

Company: The Lottery Corporation
Title: Annual General Meeting – Event Transcript (Edited)
Date: 1 October 2024
Time: 10:00am (Melbourne time)

Start of Transcript

Doug McTaggart: Good morning, everyone. My name is Doug McTaggart, and I am the Chairman of The Lottery Corporation Limited. On behalf of the Board, I welcome you to our 2024 Annual General Meeting.

I begin by acknowledging the traditional custodians of the land on which we meet today, the Wurundjeri peoples of the Kulin Nation. I pay my respects to their Elders, past and present. I also acknowledge and pay my respects to the Aboriginal and Torres Strait Islander peoples joining us today.

I have been informed that a quorum of shareholders is present, and I declare the 2024 AGM open.

Allow me to introduce our Board. Joining us today are our independent Non-executive Directors, Harry Boon, Anne Brennan, John O'Sullivan, Megan Quinn and Stephen Morro. Joining me on stage is Sue van der Merwe, our Managing Director and Chief Executive Officer, and Daniel Csillag, our very excellent Company Secretary.

I would also like to introduce you to the members of The Lottery Corporation's Executive Leadership Team. I will ask them to stand as I introduce them: Adam Newman, our Chief Financial Officer; Nicholas Allton, our Chief Legal Officer; Antony Moore, our Chief Channel Officer; Callum Mulvihill, our Chief Commercial Officer; Andrew Shepherd, our Chief Customer and Marketing Officer; Loren Somerville, our Chief Information Officer; Robert Ure, our Chief Corporate Development Officer; and Michelle Williams, our Chief People Officer.

Before we move to the formal business of the meeting, I will outline procedures for asking questions and submitting votes. As set out in the Notice of Meeting, only shareholders and proxy holders are entitled to ask questions or make comments and to vote on the resolutions. We will provide a reasonable opportunity for shareholders, as a whole, to ask questions and to make comments as each item of business is considered.

Please ensure your question or comment is relevant to the item of business being considered and to shareholders as a whole. If you have a matter that you would like to raise as a customer of The Lottery Corporation, these will be referred to our Customer Relations team for a response.

For those wishing to ask a question or make a comment, please make your way to one of the microphones in the room, where stands are, and make yourself known to the relevant staff member. Please show your voting or proxy holder card and, when invited, introduce yourself to the meeting. If you are attending as a proxy holder, please also state the name of the shareholder you are representing today. Only those persons holding a yellow or blue voting card are entitled to speak. We respectfully ask that shareholders observe a two-question limit per agenda item to ensure that as many shareholders as possible have an opportunity to ask questions.

Thank you to those shareholders who have submitted questions prior to the meeting. Some of those questions will be answered through my address or the CEO's address, both of which have been released on the ASX's Markets Announcements platform prior to the commencement of this meeting, or in the course of this meeting. Voting resolutions will be conducted via a poll. I appoint The Lottery Corporation's share registry, Link Market Services, as the returning officer for the conduct of the poll.

I now declare the poll open.

Shareholders and proxy holders wishing to vote today must complete a yellow voting card. These will be collected by Link Market Services' staff following the close of the meeting. If you are voting today and need to leave early, please remember to submit your paper voting card to the share registry staff before you leave. The poll will close approximately five minutes after the conclusion of the meeting. Details of the proxies received prior to the meeting on each resolution will be shown in the presentation slides after discussion on that item.

I am holding open proxies in my capacity as Chairman of the meeting and I intend to vote all available proxies in favour of all resolutions. The final results of the poll will be lodged with the ASX as soon as possible after the meeting.

In the unlikely event of a significant technical issue or an emergency here in this room, it may be necessary to adjourn the meeting. If this occurs, we will provide further details on our website via the ASX Market Announcements Platform.

We have published on the ASX and on our website the Notice of Meeting and the formal addresses and presentations to be delivered today. Following the conclusion of the meeting, a recording and transcript will be available on our website.

It is now my pleasure to address you as shareholders today.

Six months ago, I was privileged to be elected Chairman of The Lottery Corporation.

The Lottery Corporation is a world-class lottery business. In fact, we are globally unique as the only large-scale listed, pure player, lottery company. The licenses and approvals we hold are long dated and are exclusive and are in attractive markets. Our lotteries model is low spend, low frequency and mass participation. This underpins our wide community acceptance of our products and grants us a valuable social license to operate. We have a diversified and balanced portfolio of high-profile brands. And it is the combination of these and other attributes that gives the group its highly defensive and resilient nature with a proven history of delivering long-term market growth.

The 23/24 financial year, I'll refer to that as FY24 hereafter, was a very successful one for The Lottery Corporation. The company delivered record revenue, EBITDA and NPAT, and we did so despite a challenging inflationary and consumer spending environment. Proactive game management and strategic investments in product, brand, and customer experience continue to deliver ongoing commercial benefits, including a big step up in registered customer numbers. Significant milestones were also achieved in responsible gambling, data security and safeguarding consumers' privacy. These initiatives help set the company up for future success and support our vision to be the world's best lottery operator.

I am also pleased to confirm that we have materially completed our separation from Tabcorp. This was a complex project that was well executed by the management team. The Board is very focused on returns to shareholders.

As part of our capital management framework, we have set a long-term value creation target of total shareholder return in the top quartile of companies in the S&P ASX100, other than those in metals and mining and the oil and gas sectors.

We are pleased to determine total ordinary dividends for the year, comprising interim and final dividends of \$0.16 per share. This represents a dividend payout ratio of 86% in FY24 NPAT before significant items. A special dividend of 2.5 cents per share brought the total dividend for the year, comprising the ordinary and the special dividends to 18.5 cents per share fully franked. This total dividend represents a payout ratio of 100% of FY24 NPAT before significant items.

The special dividend reflected a highly favourable year for jackpots, relative the model outcomes and our strong balance sheet position. A dividend payout ratio is targeted to be between 80% and 100% of full year NPAT before significant items, with a long-term leveraged target range of three to four times of EBITDA. This reflects the underlying quality of the business and of our licences.

Turning now to matters relating to the Board. The Lottery Corporation operates in a complex environment with a licensed framework underpinned by state-based regulations. The Board thus requires a balance of director skills and experience to be effective in overseeing the company's strategic direction and responsiveness to risks and opportunities. We regularly assess the Board's performance to seek to maintain a highly effective Board with a mix of relevant skills, expertise, and experience drawn from diverse backgrounds.

In December 2023, Stephen Morro commenced as a non-executive director. He had been an observer to the Board since June 2023. Stephen brings more than 30 years of experience in the gaming industry in supplier, operational and regulatory roles. He is standing for election at today's meeting. Megan Quinn and I offer ourselves a re-election today. Stephen, Megan, and I will address the meeting later today in respect of our elections and re-elections.

As a result of my stepping into the Chairman's role in March, we changed the composition of our Board committees to ensure they continue to effectively help the Board to carry out its responsibilities. As part of those changes, John O'Sullivan was appointed Chairman of the Risk and Compliance Committee, Anne Brennan has continued as Chair of the Audit Committee, and Harry Boon continues as Chairman of the People and Remuneration Committee.

Throughout FY24, the Board continued to oversee the identification and evaluation of risks and opportunities that may impact the company's ability to achieve its objectives. We know that culture matters in an organisation and that a healthy culture is linked with commercial success. To that end, the Board continues to oversee the development of a high-performing culture and a safe, respectful and supportive environment where our people feel included and appropriately rewarded.

Our aim is to have fair and competitive remuneration arrangements that encourage strong business performance and shareholder value creation, while aligning with our approach to risk management and compliance. The Board considered feedback from shareholders last year on our remuneration arrangements and has made adjustments which we will cover when we get to them in Item 4.

The Board also remains focused on managing risks including cyber security risks and continues to oversee investments and projects that help protect our data and our systems. This involves promoting a culture where managing cyber security risk is prioritised.

The Board is very engaged on ensuring that the integrity of The Lottery's regulatory framework is upheld, so it continues to protect consumers and our social licence to operate. The Lottery Corporation holds 13 licences and approvals, some of them extending out as far as 2072.

The Board has been active in overseeing a program of work to preserve and enhance the value of these licences. As part of this, we have been active in considering current and future market scenarios.

At The Lottery Corporation, 60% of a typical lottery entry, excluding commission to retailers, is returned to winners and over 30% is paid in taxes to states and territories and the federal government. This means that more than 90% of an entry into Australia's official lotteries is returned to the players or through the community. This is not the case with other lottery products operating in Australia.

In FY24, our operations delivered \$1.9 billion in lottery and keynote tax revenues to state and territory governments and \$725 million in commissions to our retail business partners. This illustrates the benefits of a healthy lotteries and Keno ecosystem. We are dedicated to ensuring our licences continue to deliver value widely.

In closing my address, I would like to thank management and all of our people for driving a very successful FY24. Similarly, on behalf of the Board, I would like to thank the many organisations we work alongside to deliver our games. This includes our retail business partners, community partners, suppliers, regulators and governments. We have a proven strategy and a record of delivery over an extended period.

We will continue to execute it, while adapting to changes in the marketplace and to consumer preferences. We have a strong balance sheet and a clear capital management framework that guides how we allocate your capital. And we operate in an industry that has shown resilience through the economic cycle and where we continue to see favourable industry dynamics driving growth.

Thank you for your support and I look forward to addressing you again later in the meeting.

I will now pass to Sue, our CEO.

Sue van der Merwe: Thank you, Doug.

Good morning, shareholders. It is my pleasure to provide my address for the 2023/24 financial year.

A year of continuing to add excitement to Australian's lives and delivering life-changing wins. A total of \$4.4 billion was returned to lottery players in prizes overall, and more than 320 players became overnight millionaires or multimillionaires. The record \$200 million Powerball event was a history-making moment in Australian lotteries. A one-in-seven year statistical event in which two winning entries shared the Division One prize. Shareholders, retail businesses and governments received record returns. All in all, a record year highlighting once again how lotteries and Keno deliver winning moments across our stakeholders.

We achieved strong top-line growth and we also increased margins. Group revenue was up 13.8 % on the prior year to just under \$4 billion. EBITDA was up 16% to \$827 million, and group NPAT was \$414 million. We're actively managing the business, and we saw the results of this in FY24.

Looking now at The Lottery's performance in more detail. Revenue was up 14.7 % on the prior year. This was driven by our active game and sequence management, highly favourable jackpot outcomes and positive impacts from the Powerball price increase and the commission increase, which we successfully introduced in May last year. The result is a great example of our portfolio strategy delivering. With \$771 million of extra value in jackpot offers versus the prior period, we delivered a 27% increase in jackpot game turnover. With most base or non-jackpot games down only 2% to 4% on a like for like basis. And this shows the business's strength and resilience.

Active registered customer numbers increased to 4.75 million and that's an uplift of almost half a million customers. This was driven by a customer acquisition and retention strategy that's delivering, as well as big Australian events, including the \$200 million Powerball draw and the \$90 million Oz Lotto draw held on Boxing Day.

These draws captivate the public and the technology platform that powered them was robust and resilient. At peak times, our systems processed more than 70,000 transactions a minute. We delivered growth across both our retail and digital channels. Retail remains an important part of our offering and it was pleasing to see turnover grow 6.6%.

Our retail presence in formats such as newsagents, lottery agencies and convenience stores gives The Lott extensive brand exposure. It provides connection and convenience for our customers and it supports thousands of small businesses.

Whilst our game portfolio drove increased foot traffic into retail outlets, our Store Syndicates Online product continued to be very popular with customers and retailers. This customer-led initiative is providing a fantastic fusion between our retailers and the convenience and scale of our digital capabilities. Continued investments in our registered player programs, major event draws driven by game management, and customer-led initiatives like Store Syndicates Online have further digitised the player experience.

Digital is an important growth channel with almost 41% of lottery sales generated through this channel in FY24. We continue to demonstrate our strong capability in game innovation and we've been delighted with the launch of the Weekday Windfall lottery game. This refresh of Monday and Wednesday lotto with the addition of the Friday draw has been a great success, delivering an estimated \$135 million in additional annualised turnover. In addition, we continue to strengthen our all-important brands with a revitalised campaign for Oz Lotto and a new campaign for Instant Scratch-It tickets to support everyday purchasing and gifting occasions.

Turning to Keno, a well-established and popular product. This game is centred around licensed venues and it is also offered online where that is permitted through our Victorian and ACT licences. Revenues grew 2.7 % with strong in-venue performance, particularly in Queensland underpinning the result.

Earnings, however, were impacted by changes to commercial arrangements with retail partners, an increasingly competitive online Keno market and a shift of some digital turnover from our higher margin ACT licence to Victoria, as required by our Victorian licence.

In May, we launched our new Together We Play campaign, which differentiates our Keno game from others in the market, showcasing it as a social experience that brings people together. We are seeing positive results from our marketing activity with strong brand health metrics and growth in customer participation.

Responsible play is an important focus at The Lottery Corporation and it is embedded in our culture. We have a comprehensive responsible play program. It recognises that whilst for most Australians playing our games is fun, for a very small number of people, playing can become a problem. Our program complies with our licence and regulatory commitments and it is informed by research and stakeholder engagement. It's made up of policies, processes, systems and tools that encourage responsible play across game design, employee and retailer training, customer education and support and responsible advertising.

In FY24, we enhanced the use of our data analytics in our early intervention models to more effectively identify customers showing potential signs of gambling harm. We are also proud to hold the highest level of accreditation in The World Lottery Association responsible gambling framework. This Level 4 accreditation has been held since 2017 and was re-certified in June 2024.

On the topic of the broader gambling market, there is growing sentiment in the Australian community that some forms of online gambling are too readily available and the associated advertising is excessive. Governments have responded to this with various reforms and inquiries. In this context, it is important to reinforce that lotteries are quite different. Lotteries are generally a low-spend purchase, with the average weekly spend by our customers in FY24 being around \$13. They are a low-harm product, largely because of the game structure, where there is typically one draw each week or each day. We await the federal government's response to a parliamentary committee inquiry into online gambling and its impact on those experiencing gambling harm.

We also acknowledge the federal government's recently announced review into the impact of online Keno and foreign match lottery products. As you would expect we're participating in the process.

Moving now to our people and the workplace. Our people are central to the delivery of our business strategy and our strong business performance. To that end, we are very proud to have a highly engaged team who are passionate about what they do and about The Lottery Corporation and its success. This is evidenced in our most recent employee engagement survey, where we scored 71%, slightly above target and an increase of 5 percentage points on the previous survey. We continue to make good progress towards better outcomes in diversity, equity and belonging.

So looking now to this financial year, we are pleased with the start to FY25. We've seen a stabilisation and signs of improvement in lottery sales with similar offers across our base games. Keno has continued its good momentum and sales for the \$100 million Powerball Draw in August were above the equivalent draw in May. We will continue to actively manage the portfolio to maximise game performance, including our prize offers based on market conditions. We remain focused on taking a customer centric approach to everything we do, ensuring we maximise customer lifetime value in a responsible and sustainable way.

We continue to invest in initiatives that further grow our registered customer numbers. Among the many initiatives we're executing this year is an easier way for players to join our retail membership program using their digital device in-store. This will modernise the sign-up experience for customers and for our retailers. We are also implementing a new customer data platform that will enable us to have better personalised communications with our customers at scale. We know in this era of personalisation that customers are more loyal, engaged and satisfied if they have more personalised experiences. Subject to the necessary approvals, we're intending to introduce two new initiatives.

First, our next game change is planned to be to Saturday Lotto, the second most popular game in our portfolio. This is part of our normal evolution of our games and would include a change to the price and the Division 1 prize offer.

We're also planning to introduce Charitable Games products into The Lott's Digital Channel. This will mean customers can buy a Play For Purpose ticket to support their charity of choice, for example, through The Lott app.

As always, we continue to prioritise rigorous cost management and disciplined capital allocation. We have a highly variable cost base and we'll seek to contain OPEX growth to below normalised revenue growth. A focus on optimisation activities will facilitate cost management and support funding of initiatives to reinvest back into the business to help drive top-line growth. Our strong balance sheet provides flexibility for us to be able to grow and to continue to deliver value to our shareholders.

In closing, I'd like to thank each member of The Lottery Corporation team for their part in delivering winning moments to our customers and our communities in FY24. I would also like to thank the Board for their support and leadership.

All in all, we'll continue to do what lotteries have been doing for decades, making positive impacts for customers, shareholders, governments, small business and the community.

Thank you for your support and I'll now hand you back to Doug.

Doug McTaggart: We now come to the formal business of today's meeting. The Notice of Meeting has been published and made available to shareholders and I will take it as read. Each of the resolutions to be put to the meeting will be moved in the order set out in the Notice of Meeting. At the end of each item of business shareholders and proxy holders will be provided an opportunity to ask questions. May I please ask that you keep your questions relevant to the agenda items.

The first item on the agenda is to receive and consider the Financial Report, the Directors' Report and the Auditor's Report for the year ended 30 June 2024. These reports were approved by the Board and released on the 21st of August 2024. They were also published on the ASX's Market Announcements platform and on our website.

There is no vote on this item, however, in a moment I will ask that questions submitted prior to the meeting on these reports and on the performance of the company, which have not been answered in my address or Sue's address. I will then invite questions from the floor.

Ernst & Young is the company's external auditor. Michael Collins, the partner of Ernst & Young, who is responsible for the audit, is present today - where is Michael - and is available to answer questions which should be restricted to audit matters.

I will now ask the Company Secretary to read out questions received prior to the meeting.

Daniel Csillag: Thank you, Chairman. The first question is from Mr Laurence Colclough. Mr Colclough asks, as an Australian, are we to pay taxes on winnings from other countries? If so, how are the winnings paid to us from overseas? Can we trust that we will get the entire amount due to the winning ticket?

Doug McTaggart: Thank you for your question, Mr Colclough. Firstly, it is worth noting that The Lottery Corporation's lotteries are operated and regulated in Australia and the prize winners receive winnings directly from us, not from a foreign country. We understand that prizes from other operators, including operators of foreign-matched lotteries, may be subject to taxes and other requirements in the overseas country where the prize originates. We understand why there are concerns about these models and, as Sue mentioned earlier, the federal government is conducting a review into the impact of foreign-match lottery products.

Are there questions from the floor? If so, would you step up to the microphone, make yourself known to a staff member?

Christine Haydon: Good morning, Chair. My name is Christine Haydon, and I am a volunteer monitor for the Australian Shareholders Association. And we'd like to ask a question, just bear with me one moment, around the AGM. And we think it's great that you're rotating the AGM to various locations, and it's great to see you in Melbourne. But there's no opportunity to ask live questions or voting online during the meeting. And so we would like to ask you to share the reasons that you're not enabling shareholders online participation at the AGM, and we'll also ask you to consider adopting a hybrid meeting forum in the future.

Doug McTaggart: Well, thank you, Ms Haydon, for your relevant and topical question. We are holding a face-to-face meeting today, but we are broadcasting the meeting live and of course we will provide a webcast available after the meeting for people who want to access it then. We've also provided the opportunity for people – shareholders - to provide their questions prior to the meeting and addressing them now. Our experience has been in the past, when we have held hybrid meetings, very few people took the opportunity to either vote online or to ask questions. And given the cost, we felt it was in shareholders' interest to restrict the meeting to a face-to-face meeting. Of course, every year we will make a decision, we'll consider the issues and the options and we will make a decision at the time. So, thank you for your question.

Are there any more questions from the floor? As there are no more questions, that concludes this item of business and we'll move to the next item.

The next items of business relate to the election and re-election of directors. Item 2(a) on the agenda is the election of Steven Morro as a Director of the Company.

Steve was appointed as a Non-executive Director of The Lottery Corporation on 11 December 2023, following the receipt of all necessary regulatory approvals and ministerial consents. He served as an observer to the Board from 30 June 2023 to 10 December 2023. He retires in accordance with the Constitution and, being eligible, he has offered himself for election.

Steve is a member of the Risk and Compliance Committee, the People and Remuneration Committee and the Nomination Committee. The Board considers Steve's deep experience in the gaming and entertainment industry, along with his experience in ASX listed companies, to be a value to The Lottery Corporation. He's considered by the Board to be independent.

The Board, with Steve abstaining, unanimously supports his election as a Director of the Company and recommends that shareholders vote in favour of this resolution. I would now like to invite Steve to address the meeting.

Stephen Morro: Thank you, Chairman. Good morning, ladies and gentlemen. It's an honour to appear before you as a candidate for the Board of directors of The Lottery Corporation. I have over 35 years' experience in the highly regulated gaming industry and have been licensed in over 150 jurisdictions worldwide. I am one of the few people that have experienced in the three segments of the gaming industry, regulatory operations and supplier, as well as experience as a non-executive director in Australia and the United States.

I started my career as a regulator of casinos in the US. This is where I gained the appreciation for the special standards, for honesty, integrity, and financial responsibility demanded of participants in the gaming industry.

I had a 20-year career at International Game Technology. My last two positions at IGT were President at the Gaming Division and Chief Operating Officer. In these positions, I had global responsibility for day-to-day operations, as well as the product roadmap for games, products, systems, and intellectual property.

After IGT, I made the move to the boardroom and served 10 years as a non-executive director of Aristocrat Leisure Limited, listed here on the ASX. I'm currently a non-executive director and chair of the Regulatory Compliance Committee of Light and Wonder, a leading omnichannel games company listed on NASDAQ with a dual listing on the ASX.

I'm committed to advocating for strong corporate governance as well as creating long-term shareholder value. I believe as a member of the Board, I would provide a view and opinions that are complementary to those of the existing Board members. I ask for your support of my nomination and an opportunity to contribute to secure TLC's position as the premier lottery operator. Thank you.

Doug McTaggart: Thank you, Steve. I will now take questions on this agenda item. Are there any questions from the floor?

As there are no more questions, or any questions, we have now finalised discussion on this item.

The proxy votes received prior to the meeting in relation to this resolution are shown on the slide presentation.

It seems from the proxies received that this resolution will pass. Congratulations, Steve.

Stephen Morro: Thank you.

Doug McTaggart: As the next item of business relates to my re-election, I will ask Anne Brennan to assume the chair of the meeting.

Anne Brennan: Thank you, Doug. This item of business is the re-election of Doug McTaggart as a Director of the Company. Doug is the Chairman of the Board of The Lottery Corporation. He's also the chairman of the Nomination Committee. He's been a non-executive director since October 2022 and he was appointed Chairman in March 2024.

Doug retires in accordance with the Constitution, and being eligible, he has offered himself for re-election. The Board considers Doug's extensive experience as a non-executive director and background in finance, treasury, risk and compliance matters to be of value to the company. He is considered by the Board to be independent.

The Board, with Doug abstaining, unanimously supports Doug's re-election as a director of the company and recommends that shareholders vote in favour of this resolution. I now invite Doug to address the meeting.

Doug McTaggart: Well good morning, again, ladies and gentlemen. Thank you for the opportunity to stand for re-election to the Board of The Lottery Corporation. You first elected me in 2022. At that meeting, I discussed my background and diverse career experience. Various, I have been an economics professor, an Under Treasurer for the State of Queensland and CEO of the Queensland Investment Corporation. Since 2012, I have had a NED career sitting on the Boards of listed entities, UGL and Suncorp for 12 years, stepping down late last year, and chairing Spark Infrastructure for five years before it was sold to private equity and delisted.

I've chaired various other entities, including the Queensland Institute of Medical Research, the Investment and Financial Services Association, which is now the Financial Services Council, Sun Central Maroochydore and the Queensland Public Service Commission. Currently, I'm Chairman of Indigenous Business Australia Asset Management.

My accumulated experience in serving these various entities gives me deep insight into matters regarding economics, finance, risk management, corporate governance and a strong familiarity with the broader workings of both government and business. With this background, I was delighted to step up as the Chair of The Lottery Corporation earlier this year. The timing of this move was ideal in that we now have completed separations from Tabcorp and are well placed to continue to grow the business and to deal with both opportunities and risks going forward.

As I said in my opening address, The Lottery Corporation is an excellent business with long dated or exclusive licences in strong markets with a strong portfolio of brands. We have a very strong social licence to operate and we have a very strong management team who are amongst the best Lottery operators in the world. Our challenges going forward are to protect and enhance the value of our licences, continue to build the culture of The Lottery Corporation to what it aspires to, and to continue to innovate our game's portfolio to ensure steady growth and strong returns to shareholders.

We also need to work with regulators and the community to ensure that gambling harm is minimised and that the integrity of the regulated lotteries is maintained. With your support, I will work with this excellent Board to assume we meet those challenges and to continue to deliver for all shareholders. Thank you. I now hand back to Anne.

Anne Brennan: Thank you, Doug, I now take questions on this agenda item. Are there any questions from the floor?

Facilitator: Chairman, I would like to reintroduce shareholder, Christine Haydon.

Christine Haydon: Thank you. And I hope this question is appropriate for this particular part. It's very difficult to know when to ask some of these questions in. But it's a general question about Board skills. At the moment, you identify skills in a matrix, skills and experience of individual directors. And this year the matrix was upgraded from two categories to three, which is of assistance. Given, however, that the election of directors is a key part of the AGM, will you consider identifying the strengths of individual directors next year? Because we are asked to vote on each director. And while we know generic skills, we don't know, who in particular, are holding those skills.

Doug McTaggart: Again, thank you, Ms Haydon, for an excellent question. And one that we as a Board discussed at length, considering the options. And as you note, we've made some changes to the skills matrix, upgrading it as we can. The challenge I have or the Board has with identifying all individual directors with their individual skills is not to give the - we don't want to give the impression to the market and to shareholders that that particular director might have a special responsibility for that particular skill. It's very important to us as a Board that we act collectively. The decisions made by the Board, we are all responsible for and I think if we went down the path - and we discussed this the path you advocate - then perhaps that could be misconstrued.

For the directors coming up for election today, we do list in the Notice of Meetings where we think those particular skills rest. And I think that's about as far as we can go for the moment. Again, having said that, it is something we will continue to monitor. So thank you again.

Anne Brennan: Questions from the floor?

As there are no more questions, we have now finalised discussion on this item.

The proxy votes received prior to the meeting in relation to this resolution are shown on the slide presentation.

It seems that the proxies received that the resolution will pass. Congratulations, Doug.

I'll now hand back to Doug.

Doug McTaggart: Thank you, Anne. We We'll now move on to the next item of business.

Item 2(c) on the agenda is the re-election of Megan Quinn as a director of the company. Megan has been a Non-executive Director of The Lottery Corporation since October 2022. She retires in accordance with the Constitution and being eligible, she has offered herself for re-election.

Megan is a member of the People and Remuneration Committee, the Risk and Compliance Committee and the Nomination Committee. The Board considers Megan's customer, innovation, global brand, digital transformation, and multi-channel experience and background as well as experience of a public company director to be of value to The Lottery Corporation. She's considered by the Board to be independent.

The Board, with Megan abstaining, unanimously her re-election as director of the company and recommends that shareholders vote in favour of this resolution. I would now like to invite Megan to address the meeting.

Megan Quinn: Thank you, Doug, and good morning, everyone. It's a privilege to serve you, the shareholders and the stakeholders of The Lottery Corporation. The Board and management are ambitious for this Company and we pride ourselves on the social licence TLC has earned over the years.

My international experience as an entrepreneur and an executive with companies across a range of industries ensures that I bring a global perspective and a continuous improvement mindset to every discussion and decision we make. And because of my wide-ranging background, I'm very adaptable, which is an asset in the ever-evolving business and social landscape. I believe that my diverse skillset and experience of the last 35 years put me in good stead to make a valuable contribution to The Lottery Corporation.

My focus remains leading by example, exemplary customer service, stakeholder relationships, innovation, agility, continuous improvement and measured risk. I'm drawn to the quality and ambitions of this Board and the management team. The shared commitment for growth, innovation and continued meaningful contributions to the community are all very important to me. The multi-channel opportunities are very exciting. I appreciate the challenges and opportunities of rapidly evolving economic and customer landscapes and understand the importance of a keen awareness of disruption across industries.

With your support, I'd very much like to continue to focus on our ambitions, to continue to create positive impacts and customer centric initiatives to deliver long-term, sustainable and responsible growth.

Thank you very much. Thank you, Doug.

Doug McTaggart: Thank you, Megan. I will now take questions on this agenda item; are there any questions from the floor?

Facilitator: I'd like to reintroduce shareholder Christine Haydon.

Christine Haydon: Chairman, I'd hope someone else would ask questions. But I'd like to ask a question in relation to Director Megan Quinn and I'd have to say the Australian Shareholders Association value board members having a significant personal investment in the company.

In other words, we call that skin in the game. Director Megan Quinn's shareholdings appear to be relatively low compared with Board remuneration. Could you please confirm that that is going to be addressed under the Board's policy to increase the shareholdings of directors and that demonstrates, of course, alignment with the shareholders' interests. Thank you.

Doug McTaggart: Thank you, Ms Haydon, for yet another relevant and topical question. And I do thank the Australian Shareholders Association for their active interest in the management and corporate governance of the business. So thank you.

We do have a policy which requires Non-executive Directors to get to a minimum shareholding requirement over a three-year period. As it stands at the moment, four of our directors now meet that requirement, with Anne Brennan achieving that after the annual report went out. So Megan and I are outstanding, but we are on the path and we will achieve those targets within the policy stated time. So thank you for your interest.

If there are no other questions, we have finalised discussion on this item.

The proxy votes received prior to the meeting in relation to this resolution are shown on the slide.

It seems that the proxies received from the proxies received that this motion will pass. Congratulations Megan.

We'll now move on to the next item of business. Item 3 on the agenda relates to the adoption of the Company's Remuneration Report for the financial year ended 30 June 2024.

The Lottery Corporation's remuneration philosophy is based on appropriately recognising, rewarding and retaining high-performing talent. This enables us to, among other things, create value for shareholders. The Remuneration Report contains the details of The Lottery Corporation's approach to remuneration and the outcomes for the most recent financial year.

I'd like to briefly touch on the FY24 short-term incentive outcomes for which the Board considered a range of financial and non-financial outcomes. In determining the formation and size of the STI pool, the short-term incentive pool for FY24, the Board considered the group's performance against pre-established targets across financial, strategic, customer, people and culture categories.

Based on the actual financial outcomes, an initial pool of 118% of target would have been generated. In balancing all applicable factors, including financial, non-financial, risks, sustainability and favourable jackpot outcomes, the Board applied its judgement to adjust the pool down to 108% of target, appropriately reflecting the record year.

The Board unanimously recommends that shareholders vote in favour of this resolution. The vote on this resolution is advisory only and does not bind the directors or the company. However, the Directors will take the outcome of the vote and shareholder feedback into consideration when setting remuneration practices for future years.

I will now ask the Company Secretary to read out questions received prior to the meeting.

Daniel Csillag: Thank you, Chairman. This question comes from Mr Trevor Robinson.

Mr Robinson asks, under what conditions or criteria would a bonus not be paid to any employee or Board member? If bonuses are considered a regular or expected payment, why then are they not incorporated as a normal salary or sitting payment rather than being masked as a bonus?

Doug McTaggart: Thank you, Mr Robinson, for your question.

Incentives are at risk and are therefore not considered to be part of a regular or expected payment. At an overall level, business performance and performance against set KPIs, key performance indicators, are used to assess the outcomes. We set threshold performance levels each year. If the company misses the threshold performance requirements, then no bonuses are paid unless the Board deems otherwise.

At an individual level, should an employee not meet overall behavioural or performance expectations, then no incentive would be paid. I hasten to point out that no Board members participate in any of our variable incentive plans. I will now take questions on this agenda item.

As there are no more questions or any questions, we have now finalised discussion on this item.

The proxy votes received prior to the meeting in relation to this resolution are shown on the slide. It appears from the proxies that this resolution will pass.

We now move on to the next item of business. Item 4 is the proposed grant of performance rights to the MD and CEO, Sue van der Merwe, under The Lottery Corporation's long-term incentive plan.

Shareholders are asked to approve the grant of performance rights to Sue, as a long-term incentive component of her remuneration package for fiscal year 25. In accordance with the formula set out in the Notice of Meeting, it is proposed to grant 605,522 performance rights to Sue.

If shareholder approval is obtained, vesting of the MD and CEO's performance rights will be subjected to two separate tranches with each tranche having its own performance measures and conditions.

50% of the MD and CEO's performance rights will be subject to a performance measure based on relative total shareholder return, TSR, over a three-year performance period from the 2nd of October 24 to the to 1 October 27. Vesting of the TSR tranche is also subject to an absolute TSR gateway. This means that, unless the Board determines otherwise, the company's TSR over the performance period must be positive for any performance rights to vest, even if the relative TSR performance conditions have been met.

50% of the MD and CEO's performance rights will be subject to a performance measure based on the achievement of average return on invested capital, or ROIC, measured over three financial years from 1 July 24 to 30 June 27 inclusive.

The ROIC performance condition was chosen as the second performance measure because it focuses management on achieving targeted returns on The Lottery Corporation's invested capital, which is equity plus debt. The Board has set threshold, target and stretch targets for the ROIC tranche that are considered to be challenging in relation to our strategic plan.

Given the commercially sensitive nature of the targets, the ROIC threshold, target and stretch goals will be published at the end of the performance period. Vesting of all performance rights is also subject to a service condition. Performance rights will lapse if performance and service conditions are not satisfied at the end of the applicable performance and service periods. All performance and service conditions in the absolute TSR Gateway will be tested on or around the 2nd of October 2027.

As is The Lottery Corporation's practice, the LTI plan will be reviewed each year to ensure it continues to effectively incentivise and reward for the creation of long-term shareholder value.

The Board, with Sue abstaining, recommended shareholders vote in favour of this resolution.

I will now take questions on this agenda item. Do we have any questions from the floor?

As there are no more questions, we now have finalised discussion on this item.

The proxy votes prior to the meeting in relation to this resolution are shown on the slide. It appears from the proxies that this resolution will pass.

We will now move to the final item of business. Item 5 relates to the renewal of proportional takeover provisions in the company's Constitution. These provisions prohibit the registration of transfers of shares acquired under a proportional takeover bid unless the resolution is passed by the shareholders approving the bid.

As provided in Rule 6 of the Constitution, these provisions will cease to have effect at the end of three years after they were adopted or were last approved by shareholders unless renewed.

As the Company's Constitution was adopted on the 3rd of March 2022, the provisions on Rule 6 of the Company's Constitution will expire on the 3rd of March 2025 unless renewed. Rule 6 is set out in full in the Company's Constitution which is available on the Company's website. Details of what constitutes a proportional takeover bid, the effect of Rule 6, the reasons for proposing the resolution and the potential advantages and disadvantages in renewing the proportional takeover provisions are set out in the explanatory notes of the Notice of Meeting.

The Board considers that on balance, the renewal of the proportional takeover provisions in the Constitution is in the best interests of shareholders and, accordingly, recommends shareholders vote in favour of renewing the proportional takeover provisions.

I will now take questions on this agenda item, and do we have any questions from the floor?

As there are no more questions, we have now finalised discussion on this item.

The proxy votes received prior to the meeting in relation to this resolution are shown on the slide. It appears from the proxies received that this resolution will also pass.

That concludes the formal business of the meeting.

If you haven't already done so, please submit your votes in respect of all resolutions now, by using the paper voting card.

We will leave the poll open for a further five minutes after the close of the meeting, to enable shareholders to cast their votes.

The results of the poll will be released on the ASX Markets Announcements platform as soon as possible after the meeting.

On behalf of the Board and Management, I would like to thank you all for attending The Lottery Corporation's Annual General Meeting and for submitting questions and comments to help make this an engaging meeting.

Thank you again for your time today and for your continued support of The Lottery Corporation.

I now declare the meeting closed.

Please join the Board and our Executive Leadership Team in the foyer for refreshments.

Thank you.

-End of Transcript-