

CAMELOT UK LOTTERIES LIMITED

REMUNERATION COMMITTEE – TERMS OF REFERENCE

1. Constitution & Membership

- 1.1 The Board has resolved to establish a Committee of the Board to be known as the Remuneration Committee.
- 1.2 The Committee, including its chairman, shall be appointed by the holder of a majority of the C Preference Shares (the "**C Preference Shareholder**") from amongst the non-executive Directors of the Company and shall consist of two members (or such other number as shall be determined by the C Preference Shareholder). A quorum shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee. A Chairman of the Board may only be a member of the Committee if he/she was independent on appointment, and may not chair the Committee.
- 1.3 A member of the Committee shall not be entitled to be involved in setting his own remuneration; this shall be discussed by the Board.
- 1.4 Only members of the Committee have the right to attend Committee meetings. However, other individuals, such as the Chief Executive shall be invited to attend meetings to discuss the performance of the executive directors and make proposals as necessary, and any independent non-executive director may attend if he/she wishes. The HR Director and external advisers may also be invited to attend for all or part of any meeting.
- 1.5 The Chairman (who before appointment shall have served on a remuneration committee for at least 12 months) shall also be the Secretary of the Committee.
- 1.6 Appointments to the Committee shall continue until the members are removed by the C Preference Shareholder.

2. Frequency of Meetings

- 2.1 Meetings will be held not less than twice a year and otherwise if the Chairman of the Committee deems necessary.

3. Duties

- 3.1 Establish a formal and transparent procedure for developing the framework/policy for determining the remuneration of the Company's Chief Executive, independent non-executive directors and employees in management with a senior role in the Company.
- 3.2 In determining such policy:
- 3.2.1 review workforce remuneration and related policies and the alignment of incentives and rewards with culture, and take these (and all other factors which

the Committee deems necessary (including different incentives needed in various scenarios)) into account;

3.2.2 address:

- (a) **clarity** – remuneration arrangements should be transparent and promote effective engagement with the Shareholder and the workforce (including taking into account the importance of diversity, inclusion and equal pay for work of equal value);
- (b) **simplicity** – remuneration structures should avoid complexity and their rationale and operation should be easy to understand;
- (c) **risk** – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated;
- (d) **predictability** – the range of possible values of rewards to individual members of the Board and any other limits or discretions should be identified and explained at the time of approving the policy;
- (e) **proportionality** – the link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance;
- (f) **alignment to culture** – incentive schemes should drive behaviours consistent with the Company's purpose, values and strategy.

3.3 The objectives of such policy shall be to ensure that:

3.3.1 the remuneration policy and associated practices are designed to support strategy and promote long-term sustainable success;

3.3.2 remuneration:

- (a) assists in both attracting and retaining the Chief Executive and employees in management with a senior role in the Company within various scenarios in alignment with the expectations of the Board;
- (b) is aligned to the Company's purpose and values; and
- (c) is clearly linked to the successful delivery of the Company's long-term strategy;

3.3.3 the Chief Executive, independent non-executive directors and employees in management with a senior role in the Company are provided with appropriate incentives to encourage enhanced performance in alignment with the expectations of the Board and, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;

3.3.4 the Chief Executive is provided with appropriate incentives to develop employees in management with a senior role in the Company as well as exit poor performers;

- 3.3.5 the Board is clear how remuneration and incentives support the Company's strategy, long-term sustainable success and desired behaviours as well as the long-term interests of the Shareholder and the Gambling Commission;
 - 3.3.6 levels of remuneration for the Chairman of the Board and all non-executive members of the Board reflect the time commitment and responsibilities of the role;
 - 3.3.7 remuneration for non-executive members of the Board does not include share options or other performance-related elements;
 - 3.3.8 remuneration schemes should promote (where applicable) long-term shareholdings by executive directors that support alignment with long-term shareholder interests. Share awards granted for this purpose should (where applicable) be released for sale on a phased basis and be subject to a total vesting and holding period of five years or more. The Committee should (where applicable) develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares;
 - 3.3.9 remuneration schemes and policies enable the use of discretion to override formulaic outcomes, and enable the Company to recover and/or withhold sums or other awards and specify the circumstances in which it would be appropriate to do so;
 - 3.3.10 only basic salary is pensionable;
 - 3.3.11 pension contribution rates for the Chief Executive, or payments in lieu, are aligned with those available to the workforce;
 - 3.3.12 the pension consequences and associated costs of basic salary increases and any other changes in pensionable remuneration, or contribution rates, for the Chief Executive (particularly when the Chief Executive is close to retirement) are carefully considered when compared with workforce arrangements;
 - 3.3.13 the Chief Executive's notice period should be one year or less (but if it is necessary to offer longer periods to a new Chief Executive recruited from outside the Company, such period should reduce to one year or less after the initial period);
 - 3.3.14 compensation commitments in Board members' terms of appointment do not reward poor performance, and that the Committee is robust in reducing compensation to reflect departing Board members' obligations to mitigate loss.
- 3.4 Review the ongoing appropriateness and relevance of the remuneration policy.
 - 3.5 Approve the design of, and determine targets for, any performance-related pay schemes operated by the Company and approve the total payments and/or total annual payments made under any such schemes including, but not limited to, a long-term incentive plan ("**LTIP**") in respect of core lottery activities and licence renewal.
 - 3.6 Determine the policy for, and scope of, pension arrangements for each executive director and employees in management with a senior role in the Company.
 - 3.7 Ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

- 3.8 Review and note annually, or more frequently if required, the remuneration trends across the Company.
- 3.9 Review benefit levels and ensure they are appropriate and market-competitive.
- 3.10 Oversee any major changes in employee benefit structures throughout the Company.
- 3.11 Ensure that all provisions regarding disclosure of remuneration including pensions comply with the requirements in the Companies Act 2006.
- 3.12 Be exclusively responsible for establishing the selection criteria, selecting, appointing, and setting the terms of reference for any remuneration consultants who advise the Committee; and to obtain reliable, up to date information about remuneration in other companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations.
- 3.13 Ensure that the Committee and the Board have access to experienced HR support and third party advice where necessary.
- 3.14 Each member of the Committee must exercise independent judgement and discretion when:
 - (a) evaluating the advice of external third parties;
 - (b) when receiving views from executive directors and senior management; and
 - (c) authorising remuneration outcomes, taking account of Company and individual performance, and wider circumstances.

4. **Reporting Responsibilities**

- 4.1 Agenda and papers for meetings will be circulated by the Company Secretary at least five days before the meeting.
- 4.2 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 4.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee. The Chairman shall orally update the Board periodically, unless a conflict of interest exists.
- 4.4 The Committee shall produce a description of the Committee's work for inclusion in the Company's Annual Report and make recommendations to the Board on an annual basis as to whether the circumstances are such that the Shareholder should be invited to approve the policy set out in the Board's remuneration report. The description shall include:
 - 4.4.1 an explanation of the strategic rationale for remuneration policies, structures and any performance metrics in relation to the Chief Executive;
 - 4.4.2 reasons why the remuneration is appropriate using internal and external measures, including pay ratios and pay gaps;

- 4.4.3 a description, with examples, of how the Committee has addressed the factors referred to in paragraph 3.2.2 above;
 - 4.4.4 whether the remuneration policy operated as intended in terms of the Company's performance and quantum, and, if not, what changes are necessary;
 - 4.4.5 what engagement has taken place with the Shareholder and the impact this has had on remuneration policy and outcomes;
 - 4.4.6 what engagement with the workforce has taken place to explain how executive remuneration aligns with wider Company pay policy; and
 - 4.4.7 to what extent discretion has been applied to remuneration outcomes and the reasons why.
- 4.5 The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
5. **Authority**
- 5.1 The Committee is authorised by the Board to seek any information it requires from any employee of the company in order to perform its duties.
 - 5.2 In connection with its duties the Committee is authorised by the Board to obtain, at the Company's expense, any outside legal or other professional advice.
 - 5.3 The Committee is authorised by the Board to enter into, on behalf of the Company, any LTIP arrangements with the Chief Executive and any employees in management with a senior role in the company.
 - 5.4 The Committee is authorised by the Board to determine remuneration for the independent non-executive directors of the Company.

Approved by the Board 20 March 2019