD &CEO	For

2. Summary of Issues and Voting Intentions for AGM

- This is the first full financial year (FY) of TLC, a ASX50 entity solely focussed on lotteries and keno. In June 2022, Tabcorp (TAH) completed a demerger which saw TLC become a stand-alone company. TAH continues on with sports betting, gaming, TABs, and TLC now operates lotteries online and via newsagents and keno in pubs and clubs.
- Earnings growth was 4.2 %, at the bottom of the range of expectations due to lower revenue from jackpot games, but in line to produce long term growth in its regulated lotteries and keno monopolies.
- The AGM is being held away from Brisbane head office, in Sydney, and would be better run as a hybrid meeting (it is in person and webcast only).

See [ASA Voting guidelines](#) and [Investment Glossary](#) for definitions.

3. Matters Considered

Accounts and reports

As the sole lottery provider in all States and Territories of Australia except Western Australia, TLC is Australia's largest registered lottery company with around 85% market share of Australian lotteries. TLC has a high level of debt which is covered by defensive cash flow and earnings.

TLC has a high level of intangible assets relating to the demerger (goodwill \$2,083m) and long dated lottery licences (\$716m).

Operating cash flows were impacted by increased costs to suppliers and employees and increased financing costs on TLC debt.

TLC launched Store Syndicates Online, for retail partners to sell entries into their store syndicates to a wider population online.

In May 2023, it implemented a subscription price increase for Powerball® lottery along with an increase to commission rates for Lotteries retailers.

In Keno, it launched a retail and digital offer in Victorian pubs and clubs.

Financial performance

(As at FYE)	2023	2022
NPAT (\$m)	264.8	346.6
UPAT (\$m)	339.4	373.2
Share price (\$)	5.13	4.52
Dividend (cents)	15.0	N/A
Simple TSR (%)	16.8	N/A
EPS (cents)	11.9	15.6
CEO total remuneration, actual (\$m)	3.000	2.071

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year. CEO remuneration includes restricted shares.

Governance and culture

Overall, this company is very well governed and it complies with most Australian Shareholders' Association guidelines. Female representation on the Board was over 40%. Political donations are reported and limited to in-kind (e.g. attending meetings relevant to TLC's social licence to operate).

Key events

This was the first full year of operations following the demerger from TAH. There were no capital raisings and the dividend reinvestment program shares were bought on market.

Key board or senior management changes

Stephen Morro was appointed as an Observer to the Board effective from 1 July 2023, and will be appointed as a director on receipt of the necessary approvals.

Sustainability/ESG

TLC has outlined a comprehensive sustainability strategy to achieve a positive impact (despite being in the business of gambling) through four goals.

1. responsible business and products

- TLC has developed a comprehensive harm minimisation and responsible gambling program that includes the monitoring of changes in players' gaming behaviours, such as intensity, frequency, and trajectory. This proactive approach helps identify potential signs of harm and enables early intervention. TLC has also established a partnership with a behavioural scientist and enhanced its Lotteries Early Intervention Model to identify early indicators of at-risk behaviour. This allows TLC to provide customers with information, support options, and training for news agency staff in a proactive manner.
- Additionally, TLC has robust programs in place for data protection and cybersecurity. The company continually invests in these areas and conducts regular reviews to ensure alignment with evolving legislative requirements and emerging threat environments. TLC has embarked on a dedicated three-year program aimed at consistently enhancing its maturity level in data protection and cybersecurity.

2. supporting the community through donations and commissions to news agents.

3. nurturing its staff through appropriate programs to promote diversity, equity, inclusion and belonging; and

4. measuring and reducing its environmental footprint.

- In its first year, TLC has measured its footprint and is working on a Plan to achieve net zero emissions by 2030. Given the low capital intensity nature of its business this should be achievable.

ASA focus issues (not discussed above or under remuneration report or re-election of directors)

Anne Brennan holds shares to the value of less than 25% of her Non-executive Director (NED) fees and we encourage her to increase her shareholding to further bring her interests into line with other shareholders. This did not occur in FY23 but the Chairman in the pre-AGM meeting indicated it would be addressed in future years.

4. Rationale for Voting Intentions

Item 2a) Re-election of Harry Boon as Director (for)

Harry Boon is a NED of The Lottery Corporation. He is the Chairman of the People & Remuneration Committee, and a member of the Audit Committee and Nomination Committee. He was appointed as a NED on 20 May 2022.

Harry was a NED of Tabcorp Holdings from December 2017 following the Tabcorp-Tatts Group combination, until the demerger. He was previously the Chairman of Tatts Group and prior to that, served as a NED of Tatts Group from May 2005. Supported.

Item 2b) Re-election of Steven Gregg as Chairman (for)

Steven Gregg is the Chairman of the Board of TLC. He is also Chairman of the Nomination Committee. Steven was appointed as a Non-executive Director on 20 May 2022.

He is the Chairman of Ampol Limited, the Chairman of Unisson Disability Limited, a Director of Challenger Limited, and a Director of thoroughbred bloodstock company William Inglis & Son Limited.

Mr Gregg's executive career spanned investment banking and management consulting. He was a Senior Managing Director at ABN AMRO, and a Partner and Senior Adviser at McKinsey & Company. Supported.

Item 3 Adoption of Remuneration Report (Non-binding advisory vote) (for)

TLC's remuneration structure is generally well laid out and appears to align management's interests with shareholders.

The STI hurdles are described in detail in the scorecard assessment of the Remuneration report including EBIT threshold gateway, Group scorecard, and a sustainability modifier.

ASA guidelines favours LTI measurement periods of four or five years instead of TLC's three. TLC has retained the three-year period without retesting but in FY24 added an additional one-year holding lock that would operate as a clawback if adverse events occur in the fourth year justifying a clawback (eg misconduct or termination for cause). Supported.

Item 4 Grant of Performance Rights to Managing Director and Chief Executive Officer (for)

The LTI performance measure is relative TSR against other companies in the ASX100 excluding metals, mining and energy. In FY24, an addition provision will be a positive absolute TSR gateway. TLC Board has considered adopting a second financial measure such as Return on Invested Capital (ROIC) or EPS growth but was concerned that the high level of goodwill accounting and limitations of EPS would not adequately measure the performance. Supported.

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Appendix 1 Remuneration framework detail

CEO rem. Framework for FY24	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.500	33.3%	1.500	22.2%
STI - Cash	0.750	16.7%	1.150	16.7%
STI - Equity	0.750	16.7%	1.150	16.7%
LTI	1.500	33.3%	3.000	44.4%
Total	4.500	100.0%	6.750	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.

*Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting. Some remuneration framework set a maximum opportunity amount, but not all.