



THE FOURTH NATIONAL LOTTERY LICENCE COMPETITION

Proposed Form of Fourth Licence

Version: ITA Phase 1
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Note to Applicants: Applicant to propose Application Specific Conditions – see section 5 of the Invitation to Apply

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1. PURPOSES AND OUTCOMES

Purposes

1.1 The purposes of this Licence are:

- (a) to authorise and require the Licensee to run the National Lottery; and
- (b) that certain outcomes regarding that operation are secured.

Outcomes

1.2 The outcomes referred to in Condition 1.1(b) are that the National Lottery be carried on:

- (a) with all due propriety;
- (b) in a way which protects the interests of Participants; and
- (c) subject to (a) and (b), so as to maximise the amount being paid out of the net proceeds of the National Lottery to Good Causes, which, for the avoidance of doubt, will be assessed taking account both of:
 - (i) the amount paid and to be paid to Good Causes under this Licence; and
 - (ii) to the extent the operation of the National Lottery under this Licence might affect them, potential amounts to be paid to Good Causes out of the net proceeds of the National Lottery under subsequent licences awarded under section 5 of the Act,

and the Licensee must interpret and perform its obligations under this Licence in the manner best calculated to achieve those outcomes.

Absolute obligations under this Licence

1.3 Where a Condition of this Licence provides that the Licensee must do (or refrain from doing) a thing or must ensure an outcome, the Licensee is in breach of that Condition if it fails to do (or refrain from doing) that thing or fails to ensure that outcome.

Other obligations as to outcomes under this Licence

1.4 Where a Condition of this Licence provides that the Licensee must do everything it can to ensure a specified outcome is achieved, the Licensee is in breach of that Condition if that outcome is not achieved unless the Licensee can satisfy the Commission that it has taken all reasonable steps and exercised all due diligence to achieve that specific outcome and, in doing so, to secure the outcomes set out in Condition 1.2.

1.5 In order to demonstrate that it has taken all reasonable steps and exercised all due diligence in accordance with Condition 1.4, it shall not necessarily be sufficient for the Licensee to have done those specific things which this Licence states it must do.

Cost of compliance with this Licence

- 1.6 The Licensee shall not under any circumstances be entitled to reimbursement from the Commission of its costs of compliance with the Conditions of this Licence or any directions from the Commission.

Non-Frustration

- 1.7 The Licensee must not do, and must do everything it can to ensure that no other person does, any thing which has the effect of avoiding, frustrating or circumventing any Condition of this Licence.

Definitions and Interpretation

- 1.8 Unless defined elsewhere in this Licence, capitalised terms used in this Licence are defined in Schedule 1 (*Glossary*) and the provisions of this Licence shall be interpreted in accordance with Schedule 2 (*Interpretation*).

2. GRANT OF THE LICENCE

Grant

2.1 The Commission grants this Licence to run the National Lottery to the Licensee.

2.2 This Licence is granted under section 5 of the Act.

Requirement to run the National Lottery

2.3 The Licensee must run the National Lottery in accordance with this Licence.

Variation of certain Conditions only with consent

2.4 In accordance with section 8(3)(b) of the Act, the following Conditions and Schedules may only be varied with the consent of the Licensee:

- (a) Condition 1.1;
- (b) Condition 1.4;
- (c) Conditions 2.4 to 2.6 (inclusive);
- (d) Condition 3;
- (e) Condition 9.2;
- (f) Condition 13.6;
- (g) Conditions 14.4;
- (h) Condition 14.5(b);
- (i) Condition 14.9;
- (j) Condition 15.1;
- (k) Condition 18.20;
- (l) Condition 20.2;
- (m) Condition 21.2;
- (n) Condition 21.9;
- (o) Condition 21.13;
- (p) Condition 22.15;
- (q) Condition 22.16;
- (r) Condition 27.1;
- (s) Condition 28.1;
- (t) Condition 28.4;

- (u) Conditions 28.6 to 28.11 (inclusive);
- (v) Condition 32.4; and
- (w) Schedule 6.

2.5 In accordance with section 8(3)(b) of the Act, the following defined terms in Schedule 1 may only be varied with the consent of the Licensee:

- (a) "Core Lottery IP";
- (b) "Developed IP";
- (c) "Gambling Law";
- (d) "Lottery IP";
- (e) "Material Impact on Profitability"; and
- (f) "Other Lottery IP".

2.6 Subject to Condition 2.7, in accordance with section 8(3)(b) of the Act, the provisions of Schedule 5 and Appendix 1 of Schedule 5 of this Licence, with the exception of the following defined terms in paragraph 12 of Part B of Schedule 5:

- (a) "Promotional Prize";
- (b) "Recoverable Implementation Costs"; and
- (c) "SONIA",

may not be varied by the Commission without the prior consent of the Licensee.

2.7 The Commission may vary the provisions referred to in Condition 2.6 if it determines it to be appropriate to do so if:

- (a) in accordance with Condition 18.20, the Licensee requests that the Commission considers whether it is appropriate to exercise its powers under section 8 of the Act; or
- (b) there is:
 - (i) a change in Gambling Law; or
 - (ii) a Fundamental Geographic Scope Change,

which in either case results or is reasonably likely to result in a positive Material Impact on Profitability.

3. TERM OF THE LICENCE

Start and End

- 3.1 This Licence starts on 1 August 2023. Subject to Condition 3.2, it will end on 31 July 2033.
- 3.2 This Licence can only be terminated early in accordance with the Act or extended in accordance with a Condition of this Licence.

Contingency Extension

- 3.3 The Commission may extend the Term on no more than two occasions if, in each case, the Commission considers it appropriate for the purposes of the Next Competition.
- 3.4 Each extension of the Term shall, subject to Condition 3.5, be for a period determined by the Commission.
- 3.5 The total period by which the Term may be extended under Condition 3.4 shall not exceed 24 months.
- 3.6 The Commission must tell the Licensee about any extension under Condition 3.1 no less than six months before this Licence is due to expire.

4. COMPLIANCE OBLIGATIONS

Legal Requirements

- 4.1 The Licensee must ensure that the running of the National Lottery operation and any Ancillary Activity complies with all laws, regulations and licences applicable to the National Lottery or that activity as the case may be. The Licensee must comply, and must ensure that any Licensee Subsidiary complies, with all laws and regulations applicable to the Licensee, any Licensee Subsidiary and all of its and their activities.
- 4.2 For the avoidance of doubt where, as part of the running of the National Lottery operation or any Ancillary Activity by the Licensee or any Licensee Subsidiary, any activity is undertaken in any location outside the UK, the laws and regulations referred to in Condition 4.1 include those applicable to that location but the Licensee must also comply with the relevant UK laws and regulations in respect of that activity.

Best Practice

- 4.3 In addition to complying with law and regulation, the Licensee must comply, and must ensure that any Licensee Subsidiary complies, with Best Practice, being the standard to be expected of an experienced and professional person doing a particular thing and seeking to secure the outcomes in Condition 1.2.
- 4.4 This means (among other things) that where the Commission or any other UK government or UK public authority or any recognised industry body:
- (a) issues a code of practice or guidelines containing requirements which must be followed with regard to the undertaking of an activity, the Licensee and any Licensee Subsidiary must comply with those requirements if it undertakes that activity;
 - (b) issues a code of practice or guidelines containing recommendations with regard to the undertaking of an activity, the Licensee and any Licensee Subsidiary must have regard to those recommendations if it undertakes that activity; and
 - (c) publishes generally accepted standards for the undertaking of an activity or performance of any asset (**Recognised Standards**), the Licensee and any Licensee Subsidiary must do everything it can to achieve those Recognised Standards and to obtain any certifications or approvals necessary in order to demonstrate that the Recognised Standards have been achieved.
- 4.5 The Licensee must adopt and implement strategies, policies, processes and procedures to ensure that it, and any Licensee Subsidiary, complies with Best Practice. All such strategies, policies, processes and procedures must be approved by the Compliance and Risk Management Committee. In order to approve those strategies, policies, processes and procedures, that Committee must be satisfied that they will ensure that the Licensee complies with Best Practice.

5. FITNESS AND PROPRIETY OF THE LICENSEE

Overriding Duty

- 5.1 The Licensee must do everything it can to ensure that, at all times during the Term:
- (a) each of the Licensee and any Licensee Subsidiary is a fit and proper person to run the National Lottery;
 - (b) each person who manages the business, or any part of the business, of running the National Lottery is a fit and proper person to do so; and
 - (c) each person for whose benefit the business of running the National Lottery is carried on is a fit and proper person to benefit from it,
- (together the **Fit and Proper Requirements**).
- 5.2 This Condition sets out certain steps which the Licensee must take in order to ensure that its governing documents, and certain categories of arrangements to which the Licensee is a party, are consistent with the Fit and Proper Requirements.

Documents to be in force on the Start Date

- 5.3 On the Start Date, the Licensee must ensure that:
- (a) each of the documents and matters listed in:
 - (i) Schedule 4 of the Enabling Agreement; and
 - (ii) Appendix 2 to the Enabling Agreement,each being in the Approved Form, has been adopted and/or entered into (as applicable) by the Licensee and is in force; and
 - (b) the equity and debt profile of the Licensee is in the Approved Form.

Changes to documents

- 5.4 The Licensee must not, without the prior consent of the Commission, make any changes to any of its or any Licensee Subsidiary's:
- (a) Approved Form articles of association; or
 - (b) Approved Form Finance Agreements,
- and must ensure that no changes are made to any Approved Form Shareholders' Agreements.

Related Party Arrangements

- 5.5 Each Related Party Arrangement, including those in the Approved Form, must:
- (a) be in writing;
 - (b) be on arm's length terms;

- (c) itself, and be operated in the manner best calculated to, achieve the outcomes in Condition 1.2; and
- (d) provide Good Value for Good Causes.

Designated Lottery Subcontracts

- 5.6 The Commission may, by notice to the Licensee, specify that the following are Designated Lottery Subcontracts:
- (a) any individual Lottery Subcontract; and
 - (b) all Lottery Subcontracts within a category specified by the Commission.

New or amended Related Party Arrangements and Designated Lottery Subcontracts

- 5.7 If the Licensee, any Licensee Subsidiary or (where the Licensee or any Licensee Subsidiary is not a party to a Lottery Subcontract) a Lottery Subcontractor intends to enter into or amend a Designated Lottery Subcontract or a Related Party Arrangement, the Licensee must notify the Commission at least 20 Business Days before entering into the contract or arrangement or making the amendment.
- 5.8 The Licensee must, and must ensure that each Licensee Subsidiary and Lottery Subcontractor shall:
- (a) not enter into a new Designated Lottery Subcontract or Related Party Arrangement if directed not to do so by the Commission during the 20 Business Day period referred to in Condition 5.7;
 - (b) where the Commission specifies any amendments which must be made to a new Designated Lottery Subcontract or Related Party Arrangement during the 20 Business Day period referred to in Condition 5.7, only enter into such Designated Lottery Subcontract or Related Party Arrangement if it contains the amendments specified by the Commission (and no other changes); and
 - (c) not agree to the amendment of the Designated Lottery Subcontract or Related Party Arrangement unless the amendment is in the form notified to the Commission, subject only to any changes specified by the Commission during the 20 Business Day period referred to in Condition 5.7 (and no other changes).
- 5.9 For the avoidance of doubt, neither of the following shall constitute any indication as to whether the Commission considers that a Related Party Arrangement complies with the requirements of Condition 5.5:
- (a) that Related Party Arrangement being in the Approved Form; or
 - (b) the Commission not making any direction to the Licensee under condition 5.8(a) in connection with that Related Party Arrangement (regardless of whether the Commission has entered into correspondence with the Licensee regarding that Related Party Arrangement).

Subsidiaries of the Licensee

- 5.10 None of the following persons may own (legally or beneficially and directly or indirectly) shares or any other ownership interest in any other person without the prior consent of the Commission:
- (a) the Licensee; and
 - (b) any Licensee Subsidiary.

6. LOTTERY BENEFICIARIES AND LOTTERY SUPERVISORS

Overriding Duty

6.1 The Licensee must:

- (a) ensure that no person is able to exercise control or material influence over the Licensee, or the way in which the Licensee runs the National Lottery, without the prior consent of the Commission;
- (b) ensure that the business or any part of the business of running the National Lottery is not carried on for the benefit of any person unless that person meets the Fit and Proper Requirements; and
- (c) do everything it can to ensure that every person who is able to exercise control or material influence over the Licensee, or the way in which the Licensee runs the National Lottery, meets the Fit and Proper Requirements.

6.2 This Condition sets out certain steps which the Licensee must take in order to do this.

Lottery Beneficiaries

6.3 Lottery Beneficiaries are any of the following persons:

- (a) a Qualifying Direct Shareholder of the Licensee;
- (b) a Connected Party of a Qualifying Direct Shareholder of the Licensee;
- (c) a Key Subcontractor;
- (d) a Connected Party of a Key Subcontractor; and
- (e) any Senior Executive of any person listed in (a) to (d) above.

6.4 Certain agreements, arrangements or understandings between two or more persons may mean that each of those persons is a Lottery Beneficiary. Details of these Control Arrangements are set out in Schedule 4.

Lottery Supervisors

6.5 Lottery Supervisors are any of the following persons:

- (a) any Senior Executive of the Licensee or of any Licensee Subsidiary; or
- (b) any person employed by the Licensee, by any Licensee Subsidiary or by a Key Subcontractor who has overall responsibility for:
 - (i) the strategy of the Licensee or the Licensee's strategy for the National Lottery;
 - (ii) any strategy, process, policy or procedure which relates to the operation of the National Lottery;
 - (iii) National Lottery operations;
 - (iv) management of National Lottery operations;

- (v) financial planning, control and budgeting of the Licensee or in relation to the National Lottery operation;
- (vi) marketing and commercial development of the Licensee or in relation to the National Lottery operation;
- (vii) regulatory compliance, including in relation to money laundering, of the Licensee or in relation to the National Lottery operation;
- (viii) IT provision and security (including the hosting or storage of Lottery Data) of the Licensee or in relation to the National Lottery operation;
- (ix) contact centre operations of the Licensee or in relation to the National Lottery operation; or
- (x) a Critical Function.

Fit and Proper Checks undertaken before the Start Date

6.6 Before the Start Date:

- (a) the Licensee identified to the Commission each person who was proposed to be, prior to or with effect from the Start Date, a Lottery Beneficiary or a Lottery Supervisor; and
- (b) the Commission has undertaken Fit and Proper Checks on such persons.

Those checks have been undertaken on the basis of information provided to the Commission for that purpose.

6.7 If the information provided to the Commission in connection with those checks:

- (a) was not complete and accurate when provided; or
- (b) does not remain complete and accurate on or after the Start Date,

the Licensee is in breach of this Condition unless it promptly notifies the Commission of the new, updated or correct information and the Commission confirms that the relevant person meets the Fit and Proper Requirements.

Changes to Lottery Supervisors and Lottery Beneficiaries

6.8 The Licensee must tell the Commission promptly upon the earlier of:

- (a) it becoming aware of any proposal to change a Lottery Supervisor or a Lottery Beneficiary; or
- (b) any change to a Lottery Supervisor or a Lottery Beneficiary taking effect.

6.9 The Licensee must ensure that no person becomes a Lottery Supervisor or a Lottery Beneficiary without the prior consent of the Commission.

Further Checks – Lottery Supervisor and Lottery Beneficiaries

- 6.10 The Commission may do Fit and Proper Checks on any Lottery Supervisor or any Lottery Beneficiary whenever it wants.
- 6.11 The Licensee must:
- (a) ensure that each Lottery Supervisor and each Lottery Beneficiary promptly notifies the Licensee if any facts or circumstances arise which might be relevant to an assessment of whether that person meets the Fit and Proper Requirements;
 - (b) have policies, processes and procedures in place to identify proactively any such facts or circumstances; and
 - (c) require that each Lottery Beneficiary (where such person is a company, partnership or other body corporate) has policies, processes and procedures in place to identify proactively any such facts or circumstances.
- 6.12 If at any time the Licensee becomes aware of any information which might be relevant to an assessment undertaken at that time of whether:
- (a) a Lottery Supervisor or a Lottery Beneficiary meets the Fit and Proper Requirements; or
 - (b) the Licensee meets the Fit and Proper Requirements,
- the Licensee will promptly notify the Commission and will cooperate with any Fit and Proper Checks the Commission undertakes.
- 6.13 If the Commission notifies the Licensee at any time that any Lottery Supervisor is not a fit and proper person to perform that role, the Licensee must ensure that such person promptly ceases to be a Lottery Supervisor.
- 6.14 If the Commission concludes at any time that any Lottery Beneficiary is not a fit and proper person, the Licensee must ensure that such person ceases to be a Lottery Beneficiary within 20 Business Days of notification by the Commission (or such other period as is approved by the Commission).

Provision of Information

- 6.15 The Licensee must provide, and must ensure that every Lottery Supervisor and Lottery Beneficiary provides, to the Commission any information the Commission requests in order to:
- (a) perform any Fit and Proper Check; or
 - (b) enable the Commission to assess whether any Fit and Proper Checks carried out by the Licensee in relation to any Critical Function Employee, and the Licensee's policies, processes and procedures for undertaking such Fit and Proper Checks, are each Fit for Purpose.

This shall include the provision, not less than once in every six month period, of charts accurately setting out the legal and beneficial ownership, the organisation and management of the Licensee.

Costs of Fit and Proper Checks

6.16 Where, under this Condition 6, the Commission undertakes a Fit and Proper Check:

- (a) in connection with the consideration of a proposed Lottery Beneficiary who will become:
 - (i) a Qualifying Direct Shareholder of the Licensee; or
 - (ii) a Connected Party of a Qualifying Direct Shareholder of the Licensee,
in accordance with Condition 6.9;
- (b) in relation to a change to any facts or circumstances which arise in relation to a person referred to in 6.16(a); or
- (c) in connection with any Lottery Beneficiary or Lottery Supervisor whom the Commission considers may fail to meet the Fit and Proper Requirements and subsequently the Commission confirms that such person does not meet the Fit and Proper Requirements,

the Licensee must promptly reimburse the Commission's cost of undertaking that Fit and Proper Check.

7. FITNESS AND PROPRIETY OF CRITICAL FUNCTION EMPLOYEES

Overriding Duty

- 7.1 The Licensee must ensure that each person who manages the business, or any part of the business, of running the National Lottery meets the Fit and Proper Requirements. This Condition sets out certain steps which the Licensee must take in order to do this.
- 7.2 One of those steps is that the Licensee itself must undertake, and enable the Commission to undertake, Fit and Proper Checks on each Critical Function Employee.
- 7.3 This Condition sets out specific requirements regarding those Fit and Proper Checks.

Critical Function Employees

- 7.4 A Critical Function Employee is any person who is not a Lottery Supervisor and who:
- (a) works within a Critical Function; or
 - (b) manages or oversees any person who works within a Critical Function,
- whether employed or engaged by the Licensee, by any Licensee Subsidiary or by a Key Subcontractor.

Changes to Critical Function Employees

- 7.5 The Licensee must not appoint (and must ensure that no person is appointed) as a Critical Function Employee unless, before that appointment takes effect, the Licensee has undertaken a Fit and Proper Check and is satisfied that such person meets the Fit and Proper Requirements. The only exception to this requirement will be the circumstances set out in Condition 7.6.
- 7.6 This Condition applies if exceptional circumstances arise in which the operation of the National Lottery can only be maintained if a person is appointed to start work as a Critical Function Employee before the requirements of Condition 7.5 can be fulfilled. In those circumstances, provided the Licensee has no reason to consider that the relevant person does not meet the Fit and Proper Requirements, they may appoint that person (or allow that person to be appointed) as a Critical Function Employee on a provisional basis pending completion of the necessary Fit and Proper Checks, but must:
- (a) promptly notify the Commission that the Critical Function Employee has started work prior to the completion of the necessary Fit and Proper Checks; and
 - (b) implement policies, processes and procedures to ensure that:
 - (i) such Critical Function Employee is:
 - (1) adequately supervised by a person who has successfully completed the Fit and Proper Checks;
 - (2) prevented from accessing sensitive information (including Lottery Data), the disclosure or misuse of which might damage any Matter to be Protected; and

- (ii) all other necessary controls and restrictions are in place to ensure that the Licensee complies with its obligations under this Licence and that there is no damage to any Matter to be Protected,

until the necessary Fit and Proper Checks have been completed. If the Commission notifies the Licensee that such Critical Function Employee is not a fit and proper person, the Licensee must ensure that such person promptly ceases to be a Critical Function Employee.

Fit and Proper Checks done in connection with Implementation

7.7 Before the Start Date, the Licensee identified to the Commission each person who was proposed to be, prior to or with effect from the Start Date, a Critical Function Employee. With respect to each such person:

- (a) subject to paragraph (b), the Commission has done Fit and Proper Checks on those persons before the Start Date; or
- (b) with respect to those persons whom the Commission has notified to the Licensee in accordance with clause 9.7 of the Enabling Agreement, as at the Start Date the Commission will continue to undertake Fit and Proper Checks and will notify the Licensee when those checks have been completed. Pending completion of those checks, Condition 7.6(b) will apply to those persons.

7.8 The Fit and Proper Checks referred to in Condition 7.7 have been, and (where applicable) are being, undertaken on the basis of information provided to the Commission for that purpose.

7.9 If any information provided to the Commission in connection with those Fit and Proper Checks:

- (a) was or, as the case may be, is not complete and accurate when provided; or
- (b) does not remain complete and accurate on or after the Start Date,

the Licensee is in breach of this Condition unless it promptly notifies the Commission of the difference and the Commission confirms that the relevant person meets the Fit and Proper Requirements.

Further Checks – Critical Function Employees

7.10 The Commission may do a Fit and Proper Check on any Critical Function Employee whenever it wants.

7.11 The Licensee must ensure that all Critical Function Employees promptly notify the Licensee if any facts or circumstances arise which may be relevant to an assessment of whether that person meets the Fit and Proper Requirements.

7.12 If the Licensee becomes aware of any fact or circumstance which may be relevant to an assessment of whether a person meets the Fit and Proper Requirements, the Licensee must:

- (a) promptly notify the Commission of such fact or circumstance;

- (b) promptly do Fit and Proper Checks on that Critical Function Employee; and
- (c) cooperate with any Fit and Proper Checks undertaken by the Commission on that Critical Function Employee.

7.13 If the Licensee or the Commission concludes at any time that any Critical Function Employee does not meet the Fit and Proper Requirements, the Licensee must ensure that such person promptly ceases to be a Critical Function Employee.

7.14 Where the Licensee has the responsibility to do a Fit and Proper Check with respect to any Critical Function Employee, the Licensee must do a Fit and Proper Check no more than five years after the last Fit and Proper Check done on that person.

Quality of Licensee Fit and Proper Checks

7.15 The Licensee must ensure that all Fit and Proper Checks which it does are Fit for Purpose and comply with Best Practice, including any requirements set out in the Commission's Regulatory Handbook.

7.16 If the Commission considers that a Fit and Proper Check done by the Licensee in respect of any Critical Function Employee is not Fit for Purpose and the Commission then does such Fit and Proper Check itself, the Licensee must promptly reimburse the Commission's costs of doing that Fit and Proper Check.

Retention of Records

7.17 The Licensee must retain all information and documentation in relation to, and the results of, all Fit and Proper Checks done by it until the expiry of five years after the End Date. The Licensee must provide such records to the Next Licensee or the Commission (or its nominee) in such form and as otherwise directed by the Commission, and must ensure that it has obtained the relevant consents to enable it to comply with this Condition 7.17.

8. PROTECTING PARTICIPANTS' INTERESTS

Overriding Duty

- 8.1 The Licensee must do everything it can to ensure that the interests of every Participant in respect of playing, engaging with or being exposed to, the National Lottery and every Game are protected.
- 8.2 Some of the interests of Participants referred to in Condition 8.1 include prevention of play by persons under the Legal Age Limit, that excessive play is not encouraged, provision of adequate information about Games, provision of an adequate complaints and redress system, payment of Prizes and provision of protection and support for Prize Winners. The remainder of this Condition describes some of the ways in which the Licensee must protect those interests.

Preventing underage play

- 8.3 The Licensee must do everything it can to prevent people who are under the Legal Age Limit from participating in the National Lottery. The Licensee must ensure that sufficient controls are in place to prevent underage play.

Not encouraging excessive play

- 8.4 The Licensee must not encourage anyone to play the National Lottery excessively and must:
- (a) provide Participants with information about responsible gambling and a broad suite of self-control and self-exclusion tools, including multi-operator national self-exclusion schemes, that are easily accessible, usable and reasonably adaptable;
 - (b) put in place policies, processes and procedures for self-exclusion and do everything it can:
 - (i) to refuse, and to ensure that Retailers refuse, to sell tickets to a Game; or
 - (ii) to otherwise prevent an individual who has entered a self-exclusion agreement from participating in the National Lottery; and
 - (c) do everything it can to identify, offer and provide support to Participants who engage, or are likely to engage, in excessive play in the National Lottery,
- and must have policies, processes and procedures to prevent excessive play in the National Lottery.

Restricting use of credit

- 8.5 The Licensee must not provide, or enter into any agreement or arrangement which permits or requires any third party to provide, credit facilities to Participants in respect of participating in the National Lottery.
- 8.6 The Licensee must not allow Participants to enter Games through an application or website operated by or on behalf of the Licensee (including by a Related Party) using a credit card.

Price of tickets

- 8.7 Unless the Commission agrees otherwise, the Licensee must ensure that no tickets in a Game are given away for free or sold for less than the full price applicable in accordance with the rules of that Game unless:
- (a) the Licensee or another person has paid full price for the ticket; or
 - (b) a payment equivalent to the full price of the ticket is otherwise included in the Gross Value of Ticket Sales.
- 8.8 The Licensee must ensure that no Game is made available unless the Commission has confirmed that it does not regard the price of tickets to be unreasonably high.

Information about Games

- 8.9 The Licensee must do everything it can to ensure that full, accurate and up to date information relating to the National Lottery is made easily available, in a variety of formats, to any Participant. This must include a telephone line or other method through which a Participant can ask questions about the National Lottery without being charged (whether by way of a premium rate attaching to that telephone line or otherwise) by the Licensee. Information which is provided in Wales must be made available in Welsh as well as English.

Complaints and Redress

- 8.10 The Licensee must ensure that Participants have an easy way to pursue complaints with the Licensee. The Licensee must not charge Participants for making complaints (whether by attaching a premium rate to a telephone line or otherwise). The Licensee must deal with any complaints quickly and openly.
- 8.11 Where the Licensee's complaints procedure does not deal with a complaint to the satisfaction of a Participant within eight weeks of the complaint being made, the Licensee shall provide access to an independent dispute resolution mechanism which:
- (a) accords with Best Practice;
 - (b) is available to Participants free of charge; and
 - (c) for complaints with a value of £10,000 or less, the Participant may choose to be binding on the Licensee and the Participant.

Games

- 8.12 The Licensee must ensure that no Game is made available unless the Commission has confirmed that, under the rules of that Game, Participants can claim Prizes within a period of 180 days.

Prizes

- 8.13 The Licensee must:
- (a) do everything it can to ensure that Participants can easily find out, free of charge, whether they have won a Prize and, if so, how they should claim it;

- (b) ensure that Prize payments are made promptly, accurately and in accordance with the rules of the relevant Game, to the correct Participant; and
- (c) compensate, to the correct Prize amount, any Participant who does not receive their Prize in full.

Prize Winners

- 8.14 The Licensee must ensure that the identity of Prize Winners is not disclosed to, or accessible by, any third party other than the Commission or any relevant Lottery Subcontractor, unless the Prize Winner consents in writing to their identity being made public or the Licensee is legally required to disclose the identity of the Prize Winner.
- 8.15 The Licensee must offer and, on request provide, support and assistance to any Prize Winner who wins a Prize which to them is potentially life-changing. Such support and assistance should reflect the personal circumstances of the individual.
- 8.16 The Licensee must do everything it can proactively to identify winners of Unclaimed Prizes that would generally be regarded as potentially being life-changing.

Participant Protection Strategy

- 8.17 The Licensee must adopt and implement a Participant Protection Strategy setting out policies, processes and procedures to ensure that it complies with the obligations set out in Conditions 8.1 to 8.16. That strategy must contain objectively measurable criteria by which the Licensee can evaluate the success of that strategy in enabling the Licensee to comply with those obligations.
- 8.18 The Licensee must do everything it can to ensure that the Participant Protection Strategy takes account of any:
- (a) instances of the interests of Participants in connection with the National Lottery being harmed;
 - (b) past, present or future market, legal or technological developments relevant to the National Lottery; and
 - (c) past, present or future developments in regulatory policy, including developments relating to the National Lottery notified by the Commission to the Licensee.
- 8.19 To support the Participant Protection Strategy, the Licensee must provide the Research, Prevention and Treatment Support.

Prohibition of Game Cross-Subsidies

- 8.20 Save as specifically provided for in the Funds Protection Policies, the Licensee shall calculate and pay prizes in any Game solely by reference to amounts received by way of sales of Tickets in that Game and not by reference to sales of Tickets in any other Game.

9. ENSURING ACCESS TO THE NATIONAL LOTTERY

Overriding Duty

9.1 The Licensee must do everything it can to ensure that, throughout the Term, any person who is over the Legal Age Limit and any person who has not self-excluded can easily enter Games through a range of Sales Outlets throughout the UK, so as to maximise the appeal and reach of the National Lottery. This Condition sets out some of the ways the Licensee must do this.

Access to Physical Sales Locations

9.2 The Licensee must do everything it can (taking account of normal business opening hours, reasonable maintenance downtimes and unavoidable businesses interruptions) to ensure that tickets in at least one Draw-based Game operated by the Licensee in accordance with Condition 11.2 are available to be purchased from a Physical Sales Location in every postcode district which has more than 2,000 residents.

9.3 If at any time it is not possible to ensure that tickets in at least one Draw-based Game operated by the Licensee in accordance with Condition 11.2 are available to be purchased from a Physical Sales Location in any postcode district which has more than 2,000 residents, the Licensee must:

- (a) explain the reason to the Commission; and
- (b) at least once a year, review that postcode district with the aim of ensuring that tickets in any such Draw-based Game being made available from a Physical Sales Location in that district.

Overseas access

9.4 The Licensee must do everything it can (including through the rules of each Game) to ensure that persons located outside of the UK cannot participate in the National Lottery or any Game unless the Commission has approved in writing specific circumstances in which such access may be permitted.

Protection of Participants and the National Lottery to take precedence

9.5 The provisions of this Condition 9 are subject to Condition 8 (*Protecting Participants' Interests*), Condition 10 (*Distributing National Lottery products in an appropriate way*) and Condition 22 (*Ensuring Good Governance*).

Distribution and Portfolio Strategy

9.6 The Licensee must at all times adopt and implement a strategy setting out its policies, processes and procedures to ensure that it complies with the obligations set out in this Condition 9, Condition 10 (*Distributing National Lottery products in an appropriate way*) and Condition 11 (*Having an appealing but safe portfolio of Games*) (the **Distribution and Portfolio Strategy**).

10. DISTRIBUTING NATIONAL LOTTERY PRODUCTS IN AN APPROPRIATE WAYOverriding Duty

- 10.1 The Licensee must do everything it can to ensure that the way in which National Lottery products are promoted, sold and made available does not damage any of the Matters to be Protected, being:
- (a) the interests of Participants in the National Lottery referred to in Condition 8 (*Protecting Participants' Interests*);
 - (b) that the National Lottery is run with integrity and that Games are, and are perceived as being, honestly and fairly run and that Prizes are accurately awarded and paid in accordance with the rules of each Game;
 - (c) the National Lottery Brand;
 - (d) the reputation of the National Lottery; and
 - (e) the ability of the Licensee to otherwise comply with this Licence.

This Condition sets out some of the ways the Licensee must do this.

Managing the risk of change

- 10.2 The Licensee must conduct a risk assessment to identify any risk that any damage to any Matter to be Protected might, or will, arise from a material change to any of the following:
- (a) the number, mix and nature of Sales Outlets through which Games and tickets for any Game are promoted, sold and made available;
 - (b) the Licensee's financial arrangements with Retailers regarding the promotion of the National Lottery and the promotion and sale of tickets in any Game; and
 - (c) the manner in which Participants buy tickets in any Game and interact with the National Lottery.
- 10.3 If there is such a risk, as soon as it becomes aware of, or implements, that material change (whichever is earlier) the Licensee must:
- (a) before the change takes effect, promptly prepare a plan to prevent that damage;
 - (b) implement that plan; and
 - (c) provide an Ad Hoc Assurance Statement, certified as approved by the Licensee's board of Directors, confirming to the Commission that it has prepared and implemented its plan.
- 10.4 After any such change, the Licensee must:
- (a) once the change has been in place long enough to assess, evaluate any resulting damage to any Matter to be Protected;
 - (b) do everything it can to ensure any damage does not continue; and

- (c) provide to the Commission an Ad Hoc Assurance Statement certified as approved by the board of Directors of the Licensee confirming that it has conducted an evaluation and it has done, and continues to do, everything it can to ensure that the damage does not continue.

Retailer Charter

- 10.5 The Licensee must establish, communicate and operate a charter for its communication and engagement with Retailers.

11. HAVING AN APPEALING BUT SAFE PORTFOLIO OF GAMESOverriding Duty

- 11.1 The Licensee must do everything it can to ensure that the portfolio of Games maximises the appeal and accessibility of the National Lottery to persons who are over the Legal Age Limit and persons who have not self-excluded, but does not damage any Matter to be Protected. This Condition sets out some of the ways in which the Licensee must do this.

Requirement for a Draw-based Game

- 11.2 The Licensee must ensure that at all times the National Lottery includes at least one Draw-based Game which:
- (a) has a national profile across, and is only available in, the UK;
 - (b) involves a Draw which occurs at least once a week; and
 - (c) offers life-changing Prizes.

Portfolio to be safe

- 11.3 The Licensee must do everything it can to ensure that no Game, when considered individually or as part of a portfolio of Games, damages any Matter to be Protected.

12. USE OF LOTTERY DATA

Restrictions on the use of Lottery Data

- 12.1 Unless otherwise approved by the Commission, the Licensee must not use, and must do everything it can to prevent any other person from using, Lottery Data for any purpose other than the operation of the National Lottery or (if approved by the Commission) in connection with any Ancillary Activity.
- 12.2 The Licensee must not, and must not permit any person (including any Licensee Subsidiary) to, use Lottery Data in a manner which might cause damage to a Matter to be Protected.

Proactively preventing harm

- 12.3 The Licensee must use Lottery Data to do everything it can proactively to identify and prevent harm to Participants arising in connection with the National Lottery.
- 12.4 In particular, the Licensee must do everything it can to use Participant Data to identify and prevent National Lottery related harm to the individual Participants to whom it relates.

Gambling related harms

- 12.5 The Licensee must make anonymised and up-to-date Lottery Data (including Lottery Data gathered by Lottery Subcontractors) available to the Commission (or to any third party nominated by the Commission) in order to facilitate research into harm to Participants which might arise in connection with the National Lottery and gambling related harms.

Access by the Commission

- 12.6 The Licensee must ensure that the Commission (or any person nominated by the Commission) at all times is able and entitled to access and use, for the purposes of fulfilling its functions with respect to the National Lottery and gambling, Lottery Data held or controlled by the Licensee, any Licensee Subsidiary or any Lottery Subcontractor.

Transfer of Lottery Data

- 12.7 The Licensee must ensure that it, each Licensee Subsidiary and each Lottery Subcontractor, is at all times legally entitled to transfer Lottery Data (and any databases containing that data) to the Commission (or to any person the Commission nominates) if the Licensee is directed by the Commission to do so.
- 12.8 If the Commission directs the Licensee to transfer any Lottery Data (or any databases containing that data) to the Commission or its nominee, the Licensee must promptly complete that transfer, and must ensure that each Licensee Subsidiary and each Lottery Subcontractor promptly completes that transfer.

Compliance by Licensee Subsidiaries and Lottery Subcontractors

- 12.9 The Licensee must ensure that each Licensee Subsidiary and Lottery Subcontractor complies with the requirements of this Condition 12.

13. THE NATIONAL LOTTERY BRAND AND REPUTATION

Overriding Duty

- 13.1 The Licensee must do everything it can to safeguard and promote the reputation of the National Lottery and the value, integrity and strength of the National Lottery Brand, both throughout the Term and as at the end of the Term. This Condition sets out some of the ways the Licensee must do this.

Ensuring the National Lottery Brand is independent

- 13.2 Other than:

- (a) instances where the Licensee's company name is required to be stated for legal reasons; or
- (b) where otherwise approved in advance by the Commission,

the Licensee must ensure that the National Lottery Brand is always used independently from, and is not associated with, any other brand, company, business name or identity other than use by any Good Causes Distributor.

Good Causes

- 13.3 The Licensee must ensure that Participants can easily access information that the National Lottery Distribution Fund makes available in relation to the percentages of the National Lottery Distribution Fund which are allocated to expenditure on each of the arts, sport, communities and national heritage (or such other areas of expenditure as are required by the Act from time to time).

Cooperation with Good Causes

- 13.4 The Licensee must actively engage and cooperate with the Good Causes Distributors and the NLPD with a view to enabling Participants to understand how the Good Causes Contribution will be used.

Brand Management Plan

- 13.5 The Licensee must notify the Commission if it intends to deviate from the Approved Form Brand Management Plan.

National Lottery Promotions Unit

- 13.6 The Licensee shall be liable to fund one third (33.33%) of the NLPD actual spend in respect of each Licence Year, to the extent that such NLPD actual spend does not exceed £5 million (including VAT) in any Licence Year.

14. ACTIVITIES OTHER THAN RUNNING THE NATIONAL LOTTERY

Requirement for Commission approval

- 14.1 The Licensee must not, and must procure that each Licensee Subsidiary shall not:
- (a) do any thing other than run the National Lottery and its operation; or
 - (b) use (or allow any other person to use) any Core Lottery IP, Licensee Assets or the benefit of any Lottery Subcontract for any other purpose,
- (an **Ancillary Activity**) unless it first seeks and obtains the Commission's approval under this Condition 14.
- 14.2 Any activity or use approved by the Commission under this Condition 14 will be an Ancillary Activity.
- 14.3 Prior to the Start Date, the Commission has approved the list of Ancillary Activities set out in Schedule 3. That list will be updated to reflect any additional Ancillary Activities approved by the Commission from time to time during the Term.

Approval Process

- 14.4 If the Licensee wishes to undertake an Ancillary Activity, it must satisfy the Commission that this will not result in any breach of Condition 14.7 and must tell the Commission:
- (a) about any person who will have an interest in the Ancillary Activity (including their standing and reputation); and
 - (b) how the Ancillary Activity is likely to impact the Licensee's financial position and resources.
- 14.5 If the Commission decides to approve any Ancillary Activity, it may do so subject to:
- (a) any conditions specified in that approval. Any breach of such a condition will be a breach of Condition 14.1; and/or
 - (b) any amendments to Schedule 5 to be agreed with respect to that Ancillary Activity if:
 - (i) the Licensee proposes that the treatment of the costs and revenues associated with such Ancillary Activity should be other than that set out in Schedule 5; and
 - (ii) the Commission is satisfied that such treatment would be in the interests of maximising returns to Good Causes.

Operation of Ancillary Activities

- 14.6 Where this Licence imposes an obligation on the Licensee with respect to its operation of the National Lottery, that obligation shall also apply with respect to the Licensee's operation of an Ancillary Activity unless otherwise agreed between the Licensee and the Commission.
- 14.7 The Licensee must ensure that, in undertaking any Ancillary Activity, it does not result in:

- (a) any reduction to the Good Causes Contribution;
- (b) any damage to any of the Matters to be Protected; or
- (c) the Commission or any Commission Staff or representatives of the Commission incurring any liability.

14.8 The Licensee must tell the Commission as early as it can (and before the event if possible) if:

- (a) it is starting any Ancillary Activity which has been approved by the Commission; and
- (b) an Ancillary Activity is being suspended or terminated (explaining the reasons).

Agreements related to Ancillary Activities

14.9 Any agreement which the Licensee has with any person in relation to an Ancillary Activity must, in addition to complying with any applicable requirements set out in Condition 5 (*Fitness and Propriety of the Licensee*), Condition 12 (*Use of Lottery Data*), Condition 19 (*National Lottery IP*) and Condition 21 (*Contractors*):

- (a) be documented and on an arm's length, commercial, basis; and
- (b) ensure compliance with Condition 14.7.

15. PAYMENTS TO GOOD CAUSESIncentive Mechanism to calculate the Good Causes Contribution

- 15.1 The Good Causes Contribution will be calculated, and the Licensee must pay the Good Causes Contribution to Good Causes, in accordance with Schedule 5.

Forecasted Good Causes Contributions

- 15.2 The Licensee must provide to the Commission a Good Causes Contribution Forecast, in each case on such dates and in respect of such periods as the Commission may specify in the Commission's Regulatory Handbook from time to time.
- 15.3 Each Good Causes Contribution Forecast must set out forecast calculations for Good Causes Contributions calculated by reference to the Forecasting Methodology and broken down by reference to such matters, and containing any such detail and explanation, as the Commission may specify in the Commission's Regulatory Handbook from time to time.
- 15.4 The Licensee must provide to the Commission a Forecasting Methodology Assurance Report at least every two years and otherwise as directed by the Commission.
- 15.5 The Licensee must actively engage with Good Causes Distributors in order to enable them to understand how Good Causes Contribution Forecasts are developed.

Unclaimed Prizes

- 15.6 The Licensee must pay:
- (a) any Unclaimed Prize; and
 - (b) any Unused Ticket Entitlements,
- to Good Causes.

Lost and stolen Scratchcard Lottery tickets

- 15.7 The Licensee must require any person who distributes Scratchcard Lottery tickets to pay to the Licensee the retail face value of any Scratchcard Lottery tickets which are lost or stolen while in the custody or control of that person. All amounts received by the Licensee in accordance with this Condition must be paid to Good Causes.

Additional Weekly Good Causes Payments

- 15.8 Any amount which the Licensee is required by this Licence to pay to Good Causes which is not included in a Scheduled Weekly Payment (including any amount which the Licensee is required to pay under Condition 15.6 or Condition 15.7) must be paid together with the Scheduled Weekly Payment which immediately follows the date upon which the obligation to make such payment arises.

Payment Arrangements

- 15.9 The Licensee must make all payments required to be made to Good Causes by CHAPS transfer or other direct transfer (as determined by the Commission) to a bank and for the credit of such account as is specified by the Secretary of State from time to time.

15.10 All Payments made by the Licensee in accordance with this Condition 15 must be made net of any withholding or other taxes.

16. PROTECTING PARTICIPANT FUNDS

Overriding Duty

16.1 The Licensee must do everything it can to ensure that at all times, and notwithstanding any insolvency or dissolution of the Licensee, or any revocation of this Licence:

- (a) funds are available to enable Participant Fund Obligations to be promptly discharged; and
 - (b) all Participant Fund Obligations are promptly discharged,
- (the **Funds Protection Outcome**).

This Condition sets out some of the ways in which the Licensee must do this.

Trust Arrangements

16.2 The Licensee must ensure that arrangements required by Conditions 16.3 to 16.23 are in place at all times.

16.3 The Licensee must ensure that:

- (a) subject to Condition 16.4
 - (i) Lottery Monies are:
 - (1) received by the Licensee; and
 - (2) within a period approved by the Commission, paid by any Retailer, into Approved Accounts; and
 - (ii) Lottery Monies are held only in:
 - (1) Approved Accounts; or
 - (2) another bank account subject to such terms as in each case are specifically approved by the Commission; and
- (b) arrangements, including:
 - (i) trust and security arrangements with respect to Lottery Monies; and
 - (ii) security and enforcement arrangements with respect to relevant Lottery Assets and the benefit of relevant Lottery Subcontracts,

are in place to ensure that a Trustee (or a receiver or other person acting on its behalf) can, if necessary, pay Lottery Monies to Participant Fund Beneficiaries to discharge the Participant Fund Obligations.

16.4 Lottery Monies may be paid or released from Approved Accounts:

- (a) to discharge Participant Fund Obligations when they fall due;
- (b) by way of payments of, or on account of, Good Causes Contributions when due;

- (c) to the Licensee; and
 - (d) to make such other payments as may be approved by the Commission,
- in each case in a manner approved by the Commission from time to time.

16.5 The Licensee must ensure that:

- (a) Lottery Monies held in Approved Accounts shall be subject to policies, processes and procedures which in each case and collectively ensure that the Funds Protection Outcome is at all times fulfilled (the **Funds Protection Policies**). The Funds Protection Policies shall address:
 - (i) the making of provisions and reserves (including reserves in respect of Prizes and all other relevant matters); and
 - (ii) to treasury, administration and investment of those monies including:
 - (1) governance policies, authorities and procedures;
 - (2) liquidity and interest rate management
 - (3) managing the nature, tenor and maturity or investments and the policy for use of and management of derivatives or complex financial instruments
 - (4) defining maximum maturity date for investment of funds;
 - (5) counterparty management and concentration or investment limits for individual institutions; and
 - (6) Environmental, Social and Corporate Governance Policy,
 - (iii) reporting, monitoring and measurement of the financial exposures of the trust including breaches of any of the above,

which in each case shall assess and address volatility in Prize payouts in individual Game and the Licensee's portfolio of Games;
- (b) the Funds Protection Policies comply, and ensure compliance with, the Accounting Standards;
- (c) the Funds Protections Policies in force from time to time are:
 - (i) in the Approved Form; or
 - (ii) otherwise approved by the Commission.

16.6 The Licensee must:

- (a) establish, and at all times maintain, specific criteria and thresholds for the application of Funds Protection Policies to Lottery Monies (the **Funds Protection Criteria**);
- (b) ensure that the Funds Protection Criteria are consistent with the Funds Protection Policies; and

- (c) notify the Commission of the Funds Protection Criteria.
- 16.7 The Licensee must ensure that, in ensuring that the Funds Protection Outcome is fulfilled, as well as taking account of the Licensee's overall portfolio of Games, the Funds Protection Policies and the Funds Protection Criteria also take appropriate account of, and where relevant apply appropriately to, each Game prior to it being and, throughout the period for which it is, promoted as part of the National Lottery.
- 16.8 In addition to amounts reserved pursuant to the Funds Protection Policies, the Licensee will ensure that an amount specified in the Application, or otherwise approved by the Commission:
- (a) is at all times held by the Trustee in a specified account; or
- (b) is otherwise accessible by the Trustee, pursuant to arrangements approved by the Commission,
- and which is available only to be used by the Trustee for the purposes of discharging the Participant Fund Obligations if the Trustee enforces its security pursuant to the Trust Arrangements (the **Final Reserve Balance**).
- 16.9 The Licensee may, with the prior approval of the Commission, include a policy in the Funds Protection Policies which entitles the Licensee to apply any Prize Rounding Amount from any Game towards:
- (a) Prizes; or
- (b) in each case with the Commission's specific consent, Promotional Prizes,
- in respect of that or another Game, but must demonstrate that this will not jeopardise the Funds Protection Outcome.
- 16.10 The Licensee may, with the prior approval of the Commission, include a policy in the Funds Protection Policies which entitles the Licensee to apply Lottery Monies held with respect to any Game (**Game A**) to pay Prizes in another Game (**Game B**) where and to the extent this is necessary to address fluctuations in the payment of Prizes in Game B which have not otherwise been anticipated by the Funds Protection Policies, but must demonstrate that the policy will:
- (a) ensure this is temporary and so does not result in any cross-subsidy between Game A and Game B by requiring an equivalent amount of Lottery Monies arising from Game B to be applied to pay Prizes in Game A after a short period of time; and
- (b) not jeopardise the Funds Protection Outcome.
- 16.11 The Licensee must do everything it can to ensure that:
- (a) the Trustee meets, and continues to meet, the Trustee Requirements; and
- (b) the Account Bank meets, and continues to meet, the Account Bank Requirements,
- 16.12 The Licensee must ensure that:
- (a) its Retailer Agreements will not terminate, or be capable of being terminated or cancelled by the Retailer upon:

- (i) the insolvency, dissolution or change of control of the Licensee;
 - (ii) the occurrence of any event, matter, fact or circumstance which:
 - (1) constitutes a breach of any Trust Document; or
 - (2) gives rise to any right to enforce any security granted pursuant to the Trust Documents;
 - (iii) the Trustee taking enforcement action pursuant to the Trust Documents or in relation to any security granted pursuant to the Trust Documents; and
- (b) the Trustee (or any person appointed by it in accordance with the Trust Documents), is able to enforce all Retailer Agreements for the purposes of discharging the Participant Fund Obligations.

16.13 Any Trust Income will first be applied to pay Trust Costs. To the extent:

- (a) to the extent Trust Income exceeds Trust Costs, the excess will be [*Application Specific*];
- (b) to the extent Trust Income is less than Trust Costs, the amount of the shortfall will be paid by the Licensee.

16.14 The Trust Arrangements must:

- (a) be governed by:
 - (i) English law and subject to the jurisdiction of English courts; and
 - (ii) the Trust Documents, which are governed by English law and which shall in each case be a Designated Lottery Subcontract; and
- (b) comply, and must be operated, in accordance with all applicable law and regulation.

Reporting on Trust Arrangements

16.15 The Licensee must provide to the Commission, on a regular basis, information and analysis sufficient to demonstrate to the Commission that the Funds Protection Policies and Funds Protection Criteria will enable it to fulfil the Funds Protection Outcome and that the Licensee is operating the Trust Arrangements in compliance with this Licence and the Trust Documents. This will include, as a minimum:

- (a) the Regular Reporting described in the Commission's Regulatory Handbook; and
- (b) a copy of a certificate issued by the Licensee's auditors, containing such information and confirmation as the Commission may require in relation to payment of Lottery Monies, within 10 Business Days from the end of the month to which that certificate relates.

16.16 If the Trustee takes enforcement action, the Licensee must promptly prepare and provide to the Commission a full statement reconciling:

- (a) all funds standing to the credit of any Approved Accounts;
- (b) the amount of all Participant Fund Obligations; and

- (c) any amounts outstanding in respect of the Good Causes Contribution.

Treasury Requirements

16.17 The Licensee must ensure that:

- (a) all funds held in each Approved Account pursuant to the Trust Arrangements are held in sterling and in no other currency; and
- (b) each Approved Account is operated by the Account Bank in the UK.

Trustee Requirements

16.18 If the Licensee becomes aware that the Trustee no longer meets the Trustee Requirements, or that circumstances exist which mean that it is reasonably likely that the Trustee will cease to meet the Trustee Requirements, it must promptly notify the Commission.

16.19 If at any time the Commission is no longer satisfied that the Trustee both meets, and will continue to meet, the Trustee Requirements, the Licensee shall, upon direction from the Commission, take any of the following steps as may be specified by the Commission:

- (a) ensure that the Trustee (taking account of any requirements of the Commission) takes such remedial steps as may be necessary in order to ensure that the Trustee continues to meet or (as the case may be) returns to meeting the Trustee Requirements;
- (b) implement additional safeguards or other protections (taking account of any requirements of the Commission) to ensure that no Matter to be Protected is harmed by the failure of the Trustee to meet the Trustee Requirements;
- (c) identify alternative providers of trustee services who would meet the Trustee Requirements; and/or
- (d) terminate the appointment of the Trustee and appoint a Replacement Trustee which has been approved by the Commission by serving a Trustee Replacement Notice on the Trustee.

16.20 The Licensee must ensure that the Trustee does not resign from its position, or cease to provide the services outlined in the Trust Documents, until a Replacement Trustee has been appointed and the Trust Arrangements have been transferred to it.

Account Bank Requirements

16.21 If the Licensee becomes aware that the Account Bank no longer meets the Account Bank Requirements, or that circumstances exist which mean that it is reasonably likely that the Account Bank will not continue to meet the Account Bank Requirements, it must promptly notify the Commission.

16.22 If at any time the Commission is no longer satisfied that the Account Bank both meets, and will continue to meet, the Account Bank Requirements, the Licensee shall, upon direction from the Commission, take any of the following steps as may be specified by the Commission:

- (a) ensure that the Account Bank (taking account of any requirements of the Commission) takes such remedial steps may be necessary in order to ensure that the continue to meet or (as the case may be) returns to meeting the Account Bank Requirements;
- (b) implement additional safeguards or other protections (taking account of any requirements of the Commission) to ensure that no Matter to be Protected is harmed by the failure of the Account Bank to meet the Account Bank Requirements;
- (c) identify alternative providers of banking services who would meet the Account Bank Requirements; and/or
- (d) terminate the appointment of the Account Bank and appoint a Replacement Account Bank which has been approved by the Commission by serving an Account Bank Replacement Notice on the Account Bank (with a copy being provided to the Trustee).

16.23 The Licensee must ensure that the Account Bank does not resign from its position, or cease to provide the services outlined in the Trust Documents, until a Replacement Account Bank has been appointed and the relevant arrangements have been transferred to it.

Assurance that the Funds Protection Outcome is fulfilled

16.24 The Commission may at any time require the Licensee to provide an Ad Hoc Assurance Statement demonstrating the manner in which the Trust Arrangements fulfil the Funds Protection Outcome.

16.25 If requested by the Commission at any time, within the timeframe specified by the Commission, the Licensee must appoint an independent financial expert to produce a report confirming that the Funds Protection Criteria fulfil the requirements of Conditions 16.5(a) and 16.5(b).

16.26 If at any time the Commission is not satisfied that the Funds Protection Criteria fulfil the requirements of Conditions 16.5(a) and 16.5(b) (including as a result of a report produced in accordance with Condition 16.25) the Licensee must promptly implement changes to the Funds Protection Criteria to ensure that such requirements are met, including by taking into account any requirements of the Commission.

16.27 If at any time the Commission is not satisfied that:

- (a) the Funds Protection Policies fulfils, or will continue to fulfil, the Funds Protection Outcome;
- (b) the Trustee Requirements or the Account Bank Requirements are and will continue to be sufficient to:
 - (i) enable the Commission to demonstrate to Participants that the Funds Protection Outcome is being, or will be, fulfilled; and
 - (ii) protect the Matters to be Protected;

the provisions of Condition 16.28 will apply.

16.28 Where this Condition 16.28 applies:

- (a) the Commission will notify the Licensee requiring it to provide such information as the Commission requires with respect to the Funds Protection Policies, Trustee Requirements and/or Account Bank Requirements (as applicable);
- (b) save where (c) below applies, the Commission will:
 - (i) discuss with the Licensee for a period of not less than 90 Business Days whether any changes to the Funds Protection Policies, Trustee Requirements and/or Account Bank Requirements (as applicable) are appropriate; and
 - (ii) where, following such consultation, the Commission considers that such changes are appropriate, will give not less than 12 months' notice of any required change to any of the Funds Protection Policies, Trustee Requirements and/or Account Bank Requirements (as applicable);
- (c) if the Commission considers that there is an imminent risk of material damage to the Funds Protection Outcome or any Matter to be Protected (as the case may be) it may require changes to be made to the Funds Protection Policies, Trustee Requirements and/or Account Bank Requirements (as applicable) on not less than 10 Business Days' notice,

provided that if and to the extent that any change to the Funds Protection Policies would materially increase the obligations of the Trustee or the risks to which the Trustee is exposed, such change shall not take effect without the prior agreement of the Trustee.

Transfer of Trust Arrangements

16.29 If at any time during the Term, a Trustee Replacement Notice or an Account Bank Replacement Notice has been served by the Licensee:

- (a) if the Trust Arrangements (or any relevant part of them) are being transferred to a Replacement Trustee, the Licensee must itself cooperate, and must do everything it can to ensure the Trustee and the Replacement Trustee cooperates with each other (including by taking all steps and entering into any documents required by the Licensee or the Commission to ensure such transfer); and
- (b) if the Trust Arrangements (or any relevant part of them) are being transferred to a Replacement Account Bank, the Licensee must itself cooperate, and must do everything it can to ensure that each of the Trustee, the Account Bank and the Replacement Account Bank cooperates with each other (including by taking all steps and entering into any documents required by the Licensee or the Commission to ensure such transfer),

in each case to ensure that the Trust Arrangements can be transferred with the minimum of disruption and that there is no damage to any Matter to be Protected and in each case in the period prior to the transfer contemplated by (a) or (b) above (as the case may be) implement such safeguards as the Commission determines are necessary to ensure that the interests of the Participant Fund Beneficiaries and there is no damage to any Matter to be Protected.

- 16.30 The Licensee must cooperate, and must ensure that the Trustee and the Account Bank cooperate, with each of the Next Licensee, the Next Trustee, the Next Account Bank, the Commission and any person identified by the Commission, to ensure that, the Trust Arrangements can be transferred to the Next Licensee, Next Trustee and Next Account Bank on Exit. This includes, but is not limited to:
- (a) the provision of up-to-date information in relation to:
 - (i) the Participant Fund Obligations;
 - (ii) the Participant Fund Beneficiaries;
 - (iii) all Lottery Monies;
 - (iv) Approved Accounts;
 - (v) Funds Protection Policies; and
 - (b) doing everything that the Next Licensee requires in relation to the transfer of Lottery Monies to the Next Account Bank which, according to generally accepted accounting standards, will be required by the Next Licensee in order to enable it to discharge obligations to the Participant Fund Beneficiaries which the Next Licensee will have an obligation to discharge.

Approved Trust Arrangements

- 16.31 On the Start Date, the Approved Trust Arrangements fulfil the requirements set out in this Condition and the Licensee must ensure that, unless otherwise agreed with the Commission, on the Start Date and at all times during the Term:
- (a) the Approved Trust Arrangements are established and in place and fulfil the Funds Protection Outcome;
 - (b) it complies with the requirements of the Approved Trust Documents;
 - (c) the Final Reserve Balance is an amount no less than the Approved Final Reserve Balance; and
 - (d) the Final Reserve Balance is held in the Trust Final Reserve Account.

17. LICENSEE AND ITS OPERATIONS TO BE FIT FOR PURPOSEOverriding Duty

17.1 The Licensee must do everything it can to ensure that the operation of the National Lottery, the performance of any Ancillary Activity and all Lottery Assets are Fit for Purpose. This Condition specifies some of the ways the Licensee must do this.

Licensee Assets and consumables

17.2 Except where the Commission agrees otherwise in writing, the Licensee must ensure that at all times:

- (a) all Licensee Assets are at all times in good condition suitable for their purpose in the operation of the National Lottery (and in the case of Licensee Assets comprising Other Lottery IP, are protected, maintained and enforced by the Licensee in accordance with Best Practice);
- (b) appropriate security and, where applicable, support is maintained for all Licensee Assets and Lottery Data;
- (c) subject to Condition 17.2(d), the condition of all Licensee Assets (other than consumables) is such that, if routine maintenance is carried out in the ordinary course, they will remain Fit for Purpose for a further two years (assuming, for the purposes of making this assessment, in all cases the continuation of the Licence for a further two year period but provided that this shall not, unless the Commission otherwise determines in writing, require assets to be Fit For Purpose for any period beyond 31 July 2035);
- (d) Condition 17.2(c) will not apply to any Licensee Asset (**Asset being Replaced**) if the Licensee has in place arrangements to replace the Asset being Replaced with another asset (the **Replacement Asset**) and such arrangements must be adequate to ensure that such Replacement Asset:
 - (i) will be in operation before the first to occur of:
 - (1) the expiry of the period referred to in Condition 17.2(c); and
 - (2) the Asset being Replaced ceasing to be Fit for Purpose; and
 - (ii) when in operation will fulfil the requirements of Condition 17.2(c); and
- (e) in the case of Lottery Assets which are consumables, ensure that the levels of stock are Fit for Purpose.

17.3 The Licensee may not Dispose, and must ensure that no Licensee Subsidiary Disposes, of any Licensee Asset other than a Disposal on arm's length terms in the ordinary course of business, where such Disposal is consistent with the outcomes set out in Condition 1.2.

Technology Operation

- 17.4 The Licensee must do everything it can to ensure that:
- (a) the Technology Operation has the necessary capacity, performance, availability, scalability, resilience, flexibility, interoperability, security and integrity to enable it to run the National Lottery and its operation, and Participants to participate in the National Lottery, in each case throughout the Term, in compliance with this Licence; and
 - (b) the capacity, performance, availability, scalability, resilience, flexibility, interoperability, security and integrity of the Technology Operation accord with Best Practice and are Fit for Purpose.
- 17.5 The Licensee must adopt, implement and continuously update:
- (a) a Technology and Data Architecture Strategy to ensure that the Technology Operation complies, throughout the Term, with Condition 17.4; and
 - (b) a security strategy in relation to the security of the National Lottery operation, the Technology Operation and Lottery Data, which is aligned with Best Practice (in this case including guidance from the National Cybersecurity Centre or its successor or replacement from time to time).
- 17.6 The Licensee must notify the Commission promptly upon, and in any event within 24 hours of, becoming aware of any fault, interruption or security breach in connection with the Technology Operation which could indirectly or directly:
- (a) have an adverse impact on the operation of the National Lottery; or
 - (b) damage any Matter to be Protected,
- unless:
- (i) the Compliance and Risk Management Committee (or a person authorised by the Compliance and Risk Management Committee in accordance with Condition 22.13) has determined that the fault, interruption or security breach will not have such an impact; or
 - (ii) the fault, interruption or security breach falls within a category of exception which the Compliance and Risk Management Committee and the Commission have agreed in accordance with Condition 24.3 do not need to be promptly reported to the Commission.

Independent Verification System¹

- 17.7 [The Licensee must ensure the establishment, maintenance and operation of an Independent Verification System.
- 17.8 The Independent Verification System:
- (a) may consist of technology, personnel and policies, processes and procedures;

¹[Application Specific Condition: Applicants to propose any amendments to Conditions 17.7 to 17.11 (and any other consequential amendments required) to reflect the proposed solution for the Independent Verification System as set out in the Application.]

- (b) must be operated either:
 - (i) by a third party which is independent from the Licensee and its Related Parties, provided that the agreement or arrangement with such third party in connection with the operation of the Independent Verification System must include any terms directed by the Commission for the purposes of ensuring the independence of the third party; or
 - (ii) under governance controls approved by the Commission which ensure its independence, and
 - (c) must be Fit for Purpose.
- 17.9 The Licensee must make such enhancements or other changes to the Independent Verification System as the Commission may specify from time to time.
- 17.10 Any contract which relates to the operation of the Independent Verification System will be a Designated Lottery Subcontract.
- 17.11 The Licensee must, and must ensure that any third party which operates the Independent Verification System must, allow the Commission or its nominee to access the Independent Verification System upon request.]

18. FINANCIAL AND OPERATIONAL RESILIENCE

Overriding duty

- 18.1 The Licensee must do everything it can to ensure that:
- (a) it has sufficient financial and operational resources to run the National Lottery in accordance with this Licence throughout the Term; and
 - (b) its board of Directors can give an Unqualified Resilience Assurance Statement, at any time, when directed to do so by the Commission.

[Contingency Protections]²

18.2 [●]

- 18.3 The Licensee must adopt and implement strategies, policies, processes and procedures to ensure that business continuity of the National Lottery operation is maintained in all foreseeable circumstances.

Definitions

- 18.4 In this Condition:
- (a) an **Unqualified Resilience Assurance Statement** means an Assurance Statement certified as approved by the board of Directors of the Licensee confirming, without qualification, that they have a reasonable expectation that the Licensee will have, or will have available to it, sufficient financial and operational resources to run the National Lottery in compliance with this Licence for a period of two years from the date of such statement; and
 - (b) a **Qualified Resilience Assurance Statement** means an assurance statement certified as approved by the board of Directors of the Licensee indicating that they do not have an unqualified reasonable expectation that the Licensee will have, or will have available to it, sufficient financial and operational resources to run the National Lottery in compliance with this Licence for a period of two years from the date of such statement, and describing the reasons why it is unable to provide an Unqualified Resilience Assurance Statement.

Annual Resilience Assurance Statements

- 18.5 No later than 31 October in each Licence Year, the Licensee must provide to the Commission either:
- (a) an Unqualified Resilience Assurance Statement; or
 - (b) a Qualified Resilience Assurance Statement.

Significant Business Events

- 18.6 A **Significant Business Event** is any business event proposed to be initiated in relation to the Licensee or a Licensee Subsidiary which, as at the proposed date of that event or

² [Application Specific Condition: Applicants to propose the contingency protections to be included here. It is anticipated these may include shareholder guarantees or ring-fenced liquidity accounts.]

during the period of two years after the implementation of that event, could reasonably be anticipated to have a material impact on:

- (a) the operational and financial resources of the Licensee or any Licensee Subsidiary; and/or
- (b) the Licensee's ability to run the National Lottery and its operations in accordance with this Licence,

which may include each of the following:

- (i) the payment by the Licensee of a dividend or any other form of distribution to the Licensee's shareholders;
- (ii) a refinancing undertaken by the Licensee, a Licensee Subsidiary or a parent company of the Licensee; or
- (iii) the Licensee proposing to make any material change to the Technology Operation.

18.7 Unless otherwise approved by the Commission, before implementing a Significant Business Event, the Licensee must provide to the Commission an Unqualified Resilience Assurance Statement which includes a description of the Significant Business Event and its impact on the Licensee's operational and financial resources and its running of the National Lottery and its operation.

18.8 If:

- (a) within 20 Business Days of the issue of an Unqualified Resilience Assurance Statement in accordance with Condition 18.7, the Licensee receives a request from the Commission for further information regarding the Significant Business Event, it shall promptly provide that information and will not proceed to implement that Significant Business Event until it has received confirmation from the Commission that it may implement that Significant Business Event;
- (b) otherwise, the Licensee may implement the Significant Business Event in accordance with that statement.

Financial Distress Events

18.9 A **Financial Distress Event** is the occurrence of any event which, as at the date of that event or during the period of two years after that event, is reasonably likely to:

- (a) cause material damage to the operation of the National Lottery in accordance with this Licence; and/or
- (b) materially impact upon the financial and operational resources of the Licensee which may affect the Licensee's ability to meet its obligations under this Licence,

including (notwithstanding (a) or (b) above) each of the following:

- (i) a failure by the Licensee to provide an Unqualified Resilience Assurance Statement in accordance with this Condition 18;
- (ii) breach of any financial covenant specified in Schedule 6;

- (iii) any interruption, failure or performance issue with respect to the Technology Operation which is reasonably likely to materially impact on the Licensee's ability to meet its obligations under the Licence;
- (iv) the Licensee's statutory auditors providing, or confirming to the board of Directors that they will provide, a qualified audit report in connection with the Licensee's annual audited accounts;
- (v) a breach of covenant by the Licensee or a Licensee Subsidiary under any Finance Agreement;
- (vi) any Key Subcontractor notifying the Commission that the Licensee or a Licensee Subsidiary has failed to pay any invoice or invoices with a total value which is equal to or greater than £100,000 (in aggregate) by their payment due date, in circumstances where the relevant invoice or invoices are not subject to any bona fide dispute between the Licensee and the Key Subcontractor; and
- (vii) the financial or operational condition of any Key Subcontractor is such that there is a risk that it may not be able to perform its obligations under any Key Subcontract for the full duration of that contract.

18.10 The Licensee must promptly notify the Commission:

- (a) upon the occurrence of a Financial Distress Event;
- (b) if the Licensee expects or anticipates that a Financial Distress Event is likely to occur; and
- (c) where the Licensee has previously given an Assurance Statement, of any actual or expected incident or change which would impact adversely upon the ability of the Licensee, taking account of such incident or change, to give an Assurance Statement in that form.

Approval of a Financial Distress Remediation Plan

18.11 Where a Financial Distress Event has occurred, upon request from the Commission, the Licensee must promptly prepare a draft Financial Distress Remediation Plan for review by the Commission which includes the steps that the Licensee will take to resolve:

- (a) the Financial Distress Event; and
- (b) any adverse consequences to:
 - (i) the Licensee and its financial and operational resources; and/or
 - (ii) the National Lottery operation,

which have arisen, or may arise, as a consequence of the Financial Distress Event (the **Remediation Purposes**). The Licensee must engage an appropriately qualified independent expert to assist with the preparation of the Financial Distress Remediation Plan if directed to do so by the Commission.

18.12 The Licensee's preparation and implementation of any Financial Distress Remediation Plan must be undertaken in the manner best calculated to secure the outcomes in Condition 1.2.

Any proposed action to be taken in accordance with any Financial Distress Remediation Plan must not damage any of the Matters to be Protected.

18.13 A Financial Distress Remediation Plan must include milestones which facilitate the Commission's monitoring of the Licensee's progress.

18.14 If:

- (a) the Commission approves a draft Financial Distress Remediation Plan, it shall become final and Condition 18.15 will apply; or
- (b) a draft Financial Distress Remediation Plan has been provided to the Commission but the Commission has not approved that plan, the Licensee must, within five Business Days (or such other period as the Commission may specify), produce a revised plan for the Commission's approval, taking account of any reasons given by the Commission as to why it did not approve the Licensee's previous draft plan. The process shall be repeated until the Commission has approved the Financial Distress Remediation Plan, following which Condition 18.15 will apply.

Implementation of a Financial Distress Remediation Plan

18.15 Following approval of a Financial Distress Remediation Plan by the Commission, the Licensee must:

- (a) implement and comply with that Financial Distress Remediation Plan to ensure that it achieves the financial and performance requirements set out in the plan; and
- (b) on a regular basis, which must be at least fortnightly (or more frequently if the Commission requires):
 - (i) review and keep up-to-date the Financial Distress Remediation Plan such that it at all times addresses the Remediation Purposes; and
 - (ii) provide a written report to the Commission setting out its progress against the Financial Distress Remediation Plan. The Licensee must also provide the Commission with a copy of an updated plan, if updates have been made in accordance with (i) above, and explain the reasons for any changes made to the plan and/or why no changes have been made.

Lock Up

18.16 Upon and from occurrence of a Financial Distress Event (or with effect from a later date if specified by the Commission), if directed by the Commission, the Licensee must not, and must (if directed by the Commission) ensure that any Licensee Subsidiary does not:

- (a) pay any dividends or make any other distribution to its shareholders, including the distribution of any tax losses;
- (b) make any payments under a Related Party Arrangement (including any Related Party Arrangement approved by the Commission in accordance with Condition 5), other than payments owed under arrangements which are on arm's length terms and represent Good Value for Good Causes; and/or
- (c) make any payment to repay any debt, or interest on any debt, owed under any Finance Agreement with a Related Party of the Licensee.

18.17 If the Commission has given a direction to the Licensee in accordance with Condition 18.16, the Licensee must also prepare and submit management accounts (or such other information as may be required by the Commission) to the Commission on a monthly basis, or at such other frequency as the Commission may direct.

Remedy of Financial Distress Event

18.18 Where Condition 18.16 applies, the Licensee must notify the Commission when it considers that the relevant Financial Distress Event has been remedied in full or no longer exists.

18.19 Where the restrictions set out in Condition 18.16 above apply, the Licensee must comply with them until the Commission notifies the Licensee in writing that those restrictions cease to apply.

Change in Gambling Law or Fundamental Geographic Scope Change

18.20 If there is a:

- (a) change in Gambling Law; or
- (b) Fundamental Geographic Scope Change,

which in either case results, or is reasonably likely to result, in a Material Impact on Profitability, the Licensee may request the Commission to consider whether it is appropriate to exercise its powers under section 8 of the Act.

19. NATIONAL LOTTERY IP

Overriding Duty

19.1 The Licensee must:

- (a) ensure that Core Lottery IP in the UK is solely owned by the Commission and is protected against unauthorised use by any third party;
- (b) not use, or permit the use, of any Core Lottery IP outside the UK;
- (c) without limiting paragraph (a) and (b) above, do everything it can to ensure that there is no use of:
 - (i) Core Lottery IP; or
 - (ii) Other Lottery IP which is created by or for the Licensee, whether inside or outside the UK, which could damage any of the Matters to be Protected or result in any Participant believing that such use is connected with the National Lottery; and
- (d) ensure that Other Lottery IP is available to be used for the purposes of the running of the National Lottery operation and any Ancillary Activity, pursuant to a Lottery Subcontract or as a Licensee Asset, as the case may be.

This Condition sets out some of the ways in which the Licensee must do this.

Use of Core Lottery IP

19.2 The Licensee must:

- (a) comply with any specifications, standards and directions relating to Core Lottery IP as notified in writing by the Commission to the Licensee from time to time;
- (b) ensure that Core Lottery IP is not used for any purpose other than the running of the National Lottery operation and any Ancillary Activity unless such use:
 - (i) has no adverse effect on the National Lottery (whether during the Term of this Licence or subsequently);
 - (ii) is approved in writing by the Commission; and
 - (iii) is on arms-length commercial terms which reflect and recompense the contribution of the Licensee to the development of the relevant Core Lottery IP and the value of that Core Lottery IP to the National Lottery.

Other Lottery IP

19.3 In respect of Other Lottery IP:

- (a) if it is either:
 - (i) used by, or made available to, the Licensee pursuant to a Lottery Subcontract; or

- (ii) used by a Lottery Subcontractor in connection with a Lottery Subcontract, the provisions of this Licence applicable to Lottery Subcontracts will apply,
- (b) otherwise:
 - (i) subject to (ii) below, the provisions of this Licence applicable to Licensee Assets will apply; and
 - (ii) notwithstanding (i) above, the provisions of Condition 27 shall not apply to any Other Lottery IP owned by the Licensee but, if requested by the Next Licensee, the Licensee shall grant to the Next Licensee a royalty-free, non-exclusive, transferable and sub-licensable licence of any such Other Lottery IP for a period of two years following the End Date, for use solely in connection with the operation of the National Lottery.

Core Lottery IP Guidelines

- 19.4 On and from the Start Date, the Licensee must adopt and implement **Core Lottery IP Guidelines** for the use and mode of display of Core Lottery IP, its level of prominence and relationship to other logos and products. The guidelines must:
- (a) reflect any specifications, standards and directions notified by the Commission in accordance with Condition 19.2;
 - (b) be Fit for Purpose;
 - (c) reflect Best Practice; and
 - (d) be continuously improved and updated to reflect the use of any new Core Lottery IP.
- 19.5 The Licensee must promptly provide a copy of the Core Lottery IP Guidelines to the Commission on request and must make any changes to the Core Lottery IP Guidelines as may be directed by the Commission.
- 19.6 The Licensee must comply with the Core Lottery IP Guidelines and must do everything it can to ensure that any person to whom it grants a sub-licence of Core Lottery IP, in accordance with Condition 19.9, complies with the Core Lottery IP Guidelines.

IP Register

- 19.7 The Licensee must keep a register which shall, subject to Condition 19.8, identify all Lottery IP and shall specify all:
- (a) Core Lottery IP and Other Lottery IP (including whether the Other Lottery IP is used or made available under a particular Lottery Subcontract or as a Licensee Asset); and
 - (b) licences and sub-licences of Lottery IP which the Licensee grants to third parties.
- 19.8 If the Licensee identifies any Other Lottery IP (either specifically or by reference to a defined category) which is not, and is not used in a manner which is, material to the National Lottery or any Game:

- (a) the Licensee may notify the Commission of that fact, providing such details as the Commission may require; and
- (b) if the Commission is satisfied that such Other Lottery IP is not, and is not used in a manner which is, material to the National Lottery or any Game, it may confirm to the Licensee that such Other Lottery IP is not required to be included within the register described in Condition 19.7.

Licence of Core Lottery IP

19.9 The Commission grants to the Licensee, for the Term of this Licence, the royalty-free, payment-free, exclusive and non-transferable right to:

- (a) copy, publish and otherwise use; and
- (b) sub-license (on a royalty-free, payment-free, non-exclusive and non-transferable basis) or permit others to copy, publish and use, substantially in the form of the Sub-Licence set out in Appendix 2 to this Licence,

all Core Lottery IP owned by the Commission, in each case only to the extent necessary for the running of the National Lottery and its operation or any approved Ancillary Activity. This grant is subject to the Conditions of this Licence.

Transfer or sub-licence of Core Lottery IP

19.10 If and as the Commission so directs, the Licensee must:

- (a) transfer, or procure the transfer of, on a payment-free basis; or
- (b) if it is not possible to transfer in accordance with (a) above, grant, or procure the grant of, a royalty-free, payment-free, transferable, perpetual and exclusive licence or sub-licence,

in favour of the Commission or its nominee of all Core Lottery IP and/or where any item contains Core Lottery IP, the aspects of that item which are Core Lottery IP, in each case which is owned or used by the Licensee and is not Developed IP. The Commission can give a direction under this Condition at any time and on multiple occasions.

Developed IP

19.11 The Licensee must do everything it can to ensure that:

- (a) it owns all Developed IP free of any third party rights; and
- (b) the Commission has the unqualified right to receive a payment-free transfer of all Developed IP, if it so directs.

Registration and protection of Core Lottery IP

19.12 The Licensee must maintain the registration of, and where relevant apply to register, in the name of the Commission:

- (a) in the UK; and

- (b) outside the UK, to the extent registration of the same is reasonably required to ensure that there is no damage to any of the Matters to be Protected and that no Participant believes that any use outside the UK is connected with the National Lottery,

all Core Lottery IP which is capable of registration and must in each case do everything it can to ensure that such registration is promptly accepted.

- 19.13 The Licensee must not do (and must do everything it can to procure that no other person does) anything to prevent the registration of any Core Lottery IP in accordance with Condition 19.12.

Infringement of Core Lottery IP

- 19.14 The Licensee must promptly notify the Commission if it becomes aware of any use of IP by a third party which may amount to infringement of the rights of the Licensee or the Commission in any Core Lottery IP.

- 19.15 On confirmation from the Commission that it has not authorised such use or infringement, the Licensee must promptly:

- (a) issue written warnings and do everything it can to obtain undertakings from the third party against such use or infringement;
- (b) notify the Commission if it is unable to stop such use without issuing proceedings and propose enforcement measures to the Commission for approval; and
- (c) implement the approved enforcement measures, taking into account any direction made by the Commission.

- 19.16 The Licensee must, as so directed by the Commission, commence legal proceedings in the Licensee's own name (unless the Commission specifies otherwise) in connection with any alleged infringement of any Core Lottery IP. The Commission is not obliged to bring, defend or become a party to the proceedings.

- 19.17 The Licensee may, with the prior approval of the Commission, determine the basis on which proceedings or claims are brought, and the legal and other advisers it engages.

- 19.18 The Licensee must, and must ensure that its advisers will, take any steps that the Commission directs in relation to any proceedings or claims whatsoever:

- (a) in relation to Core Lottery IP; or
- (b) which arise in connection with any IP as a result of, or in relation to, the operation of the National Lottery.

- 19.19 If there is a material change to the claims or proceedings, the Licensee must promptly notify the Commission and take any action directed by the Commission.

- 19.20 All damages (including payment of costs recovered from third parties) in respect of any infringement or other breach of any rights in respect of any Core Lottery IP shall:

- (a) firstly, be paid to the Commission to reimburse its properly incurred costs;
- (b) secondly, be paid to the Licensee to reimburse its properly incurred costs; and

(c) the remainder (if any), to Good Causes.

19.21 The Licensee must indemnify the Commission against any costs and expenses (including legal expenses) incurred by the Commission as a result of or in connection with any claim or proceeding brought by or against the Licensee or the Commission:

(a) in relation to Core Lottery IP; or

(b) which arise in connection with any IP as a result of, or in relation to, the operation of the National Lottery.

20. EMPLOYEESOverriding Duty

- 20.1 The Licensee must do everything it can, in accordance with Best Practice, to ensure that each member of Lottery Staff is honest, acts with integrity and is competent to undertake their role.
- 20.2 In relation to Exit, the Licensee must do everything it can to ensure that any costs and liabilities incurred by the Next Licensee as a result of, or in connection with, the transfer of Lottery Staff in accordance with Condition 27 are the appropriate, proper and ordinary course costs of employing or engaging those members of Lottery Staff.

Redundancy of Lottery Staff after Start

- 20.3 Where, following Start, a redundancy process is being undertaken in connection with Lottery Staff, the Licensee must ensure that:
- (a) the redundancy process undertaken by it complies with Best Practice;
 - (b) it does not:
 - (i) do any thing, where doing that thing has the effect; or
 - (ii) fail to do any thing, where failing to do that thing has the effect,in either case, of increasing the amount to be paid to a member of Lottery Staff as a redundancy payment; and
 - (c) it provides any information to the Commission as may be requested by the Commission from time to time in connection with the redundancy process and/or the costs incurred by the Licensee in connection with this process.

Exceptional payments to Lottery Staff

- 20.4 The Licensee must not, and must procure that no Licensee Subsidiary shall, without the prior consent of the Commission, make or agree to provide any payment or benefit, whether contractual or discretionary, to any member of Lottery Staff which:
- (a) is outside of the ordinary course of business of the Licensee; and/or
 - (b) does not form part of the payments or benefits ordinarily payable to, or arising from, the employment of any member of Lottery Staff including (but not limited to) basic salary, holiday pay, pension contributions, national insurance contributions and any other benefits, allowances or payments arising from their standard terms of employment,

in each case where:

- (i) such payment or benefit is expressly connected to, or becomes payable in connection with, revocation, expiry of this Licence or Exit;
- (ii) the Licensee is or becomes liable to pay or provide such payment or benefit on the revocation or expiry of this Licence; or

- (iii) the Next Licensee is or becomes liable to pay or provide such payment or benefit on or immediately following the revocation or expiry of this Licence.

Restricting changes to Lottery Staff

- 20.5 During the two years before the End Date (the **Freeze Period**), the Licensee must not, and must procure that no Licensee Subsidiary shall, without the prior consent of the Commission:
- (a) second, redeploy or otherwise transfer the employment or engagement of any member of Lottery Staff to a person other than the Licensee (or the Licensee Subsidiary if applicable);
 - (b) permit any member of Lottery Staff to undertake activities which do not relate to the National Lottery or any Ancillary Activity;
 - (c) vary or agree to vary any terms and conditions on which Lottery Staff are employed or engaged by the Licensee or a Licensee Subsidiary (including pension terms) other than annual salary/fee increases of no more than 3% per annum unless the Commission is satisfied by evidence provided to it by the Licensee that an increase in excess of 3% is necessary and appropriate;
 - (d) employ or engage any person on materially different terms from the terms of employment or engagement of equivalent members of Lottery Staff; or
 - (e) increase or allow to decrease the number of members of Lottery Staff at any time during the Freeze Period in a way which would:
 - (i) damage any Matter to be Protected; and/or
 - (ii) jeopardise any of the outcomes in Condition 27.1.

Staff playing the National Lottery

- 20.6 The Licensee must put in place policies, processes and procedures to prevent any member of Lottery Staff from playing any Game.
- 20.7 The Licensee must do everything it can to ensure that each Lottery Subcontractor prevents any Lottery Supervisor or Critical Function Employee employed or engaged by it from purchasing a ticket in any Game.

Commission Staff

- 20.8 The Licensee must not, and must ensure that no Licensee Subsidiary shall, without the prior consent of the Commission, at any time during the Term, engage or make any offer of employment to any member of the Commission Staff who has been designated in writing by the Commission to the Licensee.

21. CONTRACTORS

Overriding duty

21.1 The Licensee must do everything it can to ensure that no Lottery Subcontract, or action taken by the Licensee, a Licensee Subsidiary or a Lottery Subcontractor in connection with a Lottery Subcontract, gives rise to any risk or harm to:

- (a) any Matter to be Protected; or
- (b) the uninterrupted operation of the National Lottery both during and at the end of the Term.

This Condition sets out some of the ways in which the Licensee must do this.

21.2 All Lottery Subcontracts except Minor Lottery Subcontracts will be subject to the requirements of Conditions 21.4 to 21.9 and Conditions 21.11 to 21.13. Additional requirements specified in this Licence apply to Designated Lottery Subcontracts and to Key Subcontracts.

Informing the Commission of Key Subcontractors

21.3 The Licensee must inform the Commission if:

- (a) it or a Licensee Subsidiary enters into a new Lottery Subcontract with a Key Subcontractor; or
- (b) any amendment is made to a Lottery Subcontract with a Key Subcontractor which might:
 - (i) have any adverse effect upon the compliance by the Licensee with this Licence; or
 - (ii) have a material effect on that Lottery Subcontract.

Terms to be included in Lottery Subcontracts

21.4 Subject to Conditions 21.6 and 21.10, the Licensee must ensure that:

- (a) in negotiating, agreeing and entering into any Lottery Subcontract to which the Licensee is a party, it complies with Best Practice; and
- (b) each Lottery Subcontract contains terms which ensure that the relevant Lottery Subcontract reflects Best Practice and does not damage any of the Matters to be Protected.

21.5 In addition, subject to Condition 21.6, the Licensee must do everything it can to ensure that each Lottery Subcontract, including those to which it is not a party, include terms (the **Required Standard Terms**) which ensure that:

- (a) the Lottery Subcontract can be terminated at any time on direction from the Commission and that no break fee or termination charge will be payable in connection with such termination;

- (b) the Lottery Subcontract can be transferred (by way of assignment or novation) on direction from the Commission to any Next Licensee or a person nominated by the Commission, and that no break fee or termination charge will be payable in connection with such transfer;
- (c) the Lottery Subcontractor must promptly provide to the Commission, or a person nominated by the Commission, on request any such information as may be specified in that request, in the form and in such timeframe as the Commission directs;
- (d) the Lottery Subcontractor promptly notifies the Licensee of:
 - (i) any matter relating to the Lottery Subcontractor or the operation of the Lottery Subcontract which might have any adverse effect upon the compliance by the Licensee with its obligations under this Licence; and
 - (ii) any irregularity, fraud or material misconduct by the Lottery Subcontractor or any of its employees where such irregularity, fraud or material misconduct might relate or be connected with, whether directly or indirectly, the National Lottery operation or an Ancillary Activity;
- (e) the Lottery Subcontractor shall take all steps necessary to ensure that the Licensee is able to comply with Condition 5.7 of this Licence;
- (f) the Lottery Subcontractor shall take, and shall ensure that any person engaged by it takes, all steps necessary to ensure that the Licensee is able to comply with Conditions 6 and 7 of this Licence;
- (g) the Lottery Subcontractor provides all such consents as are necessary to ensure that the Licensee is able to comply with Condition 27.22 of the Licence;
- (h) the Lottery Subcontractor must comply with all applicable laws and regulations when discharging its obligations under the Lottery Subcontract;
- (i) any Lottery Subcontractor who has one or more employees who work predominantly in connection with the National Lottery operation or any Ancillary Activity must act in accordance with, and manage their employees so as to give effect to, Conditions 20.1 and 20.2 as if references to the "Licensee" and "Lottery Staff" in those Conditions were references to the Lottery Subcontractor and its employees;
- (j) the Lottery Subcontractor:
 - (i) must take, and must ensure that any person engaged by it takes, all steps necessary to ensure that the Licensee is able to comply with Condition 12 of this Licence; and
 - (ii) must ensure that it is legally entitled to transfer Lottery Data (and any databases containing that data) to the Commission, or to any person the Commission nominates, if the Lottery Subcontractor is directed by the Commission or the Licensee to do so. The Lottery Subcontractor must obtain any consents necessary to do this;
- (k) the Lottery Subcontractor must permit the Commission, or any person nominated by the Commission, on request, to access any premises used by the Lottery

Subcontractor for the purposes of the Lottery Subcontract and/or to interview any of the employees of the Lottery Subcontractor who perform any role in connection with the Lottery Subcontract and to inspect and take copies of any information required by the Commission;

- (l) the Lottery Subcontractor must perform its obligations under the Lottery Subcontract to a standard which is, and using personnel and assets which are, in each case, Fit for Purpose;
- (m) the Lottery Subcontractor must ensure that any Lottery IP which is used for, or provided pursuant to, the Lottery Subcontract is protected, maintained and enforced in accordance with Best Practice;
- (n) the Lottery Subcontractor must ensure that appropriate security and, where applicable, support is maintained for all Lottery Assets and Lottery Data, and in particular (and without limitation), if the Lottery Subcontract is a Key IT Subcontract, the Key IT Subcontractor must ensure that its arrangements, systems and security (including any hardware, software, firmware and arrangements for storage and processing of data and arrangements and procedures for business continuity and disaster recovery) are Fit for Purpose and must notify the Licensee promptly upon becoming aware of any faults, interruptions or security breaches which could, directly or indirectly:
 - (i) affect the operation of the National Lottery; or
 - (ii) damage any Matter to be Protected;
- (o) the Lottery Subcontract will continue, or be capable of continuing, for at least two years after the End Date, provided that this shall not:
 - (i) require any party to enter into any contract, the ordinary course term of which exceeds five years; or
 - (ii) subject to compliance with Condition 21.4 or 21.5(s) (as the case may be), restrict the inclusion of a break clause which may be exercised by a Lottery Subcontractor who is not a Related Party no less than 12 months prior to the End Date (but, not for the avoidance of doubt, less than 12 months prior to the End Date);
- (p) the Lottery Subcontractor must keep any information they receive in relation to the National Lottery operation confidential, to at least the standard set out in Condition 28;
- (q) the Lottery Subcontractor must comply with performance standards (including where necessary, service levels defined by the Licensee) which ensure that no Matter to be Protected is being damaged and that the Licensee is able to assess the steps being taken by the Lottery Subcontractor to ensure that is the case;
- (r) the Lottery Subcontractor is required to take any steps, sign any documents or do any things necessary to give effect to the terms described in Condition 21.5(a) to Condition 21.5(q) (inclusive) above;
- (s) if the relevant Lottery Subcontractor enters into a Lottery Subcontract with a person other than the Licensee or a Licensee Subsidiary, in negotiating, agreeing and

entering into that Lottery Subcontract (including provisions contemplated by Conditions 21.5(a) to 21.5(r) (inclusive) above), it complies with Best Practice; and

- (t) all rights and interests in relation to Conditions 21.5(a) to 21.5(s) (inclusive) above shall be exercisable by the Licensee and by the Commission,

and must do everything it can to ensure that such terms are enforced in the manner best calculated to further the outcomes set out in Condition 1.2 and so as to ensure that there is no damage to any of the Matters to be Protected.

21.6 If, in connection with the Start, the Licensee enters into a Lottery Subcontract by way of novation of a contract entered into by the Third Licensee:

- (a) Conditions 21.4 and 21.5 do not require the Licensee to request that upon such novation the Lottery Subcontractor agree to vary the terms of the relevant contract to be more favourable to the Licensee than the predecessor contract was to the Third Licensee;
- (b) if such Lottery Subcontract is subsequently renewed, revised or renegotiated, the provisions of Conditions 21.4 and 21.5 will apply without qualification to that Lottery Subcontract.

21.7 Where Condition 21.4 and 21.5 refer to Best Practice in connection with any Lottery Subcontract, reference to any such Lottery Subcontract shall be deemed to be to that Lottery Subcontract together with any and all other Lottery Subcontracts directly and indirectly connected with it.

21.8 Unless the Commission otherwise agrees in writing, the Required Standard Terms referred to in Condition 21.5 shall be those in the Approved Form.³

21.9 Subject to Condition 21.10, the Licensee must do everything it can to make any changes to its implementation of Required Standard Terms, or include any additional Required Standard Terms in all Lottery Subcontracts, as the Commission may direct from time to time, provided that any changes will not have retroactive effect.

Minor Lottery Subcontracts

21.10 The Licensee does not have to include the Required Standard Terms in a Lottery Subcontract if the Commission confirms in writing that the Lottery Subcontract is a **Minor Lottery Subcontract**, being a Lottery Subcontract which is:

- (a) not important for the continuous operation of the National Lottery; and
- (b) capable of being easily and promptly replaced, if necessary, by the Licensee entering into a replacement Lottery Subcontract with another provider.

unless the Commission specifically requires the Licensee to include one or more of the Required Standard Terms in such Minor Lottery Subcontract.

³ Note to Applicants: Prior to the Start Date, the Licensee will be expected to propose standard terms which will satisfy the requirements of Condition 21.5. These standard terms will be approved by the Commission in accordance with the Enabling Agreement.

Termination, novation or assignment of a Lottery Subcontract

- 21.11 The Licensee must, and must ensure a Licensee Subsidiary or a Lottery Subcontractor (as the case may be) shall, promptly terminate any Lottery Subcontract, or novate or assign a Lottery Subcontract to a nominated person, if directed to do so by the Commission.
- 21.12 The Licensee must not, and must ensure no Licensee Subsidiary or Lottery Subcontractor shall, novate or assign the rights or obligations of the Licensee or the Licensee Subsidiary or Lottery Subcontractor (as applicable) under any Lottery Subcontract to any other person without the prior consent of the Commission.
- 21.13 In the twelve month period prior to the End Date:
- (a) the Licensee must not, and must ensure that a Licensee Subsidiary does not, terminate any Lottery Subcontract; and
 - (b) the Licensee must ensure that any Lottery Subcontractor with whom the Licensee has a Lottery Subcontract does not terminate any other Lottery Subcontract to which that Lottery Subcontractor is a party,

in each case without the prior consent of the Commission.

22. ENSURING GOOD GOVERNANCE

Overriding Duty

22.1 The Licensee must, and must ensure that each Licensee Subsidiary must, always maintain and operate a system of corporate governance, internal control and risk management which is Fit for Purpose. This Condition sets out some ways in which the Licensee must achieve this.

Corporate Governance Code

22.2 Other than in circumstances where:

- (a) the Licensee has obtained written consent from the Commission that a certain provision is not required to be implemented by the Licensee; or
- (b) the Licensee is required to comply with an alternative standard by a Condition of this Licence,

the Licensee and each Licensee Subsidiary must comply with the provisions of the UK Corporate Governance Code.

22.3 For these purposes, the Licensee does not comply with Condition 22.2 by explaining its reasons for departing from the provisions of the UK Corporate Governance Code, unless it has obtained the prior written consent of the Commission to do so.

Board of Directors of the Licensee

22.4 The board of Directors of the Licensee and of each Licensee Subsidiary, and their operation, must be Fit for Purpose and operate in accordance with Best Practice.

22.5 The Commission may initiate an Independent Performance Review of the effectiveness and operation of the board of Directors of the Licensee or a Licensee Subsidiary in accordance with Condition 25 to ensure that the constitution and operation of that board of Directors complies with Condition 22.4.

Audit Committee

22.6 The Licensee must establish an Audit Committee. The Audit Committee will comprise representatives of each of the board of Directors of the Licensee and [●]⁴, one of which must have recent and relevant financial experience.

External audit

22.7 The Licensee must:

- (a) ensure that its external auditor has an appropriate level of resources, expertise and experience;

⁴ Note to draft: Appropriate shareholder representation on this Committee to be determined depending on Licensee's corporate structure

- (b) not appoint an external auditor for a period which exceeds six years; and
- (c) do everything it can to ensure that the audit engagement partner is in place for a minimum of four full financial years from engagement, but for no longer than six years.

Internal audit

22.8 The Licensee's internal audit function must be Fit for Purpose and must provide assurance to:

- (a) each of the Audit Committee and the board of Directors of the Licensee that:
 - (i) appropriate financial and other controls are in place within the Licensee's business; and
 - (ii) the Licensee's business is being properly governed; and
- (b) each of the Compliance and Risk Management Committee and the board of Directors of the Licensee that risks are being managed effectively by the Licensee and any Licensee Subsidiary.

The Licensee must ensure that the matters to be considered by its internal audit function include any risks or concerns raised by the Commission.

22.9 No later than 45 Business Days prior to the start of each Licence Year, the Licensee must provide to the Commission details (including scope and timing) of the work proposed to be completed by its internal audit function during that Licence Year (an **Internal Audit Plan**). The Licensee must promptly notify the Commission if there is a material change to its Internal Audit Plan during the Licence Year.

Compliance and Risk Management Committee

22.10 The board of Directors of the Licensee must establish a Compliance and Risk Management Committee, which will comprise representatives of the board of Directors of the Licensee (including at least one non-executive director) and [●]⁵.

22.11 The Compliance and Risk Management Committee must adopt and implement risk management arrangements which are Fit for Purpose and reflect Best Practice.

22.12 The Compliance and Risk Management Committee must monitor and consider:

- (a) the compliance of the Licensee and any Licensee Subsidiary with the Conditions of this Licence;
- (b) the compliance of the Licensee, any Licensee Subsidiary, members of Lottery Staff and Lottery Subcontractors with the Licensee's strategies, policies, processes and procedures;

⁵ Note to draft: Appropriate shareholder representation on this Committee to be determined depending on Licensee's corporate structure

- (c) any irregularity, fraud or material misconduct by any member of Lottery Staff, a Lottery Subcontractor or any person employed or engaged by a Lottery Subcontractor; and
- (d) the adequacy of the Licensee's risk management arrangements.

22.13 If the Compliance and Risk Management Committee determines that a strategy, policy, process or procedure of the Licensee is not material, it may delegate the consideration and approval of that strategy, policy, process or procedure in accordance with Condition 4.5 to an appropriately qualified and experienced member of Lottery Staff (a **CRMC Representative**) who may provide such approval on behalf of the Compliance and Risk Management Committee.

22.14 Any approval given by the CRMC Representative in accordance with Condition 22.13 must be notified to the Compliance and Risk Management Commission. The Compliance and Risk Management Committee will be responsible for any approval given by any CRMC Representative.

Annual report

22.15 On or before 31 January in each Licence Year (or such later date as the Commission may direct) the Licensee must publish on its website:

- (a) its audited annual accounts for the previous Licence Year, prepared and filed in accordance with Schedule 5; and
- (b) an annual report describing the performance of the National Lottery operation in the previous Licence Year and summarising how the Licensee has complied with its obligations under this Licence.

Remuneration of Senior Executives

22.16 The Licensee must ensure that any compensation or benefits package offered to a Senior Executive of the Licensee or a Licensee Subsidiary is predominantly linked to the Licensee's compliance with the Conditions of this Licence, including the Good Causes Contribution.

Framework for Ethical Business Decision Making

22.17 The Licensee must adopt and implement:

- (a) a Code of Corporate Social Responsibility; and
- (b) a Framework for Ethical Business Decision Making,

copies of which must be provided to the Commission on request.

22.18 The Licensee must require members of Lottery Staff to observe the Framework for Ethical Business Decision Making.

23. PROVIDING INFORMATION AND ASSURANCE TO THE COMMISSIONOverriding Duty

23.1 The Licensee must do everything it can to:

- (a) assure the Commission, in accordance with any requirements of the Commission, that it has performed its functions in the manner best calculated to achieve the outcomes set out in Condition 1.2; and
- (b) assure its board of Directors that its strategies, policies, processes and procedures and its business plans and forecasts are adequate to ensure that it complies, and demonstrate that it will comply, with the Conditions of this Licence throughout the Term in the manner best calculated to achieve the outcomes set out in Condition 1.2.

This Condition sets out some of the ways in which the Licensee must do this.

Strategies, policies, processes and procedures

23.2 The Licensee must ensure that any strategy and/or any policies, processes and procedures which a Condition of this Licence requires the Licensee to maintain for the purpose of achieving the objective specified in that Condition is:

- (a) at all times Fit for Purpose; and
- (b) effectively implemented, maintained and complied with, and is reviewed and improved by the Compliance and Risk Management Committee at least once each year.

23.3 The Licensee must:

- (a) ensure that all relevant people involved in running the National Lottery are properly trained to take action and make decisions in accordance with any strategy, policy, process or procedure established in connection with this Licence; and
- (b) provide a copy of any strategy, policy, process or procedure established in connection with this Licence to the Commission promptly upon request.

Maintenance of records and registers

23.4 The Licensee must:

- (a) maintain all records required in order to comply with this Licence; and
- (b) centrally record the production, activation and validation of tickets,

and shall ensure that all such records are complete, accurate and up-to-date and are kept for a minimum of six years.

23.5 The Licensee must establish, and keep up to date on a monthly basis, accurate registers, documentation and associated records of information regarding its operation of the National Lottery (including raw data) in accordance with this Licence. Each such register, document and record will constitute Lottery Information.

- 23.6 The registers, documentation and associated records of information referred to in Condition 23.5 must be held on an electronic database operated by the Licensee (the **Lottery Records Database**).
- 23.7 The Lottery Records Database must be accessible to Commission Staff (and any other person nominated by the Commission) at such times, and in such a manner, as the Commission may direct. The Licensee must also provide training in the use of the Lottery Records Database to Commission Staff, if so required by the Commission.

Provision of information to the Commission

- 23.8 Any document or information which the Licensee provides to the Commission must be:
- (a) complete and accurate;
 - (b) in a format, and in the level of detail, specified by the Commission; and
 - (c) provided within the timeframe set out by the Commission.
- 23.9 The Commission may use and disclose to any third party any Lottery Information for any purpose connected with the performance of its statutory duties. The Licensee must at all times have all consents from any Lottery Subcontractor or any other person which are necessary to allow for such use and disclosure by the Commission.
- 23.10 Any information directed to be provided to the Commission in accordance with a Condition of this Licence must be provided even if the Licensee (or any third party) regards such information as confidential or commercially sensitive.

Access by the Commission

- 23.11 If so directed by the Commission, the Licensee must promptly ensure that the Commission or any person nominated by the Commission can access the Technology Operation, or any other systems whatsoever used for the storage of Lottery Data (whether or not operated by the Licensee), in order to directly access and extract Lottery Data as required by the Commission, including operational, financial management and systems data.
- 23.12 The Licensee must promptly, on direction from the Commission, provide the Commission and its representatives and advisers with access to:
- (a) any Lottery Information or, if directed by the Commission, copies of that Lottery Information;
 - (b) members of Lottery Staff;
 - (c) any Licensee Asset;
 - (d) any Lottery Subcontractor; or
 - (e) any premises occupied by the Licensee, a Licensee Subsidiary or Lottery Staff.

Compliance and Risk Management Audit

- 23.13 No later than 31 October in each Licence Year, the Licensee must review its operation of the National Lottery during the previous Licence Year (the **Compliance and Risk**

Management Audit). As part of this review, the Licensee must produce a Compliance and Risk Management Audit report which identifies all:

- (a) failures or inadequacies in the Licensee's risk management arrangements;
- (b) breaches of this Licence;
- (c) breaches of any Key Performance Standard;
- (d) information which might reasonably be expected to affect an assessment of whether the Approved Trustee or the Approved Account Bank meets the Trustee Requirements or Account Bank Requirements (as applicable); and
- (e) instances where the Licensee, Licensee Subsidiary, Lottery Staff, Retailers or Lottery Subcontractors have not acted in accordance with the Licensee's strategies, policies, processes and procedures.

23.14 The Compliance and Risk Management Audit must also detail the changes the Licensee determines are necessary to address any issues which it identifies.

23.15 The board of Directors of the Licensee must consider and approve the Compliance and Risk Management Audit.

23.16 If the Commission requests it, the Licensee must provide a copy of the Compliance and Risk Management Audit to the Commission.

Annual Assurance Statement

23.17 No later than 15 November in each Licence Year, the Licensee must provide to the Commission a written Annual Assurance Statement certified as approved by the board of Directors of the Licensee.

23.18 The Annual Assurance Statement must confirm that:

- (a) the Licensee has completed the Compliance and Risk Management Audit;
- (b) either the Licensee's board of Directors is satisfied that the Licensee has complied with this Licence during the previous Licence Year or, if it is not so satisfied, specify the breaches which have been identified and the steps which have been taken to address any matters giving rise to any breach; and
- (c) in the previous Licence Year, the Licensee has undertaken and implemented a review of all of its strategies, policies, processes and procedures as required by Condition 23.2.

Ad Hoc Assurance Statements

23.19 In addition to those Ad Hoc Assurance Statements required to be provided by the Licensee in accordance with any other Condition of this Licence, the Licensee must provide to the Commission an Ad Hoc Assurance Statement in the circumstances, and at such times, as directed by the Commission.

Form of Assurance Statement

23.20 Each Assurance Statement must be provided in the form required by the Commission, and must contain sufficient detail for the Commission to make an assessment of that statement.

24. REGULATORY OVERSIGHT AND PERFORMANCE MANAGEMENTException reporting

- 24.1 The Licensee must promptly tell the Commission if it learns of a breach of a Condition of this Licence, unless the breach falls within a category agreed with the Commission in accordance with Condition 24.3.
- 24.2 The Licensee must also promptly tell the Commission if it learns of any exception, being:
- (a) any irregularity, fraud or material misconduct by:
 - (i) any member of Lottery Staff; or
 - (ii) a Lottery Subcontractor or any person employed or engaged by a Lottery Subcontractor, where such irregularity, fraud or material misconduct might relate or be connected with, whether directly or indirectly, the National Lottery operation or an Ancillary Activity;
 - (b) where any of the following matters do not fall within paragraph (a) above:
 - (i) any instance where the Licensee, a Licensee Subsidiary, a member of Lottery Staff or a Lottery Subcontractor has not acted in accordance with the Licensee's strategies, processes, policies and procedures; or
 - (ii) any incident or change which alters a previous assessment of risk or performance reported to the Commission as part of an Assurance Statement; or
 - (iii) any other matter which might have any adverse effect upon the compliance by the Licensee with its obligations under this Licence or the continuing operation of the National Lottery,

in each case unless such exception falls within a category agreed with the Commission in accordance with Condition 24.3 or the Compliance and Risk Management Committee has determined that the matter will not have an adverse impact on the running of the National Lottery operation by the Licensee in accordance with this Licence or any of the outcomes set out in Condition 1.2.

- 24.3 The Compliance and Risk Management Committee may agree with the Commission certain categories of breach or exception which do not need to be promptly reported to the Commission in accordance with Condition 24.1 or Condition 24.2.

Register of breaches and exceptions

- 24.4 The Licensee must establish and maintain an accurate and up-to-date register setting out, in detail, any matter described in Conditions 24.1 and 24.2 above (including those breaches or exceptions which are not required to be promptly reported to the Commission). This register must be provided to the Compliance and Risk Management Committee on a fortnightly basis.

Reporting disclosures to other regulators

24.5 To the extent permitted by law, the Licensee must promptly notify the Commission if it is required to make a disclosure to, or is being investigated by, a legal, governmental or regulatory body other than the Commission.

Actual and potential Licence breaches

24.6 If the Commission considers that the Licensee may be in breach of a Condition of this Licence it may notify the Licensee of the relevant Condition and the reasons why the Commission considers that the Licensee may be in breach, and:

- (a) the Licensee shall provide to the Commission, within the Relevant Period, any evidence and representations that it may have:
 - (i) in the case of any actual or potential breach, that the Licensee has achieved all specific outcomes required by the relevant Condition;
 - (ii) where the Condition requires the Licensee to do everything it can to achieve a specific outcome, that the Licensee has taken all reasonable steps and exercised all due diligence to achieve that specific outcome; and
 - (iii) in each case that it has done so in the manner best calculated to further the outcomes set out in Condition 1.2; and
- (b) the Commission shall have regard to that evidence and those representations in determining whether or not the Condition has been breached.

24.7 In Condition 24.6 the **Relevant Period** means:

- (a) in cases where the Commission suspects a breach may be material and considers that immediate corrective action is required, 24 hours; or
- (b) otherwise, a period of 10 Business Days, or such longer period as the Commission may specify.

24.8 Nothing in Condition 24.6 shall fetter or restrict the exercise by the Commission of any of its powers under the Act.

Commission's Regulatory Handbook

24.9 The Licensee shall have regard to the Commission's Regulatory Handbook, as updated from time to time by the Commission following a period of at least 20 Business Days of consultation with the Licensee. The Commission's Regulatory Handbook may include certain standards or targets for performance which the Commission will consider when monitoring the Licensee's compliance with this Licence.

Regular Reporting

24.10 The Licensee must provide such reports, data and/or information to the Commission, in such form and within such time periods as the Commission may specify from time to time in the Commission's Regulatory Handbook (**Regular Reporting**).

24.11 Where the Commission's Regulatory Handbook indicates that Regular Reporting is required at certain intervals or milestones during a Licence Year, prior to the start of each Licence Year, the Commission will consult with, and take reasonable account of any

representations from the Licensee as to the dates on which such Regular Reporting will take place during that Licence Year.

25. INDEPENDENT PERFORMANCE REVIEW

25.1 Where the Commission, in its absolute discretion, considers that the Licensee may, in any way, be failing:

- (a) to comply with the Conditions of this Licence in the manner best calculated to achieve the outcomes set out in Condition 1.2;
- (b) to comply with Best Practice;
- (c) to protect the Matters to be Protected; or
- (d) to comply with any Condition of this Licence,

the Commission may require the Licensee to procure that an independent third party (an **Independent Reviewer**) undertakes an Independent Performance Review of the Licensee's performance (including the performance of any Licensee Subsidiary). The Commission will determine the scope of the review and the timetable within which it is to be completed.

25.2 An Independent Performance Review must assess whether the Licensee or a Licensee Subsidiary is failing to achieve any of the outcomes set out in Condition 25.1(a) to (d). If any failures are identified, the Independent Performance Review must recommend how the Licensee's performance could be improved in such area.

25.3 The Independent Performance Review may also recommend certain Key Performance Standards for the Licensee's performance, or the Commission may establish such Key Performance Standards on the basis of the recommendations made as part of the Independent Performance Review.

25.4 In connection with an Independent Performance Review:

- (a) the Licensee must ensure that the Independent Reviewer is appropriately qualified and experienced;
- (b) the Independent Reviewer must either:
 - (i) be a third party which is independent from the Licensee and its Connected Parties; or
 - (ii) operate under governance controls approved by the Commission which ensure its independence;
- (c) the Licensee must notify the Commission in advance of the proposed identity and terms of appointment of the Independent Reviewer. The Licensee must include any additional terms of appointment specified by the Commission for the purposes of ensuring the independence of the Independent Reviewer or the effectiveness of the Independent Performance Review;
- (d) the Licensee must not appoint an Independent Reviewer without the prior written agreement of the Commission;
- (e) the Licensee must do everything it can to ensure that no disruption is caused to the running of the National Lottery by the Independent Performance Review;

- (f) when the Independent Performance Review is completed, the Licensee must provide a copy of the Independent Performance Review to the Commission promptly following receipt of it by the Licensee;
- (g) the Commission may, in its absolute discretion, publish the whole or any part of the Independent Performance Review;
- (h) if the Independent Performance Review identifies any failures by the Licensee and recommends certain actions for the improvement of the Licensee's performance (**Recommendations**) or proposes, or the Commission identifies based on the Recommendations, any Key Performance Standards with which the Licensee should comply, the Commission may:
 - (i) notify the Licensee of any Recommendations and Key Performance Standards that it considers should be adopted by the Licensee; and
 - (ii) specify a reasonable period within which the Licensee shall implement those Recommendations and comply with those Key Performance Standards;
- (i) if the Commission notifies the Licensee of any Recommendations or Key Performance Standards to be implemented or complied with by the Licensee in accordance with Condition 25.4(h), the Licensee must implement those Recommendations to the Commission's satisfaction and must comply with those Key Performance Standards in the running of the National Lottery operation; and
- (j) if the Licensee fails to implement those Recommendations or Key Performance Standards to the Commission's satisfaction within the specified period, the Licensee will be in breach of this Condition 25 unless the Licensee is able to provide the Commission with reasons for failure that the Commission determines, in its absolute discretion, to be satisfactory.

Key Performance Standards

25.5 The Licensee must comply with any Key Performance Standard which is notified to it in accordance with Condition 25.4(h). Each such Key Performance Standard may be amended by the Commission from time to time on no less than 20 Business Days' notice to the Licensee.

26. STARTING TO RUN THE NATIONAL LOTTERY UNDER THIS LICENCEStart

26.1 The Licensee must Start on and from the Start Date.

Initial Game Portfolio

26.2 The Licensee must ensure that:

- (a) on the Start Date, the National Lottery includes the Start Date Committed Games; and
- (b) before the start of Licence Year 2, the National Lottery includes the First Year Committed Games, provided that the Licensee shall not be in breach of this Condition in respect of any First Year Committed Game if:
 - (i) it has submitted an application for a section 6 licence in respect of that First Year Committed Game in accordance with clause 11 of the Enabling Agreement; and
 - (ii) the Commission has not granted the Licensee a licence, under section 6 of the Act, to promote that Game in sufficient time for the Licensee to launch that Game in accordance with the CG Implementation Timetable.

3NL Continuing Obligations and 3NL Ongoing Disputes

26.3 The Licensee must implement any arrangements established under the Incoming Cooperation Agreement in connection with:

- (a) the discharge of 3NL Continuing Obligations; and
- (b) the conduct of 3NL Ongoing Disputes.

Implementation

26.4 If:

- (a) as at the Start Date there is Fully Implemented Commencement, the requirements of the Enabling Agreement and the Incoming Transition Plan shall be considered to be fulfilled and, unless otherwise provided in the Enabling Agreement, the Licensee shall have no further obligations under the Enabling Agreement (without prejudice to any liability for pre-existing breaches of that Agreement);
- (b) as at the Start Date, there is Partially Implemented Commencement:
 - (i) the terms of the Enabling Agreement and the Incoming Transition Plan shall continue to apply with respect to any Outstanding Implementation Steps and, without prejudice to the obligations of the Licensee under the Enabling Agreement, the Licensee must promptly complete all Outstanding Implementation Steps; and
 - (ii) if, as at a subsequent date, the Commission confirms that there is Fully Implemented Commencement, paragraph (a) of this Condition shall apply as at the date of such confirmation.

Implementation Manager

- 26.5 The Licensee must ensure that a suitably experienced and qualified Senior Executive of the Licensee is responsible for Implementation (an **Implementation Manager**) until the Commission notifies the Licensee that it is no longer necessary for it to retain an Implementation Manager.

27. EXITOverriding duty

27.1 The Licensee must do everything it can to ensure that Exit takes place such that the Next Licensee is able to commence operation of the National Lottery immediately following the end of the Term and to ensure that:

- (a) Exit does not damage any of the Matters to be Protected;
- (b) all Licensee Assets, Lottery Subcontracts and Licensee Staff which the Next Licensee requires to run the National Lottery are transferred to the Next Licensee;
- (c) the quality of the operation of the National Lottery is not reduced during the Term including in connection with Exit, or the preparations for Exit, or otherwise in contemplation of the end of the Term;
- (d) the operation of the National Lottery is handed over to the Next Licensee on an orderly basis such that the National Lottery is continued with the minimum of disruption or inconvenience to Participants; and
- (e) any costs which it is necessary for the Next Licensee to incur in connection with the Transfer of any Licensee Assets, Lottery Subcontracts and Licensee Staff are minimised,

and must cooperate with the Next Licensee and the Commission in order to ensure such things.

27.2 The Licensee must ensure that:

- (a) Exit does not require or necessitate the Next Licensee to:
 - (i) incur any costs in connection with the operation of the National Lottery by the Licensee during the Term; or
 - (ii) pay any amount to the Licensee in connection with the Transfer of any Licensee Assets, Lottery Subcontracts or Licensee Staff; and
- (b) to the extent that it is necessary for the Next Licensee to pay any amount to any person other than the Licensee in connection with the Transfer of any Licensee Assets, Lottery Subcontracts or Licensee Staff:
 - (i) the Licensee takes all reasonable steps to minimise any such amount;
 - (ii) subject to (iii) below, the cost of any such amount is apportioned between the Licensee and the Next Licensee having regard to the Equitable Apportionment Principles:
 - (iii) to the extent any such amount is payable to a member of Lottery Staff pursuant to, or in connection with, the termination of their employment:
 - (1) if the employment of such person transfers to the Next Licensee or a subcontractor of the Next Licensee, provided that the Licensee has complied with its other obligations under this Condition 27, the relevant cost shall be borne by the Next Licensee; and

(2) otherwise the relevant cost shall be borne by the Licensee.

27.3 The Licensee must:

- (a) take all actions (including executing all documents and doing all things) and cooperate with any person the Commission may specify, from time to time, in connection with the Next Competition and Exit; and
- (b) not do, or fail to do, anything which might reasonably be expected to have the effect (directly or indirectly) of preventing, delaying or frustrating:
 - (i) the Next Competition; and
 - (ii) Exit, including the Transfers required by Condition 27.8.

27.4 The Licensee must:

- (a) do everything it can to ensure that, with effect from the Expiry Date, Participants understand that the Next Licensee, and not the Licensee, is the operator of the National Lottery; and
- (b) ensure that:
 - (i) neither it, nor any person who has been authorised during the Term to use Core Lottery IP, uses or is registered as an owner or licensee of, Core Lottery IP after the End Date;
 - (ii) no Senior Executive or member of Licensee Staff uses any Lottery IP or otherwise represents itself as being connected with the National Lottery after the End Date,

in each case save to the extent expressly authorised by the Commission for the purposes of Exit.

27.5 If the Licensee or any of its Related Parties (a **Next Licence Bid Entity**) participates in the Next Competition, the Licensee must:

- (a) do everything it can to ensure that the Next Licence Bid Entity does not derive any unfair advantage solely as a result of the fact that the Licensee has operated the National Lottery pursuant to this Licence; and
- (b) ensure that:
 - (i) the basis upon which the Commission is able to make available Lottery Information to any party who is interested in, or does, participate in the Next Competition; and
 - (ii) the basis on which the Next Licence Bid Entity uses or accesses Lottery Information for the purposes of the Next Competition (which shall, for the avoidance of doubt, be subject to any directions which the Commission may make and with which the Licensee must comply),

ensures that the Next Licence Bid Entity is only able to use Lottery Information for the purposes of the Next Competition in the same manner as any other participant in that competition.

Independent Asset Survey

- 27.6 If requested by the Commission in connection with preparation for the Exit, the Licensee must engage an independent surveyor to complete a survey of the Licensee Assets (an **Asset Survey**) to:
- (a) assess whether the Licensee Assets have been, and are being, maintained by the Licensee in accordance with its obligations under Condition 17; and
 - (b) identify any rectification and/or maintenance work which is required to bring the condition of the Licensee Assets to the standard they would have been in if the Licensee had complied, or was complying, with its obligations under Condition 17.
- 27.7 In connection with an Asset Survey:
- (a) the appointment of an independent surveyor by the Licensee shall be subject to the Commission's prior written approval as to the identity of the independent surveyor and the terms of its appointment;
 - (b) when carrying out the Asset Survey, the Licensee must ensure that no disruption is caused to the National Lottery and its operation;
 - (c) the Asset Survey must be completed within 60 Business Days of the appointment of the independent surveyor in accordance with 27.7(a);
 - (d) when the Asset Survey is completed, the Licensee must provide a copy of the Asset Survey to the Commission promptly following receipt by the Licensee;
 - (e) if the Asset Survey shows that the Licensee has not complied with, or is not complying with, its obligations under Condition 17, the Commission may:
 - (i) direct the Licensee to undertake any rectification and/or maintenance work specified in the Asset Survey; and
 - (ii) specify a reasonable period within which the Licensee shall carry out such work;
 - (f) the Licensee must carry out such rectification and/or maintenance work to the Commission's satisfaction within the period specified; and
 - (g) if the Licensee fails to carry out the necessary rectification and/or maintenance work to the Commission's satisfaction within the specified period, the Commission shall be entitled to carry out itself, or procure, such rectification and/or maintenance work and the Licensee must promptly reimburse any costs incurred by the Commission in connection with such rectification and/or maintenance work.

Transfer of Licensee Assets

- 27.8 Immediately following the End Date:
- (a) the Licensee must Transfer:
 - (i) any and all Lottery Goodwill, Lottery Data, the Lottery Records Database and Lottery Information; and

- (ii) any and all Licensee Assets, Lottery Staff and Lottery Subcontracts determined in accordance with Condition 27.9 to be Items to Transfer; and
- (b) to the extent that any Item to Transfer is wholly or partially in the possession, ownership or control of a Related Party or a Lottery Subcontractor, the Licensee must procure that, to that extent, such person Transfers such Item to Transfer, in each case by executing, as directed by the Commission, an Instrument of Transfer.

27.9 If, before the End Date, and in accordance with the Exit Cooperation Agreement, the Next Licensee or the Commission informs the Licensee of any Licensee Assets, Lottery Staff or Lottery Subcontracts which the Next Licensee will require for the operation of the National Lottery following the end of the Term, those items will be **Items to Transfer**. Any Licensee Assets, Lottery Staff or Lottery Subcontracts which are not Items to Transfer will be **Residual Items**.

Continuing Obligations and On-going Disputes

27.10 If, before the End Date, the Commission identifies obligations in connection with the operation of the National Lottery which:

- (a) are obligations of the Licensee which should transfer to the Next Licensee (**Transferring Continuing Obligation**);
- (b) are obligations of the Licensee in respect of which arrangements between the Licensee and the Next Licensee would be appropriate in order to ensure those obligations are discharged by the Licensee following the End Date; or
- (c) are obligations of the Next Licensee in respect of which arrangements between the Licensee and the Next Licensee would be appropriate in order to ensure those obligations are discharged by the Next Licensee following the End Date,

each such obligation shall be a **Continuing Obligation**.

27.11 The Licensee shall cooperate with the Commission and the Next Licensee, and give effect to any arrangements specified by the Commission, in order to:

- (a) ensure that Continuing Obligations are discharged following the End Date; and
- (b) ensure that the conduct of On-going Disputes is undertaken in the manner best calculated to achieve the outcomes specified in Condition 1.2 and which does not damage any Matter to be Protected.

27.12 Each Transferring Continuing Obligation shall be an Item to Transfer and the Licensee must do everything it can to transfer the Transferring Continuing Obligations to the Next Licensee immediately following the End Date.

27.13 Where, in accordance with Condition 27.11, the Next Licensee has assumed the conduct of any On-going Dispute, the Licensee must, if directed by the Commission, indemnify the Next Licensee, on a continuing basis, against any liability, claim, cost, judgment, damage or expense (including reasonable advisory fees) that the Next Licensee incurs or suffers as a result of having assumed the conduct of that On-going Dispute.

27.14 If directed by the Commission, the Licensee must provide security in connection with the performance of its obligations in respect of any specified On-going Dispute under Condition 27.13, to such value, in such form, and on such terms, as the Commission may specify.

Game continuity

27.15 The Licensee must do everything it can to ensure that:

- (a) tickets purchased before the end of the Term are honoured; and
- (b) Participants who have won Prizes can claim them,

in each case, whether before or after the end of the Term, in accordance with the rules of the relevant Game.

Financial Apportionment

27.16 The Licensee must agree with the Next Licensee a process to allocate or apportion (as the case may be) any and all costs and liabilities and, if applicable, revenues and other benefits, associated with the operation of the National Lottery between the Licensee and the Next Licensee in accordance with the requirements of this Condition 27 in a form acceptable to the Commission (**Financial Apportionment Process**) within such period as the Commission may specify.

27.17 If the Licensee does not prepare the Financial Apportionment Process, or does not agree this with the Next Licensee within the period specified by the Commission in accordance with Condition 27.16, the Commission may specify the Financial Apportionment Process.

27.18 The Licensee must implement the Financial Apportionment Process.

Disposal of Residual Items

27.19 Subject to Condition 27.2(b)(iii), the cost of:

- (a) the disposal of any Licensee Assets; and
- (b) the termination of any Lottery Subcontracts,

in each case which are Residual Items, shall be borne by the Licensee and the Licensee must indemnify and keep indemnified the Next Licensee and the Commission in respect of such costs. The terms of that indemnity will be those specified by the Commission in the Exit Cooperation Agreement.

Retention of Records

27.20 The Licensee must ensure that, in addition to retaining the records specified in Condition 7.17 in accordance with the requirements of that Condition, any other information or records of the Licensee will be available to the Commission for a period of at least two years following the End Date in accordance with Condition 30.3.

Assistance with Exit and the Next Competition

27.21 In connection with Exit and the Next Competition, the Licensee shall provide the Commission and its representatives and advisers with:

- (a) any Lottery Information;

- (b) access to any of the Licensee Assets, Lottery Subcontractors or Lottery Staff; and
- (c) any support and cooperation,

in each case as specified by the Commission, in such form, and within such timeframes, the Commission may direct.

27.22 The Licensee:

- (a) must do everything it can to ensure that the Commission is entitled to disclose to such third parties as the Commission may determine in connection with the Next Competition any and all Lottery Information which is proprietary information of a Lottery Subcontractor which is not a Related Party; and
- (b) must ensure that the Commission is entitled to disclose to such third parties as the Commission may determine in connection with the Next Competition any and all other Lottery Information.

Cooperation with the Commission and the Next Licensee

27.23 The Licensee must:

- (a) when directed by the Commission, enter into and comply with the Exit Cooperation Agreement; and
- (b) give effect to any amendments to the Exit Cooperation Agreement specified by the Commission.

27.24 The Exit Cooperation Agreement will deal with such matters as the Commission may specify to ensure that Exit fulfils the outcomes specified in Condition 1.2 and this Condition 27.

27.25 Subject to Condition 27.2(a), costs incurred by the Licensee and by the Next Licensee in cooperating to achieve the outcomes set out in Condition 27.1 shall be apportioned between them according to the Equitable Apportionment Principle (**Cooperation Costs**) as set out in Condition 27.26.

27.26 The **Equitable Apportionment Principle** is that where either the Licensee or the Next Licensee incurs a Cooperation Cost, the other shall make a contribution to that cost proportionate to any benefit it derives from that cost, or any fault on its part that has necessitated the incurring of that cost. The Exit Cooperation Agreement will include a mechanism for the apportionment of Cooperation Costs in accordance with the Equitable Apportionment Principle.

27.27 If the Licensee:

- (a) agrees to provide to the Next Licensee any services which it is not required by this Condition 27 to provide; and
- (b) has complied, and does comply, with its obligations under this Condition 27 and the Exit Cooperation Agreement,

it may agree to levy a charge for the provision of such services to the Next Licensee provided such charge must be determined on an arm's length basis.

Exit Plan

27.28 The Licensee must maintain an Exit Plan at all times during the Term and shall:

- (a) provide it to the Commission;
- (b) update and amend the Exit Plan;
- (c) ensure that, at all times, the Exit Plan:
 - (i) sets out how the Licensee will comply with its obligations under this Condition 27 both:
 - (1) on expiry of this Licence; and
 - (2) if this Licence were revoked,
 - (ii) provides for such matters as the Commission may specify; and
 - (iii) includes any provision that the Commission may specify,

in each case as required by the Commission's Regulatory Handbook from time to time.

27.29 The Licensee must implement the Exit Plan upon direction by the Commission.

Exit Manager

27.30 During the Term, and for three months after the Expiry Date, the Licensee must ensure that a suitably experienced and qualified Senior Executive of the Licensee or a Lottery Supervisor who is a member of Lottery Staff (the **Exit Manager**) is responsible for:

- (a) maintaining and continuously improving the Exit Plan, including consulting with the Implementation Manager to provide an updated Exit Plan to the Commission within six months of the Start Date (or, if later, promptly following confirmation of Fully implemented Commencement);
- (b) the Licensee's compliance with its obligations under the Exit Cooperation Agreement; and
- (c) Exit.

28. OUTSTANDING LIABILITY FUNDEstablishment and operation of Outstanding Liability Fund

- 28.1 On or before the start of Licence Year 6, the Licensee must provide to the Commission a proposal setting out the details of its proposed form of the Outstanding Liability Fund and the associated OLF Documents which must comply with the provisions of this Condition 28.
- 28.2 The Outstanding Liability Fund must be in a form and substance approved by the Commission which ensures that:
- (a) each OLF Monthly Payment is paid into the Outstanding Liability Fund in accordance with Condition 28.9; and
 - (b) those amounts are at all Relevant Times reserved, in cash, for the purposes set out in Condition 28.10(a).
- 28.3 The Outstanding Liability Fund and the OLF Documents shall be:
- (a) if approved by the Commission, those proposed by the Licensee in accordance with paragraph 28.1, including any amendments directed by the Commission as a condition of such approval; or
 - (b) otherwise, as the Commission may direct.
- 28.4 The Licensee must ensure that, from the start of Licence Year 7 and until the second anniversary of the End Date:
- (a) the Outstanding Liability Fund is in operation; and
 - (b) the OLF Documents are in force,
- in each case in accordance with the requirements of this Condition 28.
- 28.5 The Outstanding Liability Fund must be administered by the Approved OLF Administrator.

Maximum OLF Amount

- 28.6 Subject to Conditions 28.7 and 28.8, the Maximum OLF Amount is £10 million.
- 28.7 If the Commission notifies the Licensee not later than the end of Licence Year 6 that it has determined, in light of the Licensee's conduct and any fines or penalties levied on the Licensee pursuant to the Act or this Licence, that the Maximum OLF Amount should be greater than £10 million, the Maximum OLF Amount shall be such greater sum (not exceeding £20 million) as the Commission may specify.
- 28.8 If the Commission notifies the Licensee not later than the end of Licence Year 9 that it has determined, in light of the Licensee's conduct and any fines or penalties levied on the Licensee pursuant to the Act or this Licence during the period from the beginning of Licence Year 7 to the date of such notification, that the Maximum OLF Amount should be greater than the amount specified in accordance with Condition 28.7, the Maximum OLF Amount shall be such greater sum (not exceeding £20 million) as the Commission may specify.

OLF Monthly Payments

28.9 Starting in the first month of Licence Year 7 and ending in the final month of Licence Year 10, the Licensee must pay into the Outstanding Liability Fund each month an amount equal to 1/48 of the Maximum OLF Amount (an **OLF Monthly Payment**).

Payments out of the Outstanding Liability Fund

28.10 The Licensee must ensure that monies shall be paid out of the Outstanding Liability Fund, but only:

- (a) by way of payment, after the End Date, of the amount of any fine or penalty levied upon the Licensee in respect of a breach of this Licence or any obligation arising under it; and
- (b) subject to Condition 28.11, by way of payment, after the second anniversary of the End Date, of any remaining amount of the Outstanding Liability Fund to the Licensee.

28.11 No amount may be paid to the Licensee pursuant to Condition 28.10(b) unless and until the Commission has certified that there is no outstanding fine or penalty levied or to be levied on the Licensee in respect of a breach of this Licence or any obligation arising under it.

OLF Documents

28.12 The Licensee must ensure that:

- (a) once approved in accordance with Condition 28.3, the OLF Documents are not amended, varied or terminated in any way without the prior consent of the Commission;
- (b) the Licensee and each Other OLF Party complies with the OLF Documents.

No limitation on fines or penalties

28.13 The existence of the Outstanding Liability Fund and the calculation of the Maximum OLF Amount shall not in any way fetter or limit the amount of any fine or penalty which may be levied on the Licensee for breach of this Licence or any obligation arising under it.

OLF Costs

28.14 The amount of any OLF Costs shall be paid by the Licensee.

Information in relation to the Outstanding Liability Fund

28.15 The Licensee shall provide to the Commission, in such form, and with such frequency, as:

- (a) are specified in the OLF Documents; and
- (b) otherwise specified by the Commission,

such documentation and information as the Commission may require regarding the Outstanding Liability Fund

Approved OLF Administrator

28.16 If at any time the Licensee becomes aware of any fact, matter or circumstance which may indicate that either:

- (a) the Approved OLF Administrator may not be an appropriate person to administer the Outstanding Liability Fund; or
- (b) the Outstanding Liability Fund, or any OLF Document may not operate in a manner necessary to fulfil the requirements of this Condition,

the Licensee must promptly notify the Commission and must take such steps and execute such documents as the Commission may require to ensure that the outcomes set out in this Condition are achieved.

28.17 In determining whether the Approved OLF Administrator is an appropriate person to administer the Outstanding Liability Fund, regard shall be had to:

- (a) any risk that the Approved OLF Administrator may, be reason of insolvency or otherwise, cease to be able to discharge its obligations under the OLF Documents; or
- (b) any fact, matter or circumstance with respect to the Approved OLF Administrator which might damage any of the Matters to be Protected.

29. ENSURING CONFIDENTIAL INFORMATION IS PROTECTEDUse of Confidential Information

29.1 The Licensee must not, without the prior written consent of the Commission, use Confidential Information for any purpose other than the operation of the National Lottery or any Ancillary Activity in accordance with the Conditions of this Licence.

Disclosure of Confidential Information

29.2 The Licensee shall not disclose any Confidential Information to any third party unless such disclosure is:

(a) made to:

- (i) a Licensee Subsidiary;
- (ii) the Senior Executives of the Licensee (or any Licensee Subsidiary) and members of Lottery Staff that need to know the Confidential Information in connection with the performance of their role;
- (iii) any Qualifying Direct Shareholder of the Licensee or a Connected Party of a Qualifying Direct Shareholder, to the extent necessary for that person to monitor their investment in the Licensee and confirm the Licensee's compliance with this Licence;
- (iv) Lottery Subcontractors and the Senior Executives and employees of Lottery Subcontractors, to the extent necessary for the performance of the relevant Lottery Subcontract; and
- (v) Professional Advisers;

each an **Authorised Person**, on the basis that each Authorised Person must owe a duty of confidentiality to the Licensee in respect of such Confidential Information which is no less onerous than the confidentiality obligations set out in this Condition 29; or

(b) expressly required:

- (i) by the terms of this Licence;
- (ii) by or under applicable law, a court of competent jurisdiction or any judicial, governmental, supervisory or regulatory authority; or
- (iii) for the purpose of legal proceedings arising out of or in connection with this Licence; or

(c) approved by the Commission in writing.

29.3 The Licensee must promptly notify the Commission if it becomes aware that any Confidential Information has been disclosed in breach of Condition 29.1.

- 29.4 If the Licensee becomes aware that it, or one of its Authorised Persons, may be required to disclose any Confidential Information in accordance with Conditions 29.2(b)(ii) to (iii), to the extent permitted by law, the Licensee must:
- (a) promptly notify the Commission with full details of the required disclosure. The Licensee must do everything it can to make this notification before the Confidential Information is disclosed;
 - (b) ensure that any disclosure of Confidential Information is limited to the minimum amount of Confidential Information required to satisfy the disclosure obligation;
 - (c) consult with the Commission as to the timing, content and manner of making the disclosure, and take into account the views and opinions of the Commission; and
 - (d) do anything the Commission directs in order to mitigate the effects of, or avoid the requirement for, disclosure.

Confidential Information on expiry or revocation

- 29.5 Subject to Condition 29.6, on expiry or revocation of this Licence, the Licensee must (at the Commission's option) destroy or return to the Commission (or its nominee) all Confidential Information held by it, and must procure that its Authorised Persons do the same. The Licensee shall provide written confirmation of compliance with this Condition 29.5 if required by the Commission.
- 29.6 The Licensee and its Authorised Persons may retain Confidential Information if and to the extent that they are legally required to do so, provided that such information continues to be held pursuant to the duty of confidentiality set out in this Condition 28.

30. FREEDOM OF INFORMATIONCompliance with FOIA and EIR

30.1 The Licensee acknowledges that the Commission is subject to the requirements of the FOIA and the EIR. The Licensee must do, and must ensure that any Authorised Person does, everything it can to enable the Commission to comply with its obligations under the FOIA and the EIR.

Requests for Information

30.2 If the Commission receives a Request for Information in relation to information held by the Licensee or any Authorised Person on behalf of the Commission (for the purposes of section 3(2)(b) of the FOIA and regulation 3(2)(b) of the EIR) and which the Commission does not hold itself, the Licensee must do, and must ensure that any Authorised Person does, everything it can to provide:

- (a) the Commission with a copy of the information; and
- (b) all assistance requested by the Commission, to enable the Commission to respond to the Request for Information within the time for compliance.

30.3 The Licensee must ensure that any information held by it or its Authorised Persons on behalf of the Commission (for the purposes of section 3(2)(b) of the FOIA and regulation 3(2)(b) of the EIR) is either:

- (a) returned to the Commission after the End Date; or
- (b) retained for disclosure for at least two years after the End Date.

Disclosure by the Commission

30.4 The Licensee must ensure that any Authorised Person acknowledges that the Commission may be obliged under the FOIA or the EIR to disclose information concerning the Licensee, any Authorised Person, or the National Lottery without consulting with the Licensee or any Authorised Person.

31. NOTICES

Address for notices

31.1 A notice or communication given to the Licensee or the Commission as required by, or in connection with, this Licence, must be in writing (including by email) and in English and sent to the following address:

The Gambling Commission

Address Victoria Square House, Victoria Square, Birmingham, B2 4BP

Email [●]

For the attention of: [●]

The Licensee

Address [●]

Email [●]

For the attention of: [●]

31.2 The Commission and the Licensee must give the other party reasonable advance notice of any change to the notice details set out in Condition 31.1.

Service of Notices

31.3 A notice or communication that complies with Condition 31.1 is deemed to have been given:

- (a) if delivered by hand or by courier, on signature of a delivery receipt;
- (b) if sent by recorded, special delivery or registered post, at 9.00 am on the second Business Day after the day of posting; or
- (c) if sent by email, at the time of its transmission,

provided that if deemed receipt under paragraphs (a) to (c) of this Condition 31.3 would occur outside the Usual Business Hours, the notice or communication shall be deemed to have been received when Usual Business Hours next recommence. For the purposes of this Condition 31.3, **Usual Business Hours** means 9.00 am to 5.30 pm on a Business Day.

32. MISCELLANEOUS PROVISIONSNo waiver

- 32.1 If the Commission fails or delays to exercise (in full or in part) any right or remedy provided under this Licence or by law, that will not constitute a waiver of, prevent or restrict that or any other right or remedy.
- 32.2 A waiver of a breach of a Condition of this Licence does not constitute a waiver of a subsequent or prior breach by the Licensee.

Severability

- 32.3 If and to the extent that a Condition (in full or in part) is found to be illegal, invalid or unenforceable, that Condition will be given no effect and will be treated as though it were not included in this Licence, but the validity or enforceability of the remaining Conditions will not be affected.

Survival

- 32.4 The following Conditions shall survive the expiry or revocation of this Licence:
- (a) Condition 1 (*Purposes and Outcomes*);
 - (b) Condition 15 (*Payments to Good Causes*);
 - (c) Condition 16 (*Protecting Participant Funds*);
 - (d) Condition 19 (*National Lottery IP*);
 - (e) Condition 20 (*Employees*);
 - (f) Condition 27 (*Exit*);
 - (g) Condition 28 (*Outstanding Liability Fund*);
 - (h) Condition 29 (*Ensuring Confidential Information is protected*);
 - (i) Condition 30 (*Freedom of Information*);
 - (j) Condition 31 (*Notices*);
 - (k) Condition 32 (*Miscellaneous Provisions*);
 - (l) Schedule 1 (*Glossary of words and phrases used in this Licence*);
 - (m) Schedule 2 (*Interpretation*); and
 - (n) Schedule 5 (*Good Causes Contribution*).

Third party rights

- 32.5 No person other than the Commission and the Licensee has any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any Condition of this Licence.

Governing law and jurisdiction

- 32.6 This Licence shall be governed by and construed in accordance with English law.
- 32.7 The courts of England have exclusive jurisdiction to settle any claim, dispute or matter of difference which may arise in any way whatsoever out of or in connection with this Licence.

SCHEDULE 1

Glossary of words and phrases used in this Licence

3NL Continuing Obligations	means a “Continuing Obligation” as defined in the Incoming Cooperation Agreement
3NL Ongoing Disputes	any 3NL Continuing Obligation in connection with a Lottery Dispute (as defined in the Incoming Cooperation Agreement)
Account Bank	the bank appointed by the Licensee in accordance with the Trust Documents to hold the Approved Accounts
Account Bank Replacement Notice	a notice issued to the Account Bank by the Licensee in accordance with Condition 16.22(d), specifying a Replacement Account Bank and requiring that the Trust Arrangements (or the relevant parts of those arrangements) are transferred to the Replacement Account Bank
Account Bank Requirements	the following requirements (unless varied in accordance with Condition 16.28): <ul style="list-style-type: none"> (a) as a Lottery Beneficiary, the Account Bank must meet the Fit and Proper Requirements; (b) the Account Bank must not be a Connected Party of the Licensee or the Trustee; (c) the Account Bank must be regulated by the Prudential Regulation Authority (or any successor to it from time to time); and (d) that Account Bank must have an Investment Grade credit rating from at least two Recognised Rating Agencies
Accounting Standards	the generally accepted accounting standards, policies and principles properly applied by the Licensee for the purposes of the preparation of its statutory accounts
the Act	the National Lottery etc. Act 1993, as amended from time to time
Ad Hoc Assurance Statement	an Assurance Statement required to be provided by the Licensee on direction by the Commission
Ancillary Activity	has the meaning given in Condition 14.1
Annual Assurance Statement	an Assurance Statement required to be provided by the Licensee in accordance with Conditions 23.17 and 23.18
the Application	the final application to the competition for the award of this Licence submitted to the Commission by the Licensee
Approved Accounts	bank accounts approved by the Commission from time to time which are either:

- (a) held, for the benefit of the beneficiaries under the Trust Arrangements, in the name of a Trustee meeting the Trustee Requirements; or
- (b) held in the name of the Licensee, subject to full and first ranking security in favour of such a Trustee for that purpose

Approved Account Bank	[<i>Application Specific Provision</i>] or such other Account Bank as may be agreed between the Licensee and the Commission from time to time
Approved Final Reserve Balance	[<i>Application Specific Provision</i>] or such other amount as may be agreed between the Licensee and the Commission from time to time
Approved OLF Administrator	the person who has been approved by the Commission to administer the Outstanding Liability Fund in accordance with the OLF Documents
Approved Trust Arrangements	Trust Arrangements established in accordance with the Approved Trust Documents and including the Approved Final Reserve Balance
Approved Trust Documents	means those documents so specified in the Enabling Agreement
Approved Trustee	[<i>Application Specific Provision</i>] or such other Trustee as may be agreed between the Licensee and the Commission from time to time
Asset Survey	has the meaning given in Condition 27.6
Assurance Statement	an assurance statement certified as approved by the board of Directors of the Licensee which the Commission requires the Licensee to provide, including any Annual Assurance Statement and any Ad Hoc Assurance Statement
Audit Committee	the audit committee of the board of Directors of the Licensee
Authorised Person	has the meaning given in Condition 29.2
Best Practice	has the meaning given in Condition 4.3
Brand Management Plan	the Licensee's plan in relation to the management of the National Lottery Brand
Business Day	any day (other than a Saturday or Sunday) on which banks are open for general business in London
Commission Staff	any employee of the Commission or any other person engaged by the Commission to perform a function in connection with this Licence or the regulation or supervision of the National Lottery
Commission's Regulatory Handbook	any guidance, statement of policy, procedure or approach published by the Commission from time to time regarding the monitoring or assessing the performance of the Licensee in accordance with this Licence or enforcing the Conditions of this

Licence which the Commission notifies the Licensee from time to time to be part of the Commission's Regulatory Handbook

Compliance and Risk Management Audit	has the meaning given in Condition 23.13
CG Implementation Timetable	has the meaning given to it in the Enabling Agreement
Compliance and Risk Management Committee	has the meaning given in Condition 22.10
Confidential Information	all information relating to the National Lottery operation, any Ancillary Activity, the Licensee, the Next Competition, the Next Licensee or the Commission which is not in the public domain
Connected Party	any person (Person A) who, in relation to any other person (Person B), is: <ul style="list-style-type: none"> (a) a Senior Executive of Person B; (b) a Material Shareholder of Person B; (c) the immediate, intermediate or ultimate parent company of any Material Shareholder of Person B; or (d) any Senior Executive of any person identified in (b) or (c) above
Continuing Obligations	has the meaning given in Condition 27.10
Control Arrangements	has the meaning given in Schedule 4
Core Lottery IP	all IP and rights in IP: <ul style="list-style-type: none"> (a) in the name "the National Lottery" (b) in the National Lottery Logos, (c) in the name of each Game; (d) to any and all characteristic get-up, styling or copy used in connection with the National Lottery or any Game where this has been created or revised for the purpose of the National Lottery or any Game; and/or (e) which is IP owned by the Commission at the Start
Core Lottery IP Guidelines	the guidelines adopted and implemented by the Licensee in relation to the use of Core Lottery IP, in accordance with Condition 19.4
Critical Function	any function which constitutes a material part of the business of running the National Lottery including any function which: <ul style="list-style-type: none"> (a) could influence the outcome of any Game; and/or

	(b)	is material to the continuing operation of the National Lottery in circumstances in which the Licensee could not readily engage an alternative person to undertake that function without any interruption to, or adverse impact on, the National Lottery
Critical Function Employee		has the meaning given in Condition 7.4
Data Protection Laws		the Data Protection Act 2018 and all other applicable data protection and privacy legislation in force from time to time in the UK
Designated Lottery Subcontract		a Lottery Subcontract designated as a "Designated Lottery Subcontract" by the Commission:
	(a)	before the Start Date, in accordance with the terms of the Enabling Agreement; or
	(b)	during the Term, in accordance with Condition 5.6
Developed IP		any Core Lottery IP developed or created by or on behalf of the Licensee, whether by the Licensee itself or by (or in conjunction with) any third party
Director		means any executive or non-executive director
Disposal		includes any sale, gift, lease, licence, loan, mortgage, charge or the grant of any other encumbrance or the permitting of any encumbrance to subsist or any other disposition to a third party, and "Dispose" shall be construed accordingly
Distribution Portfolio Strategy	and	has the meaning given in Condition 9.6
Distribution Fund		the National Lottery Distribution Fund, or any other person to whom s21 of the Act requires sums out of the proceeds of the National Lottery to be paid
Dormant Account		a Participant Account in respect of which the Participant has not at any time undertaken any transaction or otherwise contacted the Licensee for a period (which shall, where appropriate, be calculated by reference to a notice given by the Licensee to the Participant) where such period is the minimum necessary for the protection of the Participant, determined in accordance with Best Practice
Draw		a process which culminates in the selection of a set of winning numbers for a National Lottery game on a random basis and includes any similar arrangement for determining a person who has won a Prize in a Game
Draw-based Game		any National Lottery game, the result of which is determined by a Draw and in which a Participant's selection is recorded on the Entry and Prize System
EIR		Environmental Information Regulations 2004

Enabling Agreement	the agreement between the Commission and the Licensee which was entered into in anticipation of this Licence being granted to the Licensee and governed the implementation of the Application and Incoming Transition Plan and the Licensee's preparation to run the National Lottery in accordance with this Licence
End Date	the date on which this Licence ends (being the expiry of ten years from the Start Date, unless this Licence is revoked in accordance with the Act or extended in accordance with the Conditions of this Licence)
Entry and Prize System	the integrated system used to record and store entries into Games, determine winners and validate Prizes
Equitable Apportionment Principle	has the meaning given in Condition 27.26
Exit	the process by which, during, at the end of and after the Term: <ul style="list-style-type: none"> (a) the Licensee prepares for the end of the Term and to cease operating the National Lottery; (b) the Licensee ceases to run the National Lottery and the Next Licensee commences operation of the National Lottery; and (c) Licensee Assets, Lottery Subcontracts, Lottery Staff and Continuing Obligations Transfer in accordance with Condition 27.8(b)
Exit Cooperation Agreement	the agreement between the Licensee and the Commission and, as the Commission may specify, the Next Licensee in relation to Exit, in the form specified by the Commission and including any amendments specified by the Commission from time to time
Exit Manager	has the meaning given to it in Condition 27.30
Exit Plan	the Licensee's written plan for Exit
Finance Agreement	any agreement or arrangement pursuant to which any person: <ul style="list-style-type: none"> (a) provides any loan or other finance or funding to the Licensee, other than any such agreement or arrangement which is on arm's length and market standard commercial terms, and is immaterial to the funding of the Licensee; (b) subscribes, or acquires the right to subscribe, for equity in the Licensee which would result in such person becoming a Qualifying Direct Shareholder of the Licensee; (c) provides any credit or advance arrangement which benefits the Licensee, other than trade credit provided to the Licensee by Lottery Subcontractors in the ordinary course of business; (d) provides any guarantee or indemnity arrangement or a similar undertaking to incur a financial or other

obligation arising by reference to an obligation or liability of the Licensee; or

- (e) issues any debt securities to the Licensee or grants to the Licensee a right to acquire debt securities

Financial Apportionment Process	has the meaning given in Condition 27.16
Financial Distress Event	has the meaning given in Condition 18.9
Financial Distress Remediation Plan	a plan produced by the Licensee in accordance with Condition 18.11 setting out the steps it will take to remedy a Financial Distress Event to the satisfaction of the Commission
First Year Committed Games	means those Games specified in the Licensee's Application as being Games which the Licensee proposed to launch during Licence Year 1, in respect of which the Licensee is granted a licence under section 6 of the Act
Fit and Proper Checks	checks by the Commission or the Licensee for the purpose described in Conditions 6 and 7, to confirm that a particular person meets the Fit and Proper Requirements
Fit and Proper Requirements	has the meaning given in Condition 5.1
Fit for Purpose	of a standard which is suitable to ensure that the National Lottery and its operation is run in a manner which fulfils the outcomes set out in Condition 1.2 and in compliance with this Licence
FOIA	Freedom of Information Act 2000
Forecasting Methodology	a robust methodology for forecasting Good Causes Contributions in respect of each period to which a Good Causes Contribution Forecast relates
Forecasting Methodology Assurance Report	a report prepared by the Licensee's statutory auditor or a suitably qualified and experienced third party confirming that the preparation of the Good Causes Contribution Forecast on the basis of the Forecasting Methodology would align with Best Practice
Freeze Period	has the meaning given in Condition 20.5
Fundamental Geographic Scope Change	a significant change to the geographical area within which the Licensee is authorised to operate and promote Games, resulting in fundamental structural change in the market for the National Lottery
Fully Implemented Commencement	as at a specified date and under the Enabling Agreement, the Commission has confirmed to the Licensee that the Incoming Transition Plan has been implemented in full, and all of the Licensee's obligations under the Enabling Agreement have been fulfilled, to the satisfaction of the Commission
Gambling Law	any Law to the extent it applies to any form of gaming, betting, gambling or lottery (including, without limitation, the National Lottery) but not to any other activity but excludes:

- (a) any matter relating to any tax or duty; and
 - (b) any other matter for which an adjustment is included in the calculation of the Good Causes Contribution under Schedule 5;
- Game** any constituent lottery or game of the National Lottery authorised by a licence granted under s6 of the Act and including any Ancillary Activity specifically related to that lottery or game
- Good Causes** the Distribution Fund
- Good Causes Contribution** the amount, determined in accordance with the provisions of Schedule 5, to be paid to Good Causes by the Licensee in respect of each Licence Year
- Good Causes Contribution Forecast** a forecast of the Good Causes Contribution which fulfils the requirements of Condition 15.3
- Good Causes Distributor** any person from time to time responsible for the distribution of monies from the Distribution Fund
- Good Value for Good Causes** in respect of any Related Party Arrangement, an arrangement that:
- (a) in the case of a Related Party Cost:
 - (i) enables the National Lottery to benefit from goods or services which contribute to its successful operation in accordance with this Licence; and
 - (i) is on terms which, in respect both of the benefits received by the Licensee and the costs incurred by the Licensee are no less favourable than those which could reasonably be obtained by way of a competitive procurement process including the market leading provider of those goods or services (as the case may be) in the UK market;
 - (b) in the case of Related Party Revenue, represents revenue generated, and applicable terms, which in each case are no less favourable than that which could reasonably be generated, and which would reasonably apply, in each case through a normal commercial arm's length process for the provision of the relevant goods, services or other benefits to persons who are not Related Parties
- Gross Value of Ticket Sales** in relation to each Licence Year, any and all amounts paid or payable by any person for or in order to secure (directly or indirectly) entry into or participation in any Game or in the National Lottery (including all costs and duties)
- Group Company** in relation to a person (Person A), any other person (Person B) who is from time to time:

- (a) a subsidiary of Person A;
 - (b) a parent company of Person A; or
 - (c) any other subsidiary of such parent company
- Implementation** the process by which the Licensee implements its Application and Incoming Transition Plan as described in the Enabling Agreement
- Implementation Manager** has the meaning given to it in Condition 26.5
- Incoming Cooperation Agreement** the cooperation agreement entered into between the Licensee, Camelot UK Lotteries Limited and the Commission in connection with the handover of the National Lottery operation on and from the Start Date
- Incoming Transition Plan** has the meaning given to that term in the Enabling Agreement
- Independent Performance Review** means a review of the Licensee's performance undertaken by an Independent Reviewer in accordance with Condition 25
- Independent Verification System** a system to enable the Licensee and the Commission to verify that:
- (a) Games are honestly and fairly run and that Prizes are accurately awarded in accordance with the rules of each Game; and
 - (b) any technology or other system used to run or determine the result of any Game is operated with integrity and such as to ensure that the Licensee complies with paragraph (a) above
- Instrument of Transfer** a form of document to give effect to the Transfer of any Item to Transfer or any category of Items to Transfer which either:
- (a) is prepared by the Licensee (where directed by the Commission, in consultation with the Next Licensee) and approved by the Commission; or
 - (b) if the Licensee does not prepare such document in a form acceptable to the Commission within a reasonable time of being requested to do so by the Commission, is specified by the Commission
- Internal Audit Plan** has the meaning given to that term in Condition 22.9
- IP** patents, trade marks, service marks, logos, get-up, trade names, internet domain names, rights in designs, copyright (including rights in computer software) and moral rights, database rights, semi-conductor topography rights, utility models, codes of practice, descriptions, specifications, rights in know-how and other intellectual property rights, in each case whether registered or unregistered and including applications for and rights to apply for the same, and all rights or forms of protection having equivalent or similar effect anywhere in the world
- Items to Transfer** any:

	(a) Licensee Asset, Lottery Subcontract or member of Licensee Staff the Next Licensee has determined it will require for the operation of the National Lottery following the end of the Term, in accordance with Condition 27.9; and
	(b) any Continuing Obligation identified by the Commission in accordance with Condition 27.10
Key IT Subcontract	any Key Subcontract which relates to the Technology Operation
Key IT Subcontractor	any person who enters into a Key IT Subcontract with the Licensee or who operates, or provides goods, services or facilities in connection with any Key IT Subcontract
Key Performance Standard	any performance standards set by the Commission following an Independent Performance Review in accordance with Condition 25
Key Subcontract	any Lottery Subcontract: <ul style="list-style-type: none"> (a) which relates to any Critical Function; (b) is with a party with whom the Commission specifies any Lottery Subcontract will be a Key Subcontract; or (c) is otherwise specified by the Commission to be a Key Subcontract
Key Subcontractor	any person who enters into a Key Subcontract with: <ul style="list-style-type: none"> (a) the Licensee or a Licensee Subsidiary; or (b) in the case of a Key Subcontract to which the Licensee or a Licensee Subsidiary is not a party, a Lottery Subcontractor
Law	any law, statute, subordinate legislation within the meaning of section 21(1) of the Interpretation Act 1978, bye-law, regulation, order, mandatory guidance or code of practice, judgment of a relevant court of law, or directives or requirements of any regulatory body with which the Licensee is bound to comply
Legal Age Limit	the age below which no ticket in any Game may by law be sold to any person
Licence Year	each period of 1 August to 31 July during the Term
Licensee Asset	any Lottery Asset which is: <ul style="list-style-type: none"> (a) owned by the Licensee or any Licensee Subsidiary; or (b) other than pursuant to a Lottery Subcontract, controlled or in the possession of the Licensee or any Licensee Subsidiary,

but in each case excludes any Core Lottery IP

Licensee Revenue	<p>in relation to each Licence Year, all income accrued to the Licensee from all activities, after the deduction of VAT (if any), the deduction of the amount of any Lottery Duty levied on any tickets sold by the Licensee, and excluding:</p> <ul style="list-style-type: none">(a) Licensee Finance Income; and(b) Trust Income
Licensee Subsidiary	<p>any subsidiary of the Licensee which has been incorporated or acquired following approval from the Commission in accordance with Condition 5.10(a)</p>
Lottery Asset	<p>any asset used wholly or mainly in the running of the National Lottery operation or an Ancillary Activity, which includes:</p> <ul style="list-style-type: none">(a) all physical assets;(b) all land or interests in land;(c) all Lottery IP;(d) all Lottery Information;(e) all Lottery Data;(f) the Technology Operation; and(g) any shareholdings, <p>in each case whether owned, controlled or in the possession of the Licensee, a Related Party of the Licensee, any Lottery Subcontractor or any other person</p>
Lottery Beneficiary	<p>any person specified by Condition 6.3 or any other person who, by virtue of the existence of a Control Arrangement described in Schedule 4, is a Lottery Beneficiary</p>
Lottery Data	<p>any data processed by or on behalf of the Licensee, or by any Lottery Subcontractor under any Lottery Subcontract, in either case in connection with the operation of the National Lottery (including the operation or promotion of any Game) or any Ancillary Activity, including Participant Data</p>
Lottery Goodwill	<p>any and all goodwill of the Licensee or its Related Parties in the business of acting as the licensee under section 5 of the Act, the promoter of any Game and the operator of any Ancillary Activity</p>
Lottery IP	<p>all IP (and rights therein) which is used, or necessary, for the operation or promotion of the National Lottery, any Game, or any Ancillary Activity, in each case, for the avoidance of doubt, irrespective of the identity of any person who owns or holds rights to such IP</p>
Lottery Information	<p>any information in any form whatsoever which relates to:</p>

- (a) the National Lottery, the operation of the National Lottery or of any Game, or any Ancillary Activity, whether such information is in the possession or control of, or is the property of, the Licensee, a Licensee Subsidiary or of any Lottery Subcontractor;
- (b) the Licensee, a Licensee Subsidiary or their business and affairs; or
- (c) any other information the Commission may require concerning the Licensee or its business or affairs, in each case whether in the possession of the Licensee or a Lottery Subcontractor

Lottery Monies

all amounts in respect of Licensee Revenue (and to the extent the same are not part of Licensee Revenue, monies paid by Participants for Ticket Entitlements and any other amounts received by the Licensee in connection with the operation of the National Lottery or any Ancillary Activity). For the avoidance of doubt, monies paid by the Licensee into the Outstanding Liability Fund or the Good Causes Underpayment Arrangements shall not be Lottery Monies.

Lottery Records Database

has the meaning given in Condition 23.6

Lottery Staff

any and all of the following:

- (a) employees (temporary and permanent) of the Licensee or a Licensee Subsidiary;
- (b) agency workers engaged in providing services to the Licensee or a Licensee Subsidiary;
- (c) any employees seconded to the Licensee or a Licensee Subsidiary from any other entity; and/or
- (d) any other worker (as defined in s230 of the Employment Rights Act 1996) engaged in providing services to the Licensee or a Licensee Subsidiary

Lottery Subcontract

any agreement, arrangement or understanding (including a licence of software or other IP), whether formal or informal:

- (a) by which any person other than the Licensee or a Licensee Subsidiary operates, or provides assets, goods, services or facilities for the purposes of, or in connection with, any part of running the National Lottery or any Ancillary Activity; or
- (b) entered into by the Licensee, a Licensee Subsidiary or any Lottery Subcontractor with any third party where such agreement or arrangement directly or indirectly contributes or forms part of

running the National Lottery or the operation of any Ancillary Activity.

Any agreement, arrangement or understanding to subcontract some or all obligations under a Lottery Subcontract is itself a Lottery Subcontract

Lottery Subcontractor	any person other than the Licensee or a Licensee Subsidiary who is a party to a Lottery Subcontract
Lottery Supervisor	any person specified by Condition 6.5
Material Impact on Profitability	<p>the actual or anticipated profitability of the Licensee generated from the operation of the National Lottery is, as a direct result of (i) a specific individual change in Gambling Law, or (ii) a Fundamental Geographic Scope Change, demonstrably and materially:</p> <p>(a) lower than the level it would have been had that change not occurred, such as is reasonably likely to result in a Financial Distress Event in the foreseeable future; or</p> <p>(b) higher than the level it would have been had that change not occurred</p>
Material Shareholder	any person who has a Participation in any other person which is equal to, or greater than, 15%
Matter to be Protected	those matters referred to in paragraphs (a) to (e) of Condition 10.1
Maximum OLF Amount	means the amount determined in accordance with Condition 28.6 and Condition 28.7
Minor Lottery Subcontract	has the meaning given to it in Condition 21.10
National Lottery Brand	the National Lottery Logos, the name "the National Lottery", the name of each Game and any and all characteristic get-up or styling used in connection with the National Lottery or any Game
National Lottery Logos	the logos from time to time approved by the Commission for use generally in connection with the National Lottery or any Game
Next Account Bank	the account bank appointed by the Next Licensee
Next Competition	the exercise by the Commission of its functions under the Act to secure the continued provision of the National Lottery by identifying a person to be the Next Licensee
Next Licensee	the person awarded the fifth National Lottery licence under s5 of the Act (being the licence which next starts after the end of this Licence)
Next Trustee	the trustee appointed by the Next Licensee
NLPU	the National Lottery Promotions Unit being a unit maintained jointly by the Licensee, the Department for Digital, Culture, Media and Sport and the Good Causes Distributors for the raising of public awareness of, and support for, the benefits of the distribution of

		funding from the proceeds of the National Lottery, or any successor organisation from time to time
OLF Costs		has the meaning given to it in Table 3 of Appendix 1 of Schedule 5
OLF Documents		any document necessary for, or consequential on, the establishment or operation of the Outstanding Liability Fund
OLF Monthly Payment		has the meaning given in Condition 28.9
Other Lottery IP		all Lottery IP which is not Core Lottery IP
On-going Dispute		any dispute, claim or proceedings (whether actual, contingent or threatened) between the Licensee and any third party in connection with the National Lottery, any Game or any Ancillary Activity and which is continuing, or is expected to be continuing, on the End Date
Other OLF Party		any party to the OLF Documents other than the Licensee and the Commission
Outstanding Liability Fund		a fund, together with all associated arrangements, established in connection with possible fines or penalties which may be levied on the Licensee and be payable after the End Date
Partially Implemented Commencement		as at a specified date and under the Enabling Agreement, the Commission has confirmed to the Licensee that the Incoming Transition Plan has been implemented, and the Licensee's obligations under the Enabling Agreement have been fulfilled, in a manner which the Commission is satisfied that it is appropriate to proceed to Start but that certain specified steps (Outstanding Implementation Steps) need to be taken before the Fully Implemented Commencement has been achieved
Participant		every person who plays, engages with or is exposed to the National Lottery
Participant Account		an account maintained by any Participant with the Licensee for the purpose of participating in any Game or Games
Participant Data		personal data (as defined in the Data Protection Laws) of any Participant
Participant Fund Beneficiary		any person to whom the Licensee owes a Participant Fund Obligation
Participant Fund Obligation		any obligation of the Licensee to pay or repay to any person any Participant any amount in respect of their participation in any Game or Games
Participant Protection Strategy		the strategy to be adopted by the Licensee in accordance with Condition 8.17
Participation		in relation to a person (Person A), Person B holds a "Participation" in Person A if it has any of:

- (a) a right to exercise, or control the exercise of, voting rights attaching to issued shares of any class in the capital of Person A;
 - (b) a right to exercise, or control the exercise of, voting rights which may be exercised by the members of Person A;
 - (c) a right to receive (beneficially or otherwise) a dividend or other distribution in respect of any class of shares in the capital of Person A;
 - (d) a right to receive (beneficially or otherwise) a share of, or any other amount calculated by reference to, the profits of Person A; or
 - (e) a beneficial or other interest in the shares of any class in the capital of Person A
- Physical Sales Location** a terminal, till or other item of physical equipment:
- (f) at or from which tickets in Draw-based Games can be purchased; and
 - (g) which is branded, promoted or presented as a permanent physical location from which tickets in Draw-based Games can be purchased
- Prize** a prize in any Game
- Prize Rounding Amount** in respect of any Game the Prizes of which are, in accordance with the rules of that Game, rounded down, the amount by which:
- (a) the aggregate value of Prizes determined for that Game prior to such rounding;
- exceeds
- (b) the aggregate value of Prizes determined for that Game following such rounding,
- irrespective in each case of whether such Prizes are paid to Prize Winners
- Prize Winner** a Participant who is entitled to any Prize
- Professional Adviser** any auditor, legal, financial or other professional adviser or consultant engaged by the Licensee in connection with the National Lottery, an Ancillary Activity or this Licence
- Qualified Resilience Assurance Statement** has the meaning given in Condition 18.4
- Qualifying Direct Shareholder** any person who, in relation to the Licensee, has a Participation which is equal to, or greater than, 5%

Quarter	the period from 1 August to 31 October, 1 November to 31 January, 1 February to 30 April and 1 May to 31 July or such other period as the Commission may specify from time to time
Recognised Ratings Agency	each of Standard & Poor's, Moody's, Fitch Ratings or DBRS Morningstar or such other ratings agency as the Commission may approve for this purpose
Recognised Standards	has the meaning given in Condition 4.4
Regular Reporting	has the meaning given in Condition 24.10
Related Party	in relation to the Licensee, each of the following and each of their Group Companies: <ul style="list-style-type: none"> (a) the Licensee (b) a Qualifying Direct Shareholder of the Licensee; or (c) a Connected Party of a Qualifying Direct Shareholder of the Licensee
Related Party Arrangement	any agreement, arrangement or understanding between the Licensee and any person who is a Related Party
Related Party Costs	costs incurred under Related Party Arrangements
Related Party Revenue	revenue of the Licensee under Related Party Arrangements
Remediation Purposes	has the meaning given in Condition 18.11
Replacement Account Bank	an Account Bank approved by the Commission who is identified in an Account Bank Replacement Notice as the "Replacement Account Bank"
Replacement Trustee	a Trustee approved by the Commission who is identified in a Trustee Replacement Notice as the "Replacement Trustee"
Required Standard Terms	the standard contractual terms referred to in Condition 21.5
Research, Prevention and Treatment Support	a financial contribution by the Licensee in each Licence Year to one or more organisation(s) which are approved by the Commission, or equivalent measures, and which deliver or support research into the prevention and treatment of gambling-related harms, harm prevention approaches and treatment for those harmed by gambling attributable in whole or in part to play on the National Lottery
Residual Items	has the meaning given in Condition 27.9
Retailer	a person other than the Licensee who operates a Sales Outlet
Sales Outlet	any distribution channel at or through which Participants can purchase tickets or otherwise participate in a Game
Scratchcard Lottery	a Game which does not involve utilisation of any technology or other system used to determine the result of a Draw other than for activation or validation and in which a particular ticket is capable of

	being determined, immediately following its purchase, as a winning ticket and/or as conferring a right to participation in a future event
Secretary of State	the Secretary of State for Digital, Culture, Media and Sport or such other person to whom payments to Good Causes are required to be made under the Act
Senior Executive	a Director or senior executive (being a person other than a Director who has direct responsibility to the board of Directors for a substantial activity or function)
Shareholders' Agreement	a shareholders' or consortium agreement which directly or indirectly regulates the exercise of any right, power or interest in or concerning the Licensee or any Licensee Subsidiary
Significant Business Event	has the meaning given in Condition 18.6
Start	this Licence coming into effect and the Licensee commencing operation of the National Lottery in accordance with this Licence
Start Date	the date on which Condition 3.1 specifies this Licence will Start
Start Date Committed Games	means those Games specified as such in the Licensee's Application in respect of which the Licensee is granted a licence, under section 6 of the Act, with effect from the Start Date
Technology and Data Architecture Strategy	a strategy adopted and implemented by the Licensee in accordance with Condition 17.5(a)
Technology Operation	any aspect of the running of the National Lottery (including any Ancillary Activity) associated with the provision, operation and/or use of technology and/or the processing, storage and use of Lottery Data, including the Entry and Prize System and the Independent Verification System, whether carried on by the Licensee, any Related Party or any Lottery Subcontractor
Term	the term of this Licence, being the period from (and including) the Start Date to (and including) the End Date
Third Licensee	the licensee under the Third National Lottery Licence
Ticket	a ticket in any Game
Ticket Entitlement	any entitlement to acquire a Ticket
Transfer	means: <ul style="list-style-type: none"> (a) in connection with any Lottery Subcontract, the novation of that contract; (b) in connection with any Lottery Staff, the transfer of the employment or engagement of those individuals; (c) in connection with Lottery Information, the transfer of that information; and

- (d) in connection with Lottery Monies, the transfer of those amounts which, according to generally accepted accounting standards, will be required by the Next Licensee in order to enable it to discharge obligations to the Participant Fund Beneficiaries which the Next Licensee will have an obligation to discharge;
- (e) in connection with any Lottery Data or any other Licensee Asset, the passing of ownership, control and/or possession (as the case may be) of those assets or that data,

in each case to the New Licensee or its nominee

Trust Costs

the fees and other charges of the Trustee, the Account Bank and any third party (other than the Licensee) arising from the operation of the Trust Arrangements, in respect of any period

Trust Implementation Agreement

has the meaning given to that term in the Enabling Agreement

Trust Income

any interest or other return on monies held in any Approved Account, in respect of any period

Trustee

the trustee appointed by the Licensee in accordance with the Trust Documents to be the trustee of the Trust Arrangements

Trustee Replacement Notice

a notice issued to the Trustee by the Licensee in accordance with Condition 16.19(d), specifying a Replacement Trustee and requiring that the Trust Arrangements (or the relevant parts of those arrangements) are transferred to the Replacement Trustee

Trustee Requirements

the following requirements (unless varied in accordance with Condition 16.28):

- (f) as a Lottery Beneficiary, the Trustee must meet the Fit and Proper Requirements;
- (g) the Trustee is an entity incorporated in the UK and subject to:
 - (i) the regulation of the Financial Conduct Authority (or any successor to it from time to time); and
 - (ii) UK tax rules and requirements;
- (h) the Trustee is not a Connected Party of the Licensee or the Account;
- (i) the Trustee has sufficient financial and operational resources to operate the Trust Arrangements in accordance with the Trust Documents;

- (j) the Trustee has the experience and capability to operate the Trust Arrangements in accordance with the Trust Documents; and
 - (k) with effect from the date upon which the Trust Implementation Agreement comes into effect, the Trustee has complied in all material respects with the Trust Implementation Agreement and, once in force, the Trust Documents to which it is a party
- TUPE** Transfer of Undertakings (Protection of Employment) Regulations 1981 or its equivalent
- Unclaimed Prize** any Prize which is not claimed in accordance with the rules of the relevant Game
- Unqualified Resilience Assurance Statement** has the meaning given in Condition 18.4
- Unused Ticket Entitlement**
- (a) any amount standing to the credit of a Dormant Account; and
 - (b) any amount paid by a Participant for a Ticket Entitlement where such Ticket Entitlement is not:
 - (i) used to purchase a Ticket prior to the expiry of the period permitted for such purchase in the applicable terms and conditions; or
 - (ii) refunded or repaid to the relevant Participant in accordance with those terms and conditions
- UK** the UK and the Isle of Man, or such other jurisdiction as is notified to the Licensee by the Commission from time to time
- UK Governance Code** the UK Corporate Governance Code and any ancillary guidance or requirements published by the Financial Reporting Council (as the same may be amended or replaced from time to time)
- VAT** value added tax

SCHEDULE 2**Interpretation**

1. In this Licence:
 - 1.1 reference to a Condition or Schedule is, unless stated otherwise, a reference to a Condition of or Schedule to this Licence;
 - 1.2 the Schedules form part of this Licence and a reference to **“this Licence”** includes its Schedules;
 - 1.3 the headings in this Licence do not affect its interpretation;
 - 1.4 a reference to a statute or statutory provision includes a reference to any subordinate legislation and is a reference to:
 - (a) that statute, statutory provision or subordinate legislation as modified, consolidated, superseded, re-enacted or replaced (whether with or without modification) from time to time after the date of this Licence; and
 - (b) any statute, statutory provision or subordinate legislation which it consolidates, supersedes, re-enacts or replaces (whether with or without modification);
 - 1.5 a reference to a **“person”** includes any individual, company, corporation, firm, partnership, joint venture, association, state, state agency, institution or trust (whether or not having a separate legal personality);
 - 1.6 a reference to one gender is a reference to all or any genders and the singular includes the plural (and vice versa);
 - 1.7 a reference to a particular time of day is, unless stated otherwise, a reference to that time in London, England;
 - 1.8 a reference to **“including”**, **“includes”** or **“in particular”** or any similar expression does not limit the scope of the meaning of the words preceding those terms;
 - 1.9 a reference to a
 - (a) **“parent company”** means a “parent undertaking”; and
 - (b) **“subsidiary”** means a “subsidiary undertaking”,each as defined in section 1162 of the Companies Act 2006;
 - 1.10 a reference to the **“operation of the National Lottery”** shall include any activities undertaken by the Licensee in promoting or in connection with the promotion of any Game;
 - 1.11 a reference to a document being in the **“Approved Form”** means that the relevant document was approved by the Commission prior to the Start Date in accordance with the process set out in the Enabling Agreement;

- 1.12 a requirement for the Licensee to do any thing “**promptly**”, means that it must do that thing as quickly as is necessary to avoid any adverse consequences for any of the Matters to be Protected or the Commission and, in any event, as soon as reasonably practicable;
- 1.13 where the consent or approval of the Commission is required to be obtained by the Licensee under this Licence, such consent or approval must be obtained in writing (including by email); and
- 1.14 where any consent or approval is given by the Commission pursuant to this Licence or a Licence under section 6 of the Act, and that consent or approval is subject to any conditions or requirements specified by the Commission, the Licensee is acting without the consent or approval of the Commission if it does not act in compliance with those conditions or requirements.

SCHEDULE 3

Ancillary Activities⁶

⁶ Note to Applicants: Ancillary Activities approved prior to the Start Date will be included in this Schedule. This Schedule will be updated to reflect any additional Ancillary Activities approved by the Commission during the Term.

SCHEDULE 4**Control Arrangements**

1. This Schedule 4 details a number of agreements, arrangements or understandings, whether formal or informal and whether in writing or not (a **Control Arrangement**) which, if made between two or more persons in the circumstances set out below, may result in each such person being a Lottery Beneficiary.
2. Where any person is party to a Control Arrangement:
 - (a) the Participations of each party to that Control Arrangement are aggregated; and
 - (b) each party to the Control Arrangement is deemed to hold Participations equivalent to that aggregated amount.

Control Arrangements between each who holds Participation

3. Any person who holds a Participation in the Licensee (Person A) has a Control Arrangement with another person or persons who also hold a Participation in the Licensee (Person B) if that agreement, arrangement or understanding concerns or relates to:
 - (a) the Licensee or the business or affairs of the Licensee;
 - (b) the Participation in the Licensee held by Person A or Person B; or
 - (c) any Qualifying Direct Shareholder of the Licensee or a Connected Party of a Qualifying Direct Shareholder.

Control Arrangements between Connected Parties

4. It is presumed that any person who holds a Participation in the Licensee has a Control Arrangement with its Connected Parties, unless the Commission determines that there is no such Control Arrangement in place.

Control Arrangements with family members

5. It is presumed that any person who holds a Participation in the Licensee has a Control Arrangement with every person who is that person's:
 - (a) parent or step-parent;
 - (b) child, grandchild or step-child;
 - (c) partner (being such person's spouse or any other person with whom they are living as a couple);
 - (d) brother or sister;
 - (e) aunt or uncle; and
 - (f) nephew or niece.

SCHEDULE 5**Good Causes Contribution****Part A – Methodology**

1. The Good Causes Contribution will be calculated annually. For each Licence Year the Good Causes Contribution will be calculated in accordance with Part B of this Schedule 5 and will be made up of:
 - (a) a fixed contribution determined in accordance with Appendix 1 to this Schedule 5; and
 - (b) a proportion of the Surplus (being the revenue generated by the Licensee after deduction of the Licensee's costs, subject to specified adjustments).
2. The Licensee will pay to Good Causes an estimated weekly amount on account of the Good Causes Contribution in accordance with Part C of this Schedule 5.
3. Following the end of each Licence Year, the estimated amounts paid weekly will be reconciled against the actual Good Causes Contribution for that Licence Year and a reconciliation adjustment (including interest) will be made.

Part B - Calculation of Good Causes Contribution

1. Calculation

The amount of the Good Causes Contribution in respect of Licence Year t (P_t) is calculated as follows:

*In respect of any Licence Year in which ($F * S_t$) is less than ($X_t * I_t$)*

$$P_t = S_t + A_t$$

In respect of any other Licence Year

$$P_t = X_t * I_t + (1 - F) * S_t + A_t$$

where:

X_t means a Fixed Contribution for that year determined in accordance with paragraph 2

I_t means the Inflation Factor for that year determined in accordance with paragraph 3

F means the Licensee's Proportion of Surplus specified in Table 4 of Appendix 1 of this Licence

A_t means the Payment Adjustment for that year determined in accordance with paragraph 4

S_t means the Surplus for that year determined in accordance with paragraph 7

2. FIXED CONTRIBUTION

The Fixed Contribution (X_t) for each Licence Year is specified in Table 1

3. INFLATION FACTOR

The Inflation Factor for Licence Year t (I_t) is calculated to five decimal figures as

$$I_t = CPI_t / CPI_B$$

where:

CPI_t means the average absolute value of the monthly Consumer Price Index calculated for the 12 months to the end of Licence Year t

CPI_b means the average absolute value of the monthly Consumer Price Index calculated for the 12 months ending on the Base Date

4. PAYMENT ADJUSTMENT

The Payment Adjustment for Licence Year t (A_t) is calculated as

$$A_t = ADuty_t + AVAT_t$$

where

$ADuty_t$ is the Lottery Duty Adjustment for Licence Year t determined in accordance with paragraph 5

$AVAT_t$ is the VAT Adjustment for Licence Year t determined in accordance with paragraph 6

5. LOTTERY DUTY ADJUSTMENT

The Lottery Duty Adjustment ($ADuty_t$) in Licence Year t will be zero unless, in respect of all or part of Licence Year t, the Lottery Duty regime is different from that existing on the Base Date, in which case:

$$ADuty_t = F * (DutyHat_t - Duty_t)$$

where

$DutyHat_t$ is the Lottery Duty that would have been due in respect of Licence Year t if the Lottery Duty regime throughout that Licence Year was that existing on the Base Date and taking as given the Licensee's sales and costs (besides Lottery Duty) in Licence Year t

$Duty_t$ is the Lottery Duty due in respect of Licence Year t

F is the Licensee's Proportion of Surplus

6. VAT ADJUSTMENT

The VAT Adjustment in Licence Year t will be zero unless the rate of VAT in respect of all or part of that Licence Year is different to that existing on the Base Date in which event the VAT Adjustment for Licence Year t will be calculated as

$$AVAT_t = F * (VATCostHat_t - VATCost_t)$$

where

$VATCost_t$ is the Licensee's VAT cost in respect of Licence Year t

$VATCostHat_t$ is the Licensee's VAT cost that would have arisen in respect of Licence Year t if the VAT rates and VAT regime throughout that Licence Year were those existing on the Base Date and taking as given the Licensee's revenue and costs (beside VAT) in Licence Year t

7. SURPLUS

The Surplus for Licence Year t (S_t) is calculated as the greater of:

$$S_t = (R_t - ER_t) - (C_t - EC_t) + ASurplus_t$$

or

$$S_t = 0$$

where:

R_t is the Licensee's Revenue in Licence Year t

ER_t is the aggregate of all Excluded Revenues (being revenues falling in the categories specified in Table 2) accrued in Licence Year t

C_t is the Licensee Costs in Licence Year t

EC_t is the aggregate of all Excluded Costs (being costs specified in Table 3) accrued in Licence Year t

$ASurplus_t$ is the Surplus Adjustment calculated in accordance with paragraph 8

8. SURPLUS ADJUSTMENT

The Surplus Adjustment for Licence Year t ($ASurplus_t$) is calculated as:

$$ASurplus_t = - AImplementation_t$$

$AImplementation_t$ is the Implementation Adjustment calculated in accordance with paragraph 9

9. IMPLEMENTATION ADJUSTMENT

If and when there is Fully Implemented Commencement, the Implementation Adjustment for Licence Year t ($AImplementation_t$) will be an amount equal to the Relevant Proportion of the Recoverable Implementation Costs, provided this shall only apply with effect from the date of Fully Implemented Commencement until the end of the tenth Licence Year.

The Estimation Methodology must provide a methodology by which the Implementation Adjustment will be incorporated into the calculation of the amounts to be paid to Good Causes pursuant to this Schedule.

For the purposes of this paragraph 9:

(a) **Determination Date** means the date upon which the amount of the Recoverable Implementation Costs is determined in accordance with clause 28.6 of the Enabling Agreement

(b) **Relevant Proportion** means:

$$\frac{1}{\text{the number of Remaining Licence Years}}$$

(c) **Remaining Licence Years** means, as at the Determination Date, the Licence Year in which the Determination Date falls and each subsequent Licence Year (assuming that this Licence is not extended or revoked in accordance with Condition 3)

10. PROMOTIONAL PRIZE ADJUSTMENT

Promotional Prizes may only be taken into account for the purposes of calculating the Licensee Costs to the extent that the Commission consents to such amounts being deducted from the calculation of the Licensee Costs in the relevant circumstances, provided that:

(a) the amount to be so deducted in any Licence Year (the **Promotional Prize Adjustment**) shall not exceed the aggregate amount paid under Condition 15.6 in the previous Licence Year; and

(b) the Commission may, in any subsequent Licence Year require that an amount equivalent to the Promotional Prize Adjustment (or a proportion of such amount) shall be added to the calculation of the Licensee Costs.

11. LICENSEE'S ACCOUNTS

The Licensee must:

- (a) calculate all amounts specified in this Schedule 5 in accordance with the Accounting Standards, unless otherwise specified;
- (b) notify the Commission of its Accounting Standards from time to time and of any changes to those Accounting Standards; and
- (c) implement any changes to its Accounting Standards which the Commission requires in order to secure the outcomes set out in Condition 1.2

12. DEFINITIONS

In this Part B of Schedule 5 the following terms will have the meanings given to them below:

Accrued Prize Liability	in respect of Licence Year t, the aggregate amount of the Licensee's liability to pay Prizes in that Licence Year (irrespective of whether that payment is actually made)
Actual Annual Amount	in respect of Licence Year t, the aggregate amount of the Good Causes Payment calculated in accordance with paragraph 1 of Part B of this Schedule 5
Aggregated Scheduled Payments	in respect of Licence Year t, the aggregate of all Scheduled Weekly Payments for that Licence Year
Annual Overpayment	any amount by which the Aggregated Scheduled Payments exceeds the Actual Annual Amount
Annual Underpayment	any amount by which the Aggregated Scheduled Payments is less than the Actual Annual Amount
Base Date	[31 March 2021] ⁷
Consumer Price Index	the Consumer Price Index published from time to time by the Office for National Statistics (which, for the avoidance of doubt, is the Index which excludes owner occupiers' housing costs)
Estimated Annual Payment	in respect of Licence Year t, the amount determined in accordance with paragraph 1 of Part C of this Schedule and updated in accordance with paragraph 3.5 of Part C of this Schedule.
Excluded Costs	in relation to each Licence Year, costs within the categories specified in Table 3

⁷ To be updated to reflect date for submission of final applications.

Excluded Revenues	in relation to each Licence Year, revenues within the categories specified in Table 2
Fixed Contribution	in relation to each Licence Year, the Fixed Contribution payable to Good Causes by the Licensee specified in Table 1
Good Causes Underpayment Arrangements	has the meaning given in paragraph 5.8(b) of Part C of this Schedule 5
GCU Funding Cost	has the meaning given to it in paragraph 5.8(c) of Part C of this Schedule 5
Half Year Date_{t-1}	31 January in Licence Year t-1
Licence Year t	the particular Licence Year for the purpose of which any calculation is required to be made
Licence Year t – 1	the Licence Year immediately preceding Licence Year t
Licence Year t + 1	save in the case of the final Licence Year, the Licence Year immediately following Licence Year t
Licensee Costs	<p>in relation to each Licence Year, the aggregate of:</p> <ul style="list-style-type: none"> (a) Licensee Operating Expenses for that Licence Year; and (b) depreciation and amortisation calculated by reference to any expenditure categorised as capital expenditure under the Accounting Standards, which has been undertaken in accordance with this Licence and any licence granted to the Licensee under section 6 of the Act, including compliance with any directions from the Commission, on an historical accounting basis for that Licence Year; <p>For the avoidance of doubt, no amount paid to Good Causes (including for the avoidance of doubt any amount of Fixed Contribution or calculated by reference in any way to any Fixed Contribution) under this Licence shall be treated as a Licensee Cost</p>
Licensee Finance Income	any income earned or accrued to the Licensee from the deposit or lending of monies by the Licensee or from other purely financial arrangements entered into by the Licensee

Licensee Operating Expenses	<p>in relation to each Licence Year, the Licensee's total expenditure undertaken in accordance with this Licence and any licence granted to the Licensee under section 6 of the Act, including compliance with any directions from the Commission (on an accruals basis) excluding:</p> <ul style="list-style-type: none"> (a) depreciation; (b) amortisation; (c) expenditure categorised as capital expenditure under the Accounting Standards; (d) interest payment or other costs incurred by the Licensee in connection with the borrowing of monies or other arrangements for the financing of its activities; (e) shareholder distributions including dividends; and (f) Trust Costs, save to the extent payable by the Licensee in accordance with Condition 16 <p>Licensee Operating Expenses:</p> <ul style="list-style-type: none"> (i) includes the Accrued Prize Liability for that Licence Year; and (ii) shall be calculated inclusive of all costs relating to VAT paid by the Licensee in that Licence Year
Lottery Duty	the amount payable by the Licensee by way of lottery duty pursuant to the Finance Act 1993
Promotional Prize	any award of any Prize for the primary purpose of promoting the National Lottery or any other goods or services and not in accordance with the normal rules of any Game
Recoverable Implementation Costs	shall have the meaning given to that term in the Enabling Agreement
Scheduled Variable Weekly Payment	in respect of each week of Licence Year t, the amount determined in accordance with paragraph 2 of Part C of this Schedule 5
Scheduled Weekly Payment	<p>in respect of each week of Licence Year t, the aggregate of:</p> <ul style="list-style-type: none"> (a) $1/52$ (or, if different, the inverse of the number of Weekly Payment Days in the relevant Licence Year) of the Fixed Contribution for Licence Year t; and

(b) the Scheduled Variable Weekly Payment

SONIA	the Sterling Overnight Index Average administered by the Bank of England, or the interest rate which most closely replaces it from time to time
Weekly Payment Day	subject to paragraphs 3.3 and 3.4 of Part C of this Schedule 5, each Wednesday, or if Wednesday is not a Business Day, the following Business Day
Weekly Payment Schedule	a schedule setting out, for each Licence Year, the proposed Scheduled Weekly Payments for that Licence Year as determined in accordance with paragraph 3.5 of Part C of this Schedule

Part C – Payment Mechanics

1. CALCULATION OF ESTIMATED ANNUAL PAYMENT

- 1.1 The Licensee must adopt and apply a robust methodology for calculating an Estimated Annual Payment for each Licence Year (the **Estimation Methodology**).
- 1.2 The Estimation Methodology must be a methodology which, not later than the end of Licence Year t-1, generates a reasonable and genuine estimation of:
- (a) the revenues and costs of the National Lottery;
 - (b) the Surplus; and
 - (c) the Good Causes Contribution,
- for Licence Year t.
- 1.3 The initial Estimation Methodology shall be that in the Approved Form. The Licensee may only change the Estimation Methodology with the approval of the Commission. The Commission may direct that the Estimation Methodology must be changed if it ceases to comply with the requirements of paragraph 2.2 of this Part C of Schedule 5.

2. CALCULATION OF SCHEDULED VARIABLE WEEKLY PAYMENTS

- 2.1 The Licensee must adopt and apply a robust methodology for calculating Scheduled Variable Weekly Payments (the **Scheduling Methodology**) based on the Estimated Annual Payment from time to time.
- 2.2 The Scheduling Methodology and the calculation of the Estimated Annual Payment must ensure that:
- (a) the profile (by week within a Licence Year) of the Scheduled Variable Weekly Payments aligns, in so far as is possible on an estimated basis, with the profile (on a week-by-week basis within that Licence Year) of the amount by which the Gross Value of Ticket Sales exceeds the direct costs incurred by the Licensee in making those sales; and
 - (b) the aggregate of the Scheduled Variable Weekly Payments over a Licence Year and the Fixed Contribution for that Licence Year, matches the Licensee's best estimate of the Good Causes Contribution in respect of that Licence Year, taking account of its forecasted sales and costs,
- and must also reflect the Licensee's best estimate of the Payment Adjustment from time to time.
- 2.3 The initial Scheduling Methodology shall be that in the Approved Form. The Licensee may only change the Scheduling Methodology with the approval of the Commission. The Commission may direct that the Scheduling Methodology must be changed if it ceases to comply with the requirements of paragraph 2.2 of this Part C of Schedule 5.

3. PAYMENTS OF SCHEDULED WEEKLY PAYMENTS

Weekly Payments

- 3.1 Based on the Estimated Annual Payment and the Scheduling Methodology, the Licensee will, prior to the start of each Licence Year, provide to the Commission a Weekly Payment Schedule calculated as at the start of that Licence Year.
- 3.2 On each Weekly Payment Day, the Licensee must pay to Good Causes the Scheduled Weekly Payment.

Weekly Payment Day

- 3.3 If a Monday or Tuesday is not a Business Day in a given week, the payment which would have otherwise been due on the Weekly Payment Day that week may be postponed until the next day which is a Business Day (and that next day shall become the Weekly Payment Day for that week).
- 3.4 If both a Monday and a Tuesday are not a Business Day in a given week, the payment which would have otherwise been due on the Weekly Payment Day that week may be postponed until the next but one day which is a Business Day (and that next but one day shall become the Weekly Payment Day for that week).

Revised Weekly Payment Schedule

- 3.5 Not less than monthly in each Licence Year, the Licensee will review and update:
- (a) the Estimated Annual Payment; and
 - (b) the Scheduled Weekly Payments (taking account both of any change to the Estimated Annual Payment and of any change to the anticipated profile of the Scheduled Weekly Payments),
- for that Licence Year. In doing so the Licensee will apply the Estimation Methodology and the Scheduling Methodology as appropriate. The Licensee will provide to the Commission details of this calculation and of any changes to these amounts as a result.
- 3.6 The Scheduled Weekly Payments from time to time will be those reflecting the then current Estimated Annual Payment and Scheduled Weekly Payment as updated in accordance with paragraph 3.5 of this Part C of this Schedule.

4. LICENSEE ANNUAL ACCOUNTS

- 4.1 The Licensee's accounting reference date must be 31 July.
- 4.2 The Licensee must, in respect of each financial year, file annual accounts in the fullest form applicable to a company which is not publicly quoted (unless the Licensee is a publicly quoted company, in which event it must file accounts in the form required for such a company) by no later than 31 January the following year (or earlier if required by law). The Licensee shall in no event file accounts in a form applicable to a small or medium company.
- 4.3 The Licensee must ensure that draft annual accounts, together with a draft audit certificate and a certificate issued by its statutory auditors detailing:
- (a) the calculation of the Actual Annual Amount;
 - (b) the calculation of any Annual Overpayment or Annual Underpayment; and
 - (c) the calculation of interest adjustments in accordance with paragraph 5.3 and 5.4 below,

are presented to its board of Directors by no later than 31 October in Licence Year t+1 (the **Reconciliation Certificate**).

5. RECONCILIATION

5.1 No later than:

- (a) 15 November in Licence Year t+1, in respect of each Licence Year from the first Licence Year to the penultimate Licence Year; and
- (b) in the final Licence Year, 15 November in the calendar year in which that Licence Year ends,

the Licensee must provide the draft Reconciliation Certificate, approved by its board of Directors, to the Commission.

5.2 If the Commission:

- (a) notifies the Licensee, within 30 Business Days from receipt of the Reconciliation Certificate that it does not accept the contents of the certificate, the board of Directors of the Licensee must consider, with its auditors, any concerns raised by the Commission and make any appropriate amendments to the Reconciliation Certificate before finalising the Reconciliation Certificate and its audited annual accounts;
- (b) otherwise, at the end of that 30 Business Day period, the Reconciliation Certificate shall be considered final and the Licensee may proceed to finalise its audited annual accounts.

5.3 If, in any Licence Year, the Reconciliation Certificate identifies an Annual Underpayment for the prior Licence Year, the Licensee must pay to Good Causes on the first Weekly Payment Day following the date of the final Reconciliation Certificate:

- (a) the amount of the Annual Underpayment; and
- (b) an interest payment calculated as $(1+r)^{0.75}-1$ multiplied by the value of the Annual Underpayment, where r means an interest factor equivalent to SONIA +1%.

5.4 If, in any Licence Year, the Reconciliation Certificate identifies an Annual Overpayment for the prior Licence Year, an amount equal to the aggregate of:

- (a) the Annual Overpayment; and
- (b) an interest payment calculated as $(1+r)^{0.75}-1$ multiplied by the value of the Annual Overpayment, where r means an interest factor equivalent to SONIA +1% ,

shall be set off against and deducted from the Scheduled Weekly Payment due to be paid by the Licensee to Good Causes under paragraph 3.2 of Part C of this Schedule 5 on the first Weekly Payment Day following the date of the Reconciliation Certificate, provided that if the aggregate of (a) and (b) above exceeds the Scheduled Weekly Payment to be paid on that date, any excess shall be deducted from the Scheduled Weekly Payment(s) on the following Weekly Payment Day, so as to ensure that the Scheduled Weekly Payment paid to the Good Causes by the Licensee shall never be a negative number.

- 5.5 If the Reconciliation Certificate produced following the end of the final Licence Year, in accordance with paragraph 5.1(b) above, identifies an Annual Underpayment for that final Licence Year, an amount equal to
- (a) the amount of the Annual Underpayment; and
 - (b) an interest payment calculated as $(1+r)^{0.75}-1$ multiplied by the value of the Annual Underpayment, where r means an interest factor equivalent to SONIA +1%,
- must be paid to Good Causes by the Licensee in accordance with the Good Causes Underpayment Arrangements (as defined below).

Consequences of late payment

- 5.6 For the purposes of Condition 15 and this Schedule 5, if an Scheduled Weekly Payment is not received by Good Causes by 3.00 p.m. on the Weekly Payment Day, it shall be deemed to have been made on the next Business Day and payment shall be treated as made only when credited to the account specified by the Secretary of State under Condition 15.9.
- 5.7 Without prejudice to any right of the Secretary of State under sections 9(3) or 10A(14) of the Act, if the Licensee fails to make any Scheduled Weekly Payment in accordance with the terms of Condition 15 and Schedule 5, the Licensee must pay interest on any unpaid amount to Good Causes at a rate of 3% above SONIA.

Good Causes Underpayment Arrangements

- 5.8 The Licensee must:
- (a) do everything it can to ensure that monies are available to pay to Good Causes the amount of any Annual Underpayment for the final Licence Year of the Term and any such amount is paid to Good Causes;
 - (b) in accordance with paragraph 5.9, establish, maintain and operate arrangements to ensure that such amount is paid (**Good Causes Underpayment Arrangements**); and
 - (c) pay any such amounts (whether by way of a principal amount, any fees or otherwise) to any person as may be required to give effect to the Good Causes Underpayment Arrangements (**GCU Funding Cost**).
- 5.9 The Licensee must:
- (a) not less than 54 months before the End Date, propose arrangements and provide relevant proposed documentation to ensure that monies will available to pay to Good Causes the amount of any Annual Underpayment for the final Licence Year of the Term and any such amount is paid to Good Causes; and
 - (b) not less than 48 months before the End Date, establish Good Causes Underpayment Arrangements; and
 - (c) maintain and operate Good Causes Underpayment Arrangements for a period starting no later than the end of the Licence Year 6 and ending when the amount of any Annual Underpayment in the final Licence Year of the Term is paid to Good Causes.

- 5.10 The Good Causes Underpayment Arrangements shall be either:
- (a) if approved by the Commission, those arrangements proposed by the Licensee in accordance with paragraph 5.9(a), including any amendments directed by the Commission as a condition of such approval; or
 - (b) such other arrangements as the Commission may direct.

Documentation of Reconciliations

- 5.11 Where any payment calculated under this Schedule is required to take account of any additional payment or adjustment to a scheduled payment which is required to be made as part of any reconciliation, that amount shall be clearly and transparently described as a separate payment amount within any calculation or certification of any payment.

Treatment of Related Party Costs, Related Party Revenue and Wasteful Costs

- 5.12 Without prejudice to paragraph 5.13, when calculating any Estimated Annual Payment and any Scheduled Weekly Payment:
- (a) the fact that costs are Related Party Costs or Wasteful Costs shall not result in them being treated as Excluded Costs; and
 - (b) Related Party Revenue will be taken into account as accrued.
- 5.13 As part of the reconciliation process set out in this paragraph 5 of Part C of this Schedule 5:
- (a) all Related Party Costs which the Licensee cannot demonstrate, to the satisfaction of the Commission, a reasonable operator of the National Lottery acting on the basis of information reasonably available to it at the time the cost was incurred would have considered to be Good Value for Good Causes shall be Excluded Related Party Costs;
 - (b) if the Licensee cannot demonstrate to the satisfaction of the Commission in respect of any amount of Related Party Revenue that a reasonable operator of the National Lottery acting on the basis of information reasonably available to it at the time the revenue accrued would have considered that amount of revenue to represent Good Value for Good Causes, the Commission may, for the purposes of the Reconciliation, substitute for such amount an amount of Related Party Revenue which the Commission determines that a reasonable operator of the National Lottery acting on the basis of information reasonably available to it at the time the revenue accrued would have considered to be Good Value for Good Causes; and
 - (c) costs which fulfil the definition of Wasteful Costs in Table 3 shall be Excluded Costs.

Exceptions, Restatements or Revisions

- 5.14 The Commission may at any time review any calculation of any amount calculated and/or paid under this Schedule for any prior period whatsoever. The Licensee must provide to the Commission on request any and all information (including detail of all calculations and all associated workings and methodologies) relevant to any such review. If the Commission identifies that there has been any material error, misstatement or gross negligence in any such calculation for any such prior period, the relevant amount shall be recalculated and an adjusting payment (together with interest calculated at the rate set out in accordance

with paragraph 5.6 of this Part C of Schedule 5) shall be paid promptly following its determination by the Commission.

- 5.15 If the Licensee's audited financial statements restate figures reported for any previous Licence Year, or the Licensee revises the revenues or costs data that it reports to the Commission in respect of any previous Licence Year, the Licensee must promptly provide the Commission with a report setting out:
- (a) the nature of the restatement or revision;
 - (b) the reasons for the restatement or revision; and
 - (c) information on the impact such restatement or revision will have on the Actual Annual Amount paid in each Licence Year since the Start Date.
- 5.16 If the Commission determines that, as a result of a restatement or revision referred to in Condition 5.15, the Actual Annual Amount calculated prior to such restatement or revision is less than the amount calculated following such restatement or revision, the Licensee must promptly pay to Good Causes an amount equal to the relevant shortfall (together with interest calculated at the rate set out in accordance with paragraph 5.6 of this Part C of Schedule 5).

APPENDIX 1 TO SCHEDULE 5

Specification Tables⁸

Table 1 Fixed Contribution

A: Core Licence period

Licence Year	Fixed Contribution
2023/24 (Licence Year 1)	£ 75 million
2024/25 (Licence Year 2)	£ 75 million
2025/26 (Licence Year 3)	£ 75 million
2026/27 (Licence Year 4)	£ 75 million
2027/28 (Licence Year 5)	£ 75 million
2028/29 (Licence Year 6)	£ 75 million
2029/30 (Licence Year 7)	£ 75 million
2030/31 (Licence Year 8)	£ 75 million
2031/32 (Licence Year 9)	£ 75 million
2032/33 (Licence Year 10)	£ 75 million

B: Contingency Period

Licence Year	Fixed Contribution
2033 to 2035	£ 150 million

⁸ Note to draft: The Fixed Contribution is subject to the Inflation Factor, as shown in paragraph 1 of Part B of this Schedule 5.

Table 2 Excluded Revenues

Items
All income from lost or stolen Scratchcards
Any damages (including payment of costs recovered from third parties) paid to the Licensee in accordance with Condition 19.20

Table 3 Excluded Costs

Category	Definition
Annual Licence Fee	the annual licence fee payable by the Licensee to the Commission in accordance with section 7A of the Act
Commission OIS Costs	any costs to be reimbursed to the Commission by the Licensee if clause 26.5 of the Enabling Agreement applies
Commission Reimbursement Expenditure	any amount paid by the Licensee to the Commission by way of reimbursement in accordance with: <ul style="list-style-type: none"> (a) Condition 6.16; (b) Condition 7.16; (c) Condition 19.20(a); and (d) Condition 27.7(g).
Compensation payments and settlements in relation to legal disputes made by Licensee	all amounts paid by the Licensee by way of any amount of damages or other payment required to be made as a result of any judgement of any court or tribunal or any settlement of any legal dispute
Direct costs of carrying out an Independent Performance Review	any and all costs incurred by the Licensee in connection with the operation of Condition 25 (<i>Independent Performance Review</i>)
Director remuneration	any remuneration in any form paid to any Director of the Licensee
Excluded Related Party Costs	all Related Party Costs which do not represent Good Value for Good Causes
Expenses or costs incurred as a result of fraud	any cost or expense incurred by the Licensee directly or indirectly as a result of fraud on the part of: <ul style="list-style-type: none"> (a) the Licensee; (b) any member of Lottery Staff; (c) any Lottery Subcontractor; or (d) any employee of a Lottery Subcontractor

Fines and penalties	finer or penalties imposed on the Licensee by the Commission or any other legal, governmental or regulatory body
GCU Funding Cost	has the meaning given in paragraph 5.8(c) of Part C of Schedule 5
NLPU Costs	the payments to the NLPU which the Licensee is required to make under Condition 13.6
OLF Costs	any cost associated with the establishment or operation of the Outstanding Liability Fund, including the fees of the Approved OLF Administrator
OLF Monthly Payment	has the meaning given in Condition 28.9
OIS Costs	any cost associated with the implementation of any Outstanding Implementation Step
Reimbursement of Commission's Costs relating to the 3NL Extension	any costs to be reimbursed to the Commission by the Licensee if clause 29.4 of the Enabling Agreement applies
Research, Prevention and Treatment Support	any contribution made by the Licensee as referred to in Condition 8.19
Wasteful Costs	Costs which the Commission is satisfied would not have been incurred by the Licensee if it had acted as a reasonably efficient operator on the basis of information reasonably available to it at the time the cost was incurred

The Commission's Regulatory Handbook provides guidance on the interpretation of certain of the items deemed to be Excluded Costs.

Table 4 Licensee’s Proportion of Surplus

	Value
Licensee’s Proportion of Surplus	[0.XX]

SCHEDULE 6
Financial Covenants⁹

⁹ [Application Specific Condition: Applicant to propose financial covenants to be given by the Licensee which must remain true during the Term]

Appendix 2**Form of Core Lottery IP Sub Licence**

THIS SUB LICENCE is made on _____ 20[]

BETWEEN

(1) [] (**Licensor**); and

(2) [] (company no.) whose registered office is [] (**Licensee**).

WHEREAS

(A) The Licensor runs the National Lottery under a licence dated [] (**Head-Licence**) granted to it by the Gambling Commission (**Commission**) under section 5 of the National Lottery etc. Act 1993 (Act) for the Term (as defined below).

(B) The Licensor wishes to sub-license to the Licensee the Licensed IP for the Permitted Purpose (as defined below), on the terms of this Sub-Licence.

IT IS AGREED as follows:

1. **DEFINITIONS**

1.1 In this Sub-Licence:

"**Licensed IP**" means the Core Lottery IP, details of which are set out at Appendix 1 of this Sub-Licence;

"**Permitted Purpose**" means [];

Terms defined in the Head-Licence and not otherwise defined in this Sub Licence shall have the same meaning as set out in the Head-Licence.

1.2 In this Sub-Licence, unless otherwise stated:

- (a) references to Clauses, Schedules and paragraphs shall be construed as references to Clauses, Schedules and paragraphs of this Sub-Licence;
- (b) references to persons includes individuals, bodies corporate (wherever incorporated), unincorporated associations and partnerships;
- (c) the headings in this Sub-Licence do not affect its interpretation;
- (d) references to one gender includes all genders;
- (e) references to the plural include the singular and vice versa;
- (f) any reference to an enactment or statutory provision is a reference to it as it may have been, or may from time to time be amended, modified, consolidated or re-enacted;
- (g) references to any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court official or any other legal concept is, in respect of any jurisdiction other than England, deemed to include the legal

concept or term which most nearly approximates in that jurisdiction to the English legal term; and

- (h) references to the word “includes” or “including” are to be construed without limitation.

2. **COMMENCEMENT AND TERM OF SUB-LICENCE**

This Sub-Licence shall start on [day] [month] [year] (**Commencement Date**) and shall continue for the duration of the Head-Licence (**Term**) unless and until terminated in accordance with Clause 7 (*Termination*).

3. **GRANT OF SUB-LICENCE**

- 3.1 To the extent permitted under the Head-Licence, the Licensor grants to the Licensee for the Term a royalty-free, payment-free, non-transferable, non-sub-licensable and non-exclusive Sub-Licence to copy, publish and otherwise use any Licensed IP for the Permitted Purpose.
- 3.2 The Licensee must comply with the Core Lottery IP Guidelines relating to the use and mode of display of any Core Lottery IP forming part of the Licensed IP (as referred to in Condition 19 of the Head-Licence).
- 3.3 [All material produced by the Licensee in accordance with this Sub-Licence that includes any Licensed IP shall be supplied to the Licensor for prior approval. The Licensor shall not unreasonably withhold or delay such approval and shall use its reasonable endeavours to grant and/or obtain approval of such material within five (5) Business Days.]

4. **WARRANTIES**

Each party warrants that it has full authority, power and capacity to enter into and carry out its obligations under this Sub-Licence.

5. **OWNERSHIP OF RIGHTS**

The Licensee recognises that the Commission is the owner of the Licensed IP and shall not at any time do or permit to be done any act which will or may weaken, damage or be detrimental to the Licensed IP or the reputation of goodwill associated with the Licensed IP or the Commission, or that may invalidate or jeopardise any registration of any Licensed IP.

6. **INFRINGEMENT**

- 6.1 The Licensee shall promptly notify the Licensor in writing of any of the following matters which come to its attention during the Term (giving full particulars):
- (a) infringement or suspected or threatened infringement of the Licensed IP whether by imitation or otherwise;
 - (b) any allegation or complaint made by any third party that any of the Licensed IP is invalid, that use of the Licensed IP infringes any third party rights or that use of the Licensed IP may cause deception or confusion to the public; and
 - (c) any other form of attack on or claim to the Licensed IP.

6.2 The Licensee shall not make any admissions in respect of these matters other than to the Licensor and/or the Commission and at the request of the Licensor and/or the Commission shall furnish the Licensor and/or the Commission, at the Licensor's cost, with all information in its possession and all assistance which may be reasonably required by the Licensor and/or the Commission.

6.3 In the event that the Licensee provides such assistance as referred to in Clause 6.2, it shall not be entitled to receive any compensation payments and any award of costs or damages arising out of any such actions or proceedings.

7. TERMINATION

7.1 The Licensor may terminate this Sub-Licence by giving to the Licensee not less than [] months' prior written notice.

7.2 The Licensee agrees that this Sub-Licence shall automatically terminate on termination or expiry of the Head-Licence and/or in the event that the Commission requires it in the exercise of its functions under the Act and/or the Licensor requires it in the exercise of its obligations under the Head-Licence.

7.3 Either party may (without prejudice to any other right or remedy) by written notice to the other party terminate this agreement with immediate effect if:

- (a) the other party commits a breach of any obligation under this Sub-Licence (including a breach of any representation or warranty);
- (b) a petition is presented, or a meeting is convened for the purpose of considering a resolution or any other steps are taken by any person with a view to the appointment of an administrator (whether out of court or otherwise) against or for the winding up of the other party or an administration order or a winding up order is made against or a provisional liquidator appointed with respect to the other party;
- (c) an encumbrancer takes possession of, or a trustee or administrative receiver or similar officer is appointed in respect of, all or any part of the business or assets of the other party, or distress or any form of execution is levied or enforced upon or sued out against any such assets and is not discharged within five (5) Business Days of being levied, enforced or sued out;
- (d) the other party is unable to pay its debts as they fall due or the value of its assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities, or it suspends or threatens to suspend making payments with respect to all or any class of its debts;
- (e) any voluntary arrangement is proposed under section 1 of the Insolvency Act 1986 (as amended, re-enacted or replaced from time to time) in respect of the other party;
- (f) the other party proposes or makes any composition or arrangement or composition with, or any assignment for the benefit of, its creditors; or
- (g) anything analogous to any of the events described in paragraphs (a) – (e), inclusive, occurs under the laws of any applicable jurisdiction.

7.4 The Licensor may immediately terminate this Sub-Licence by notice in writing if:

- (a) it reasonably considers that any of the events mentioned in Clause 7.3 are about to occur in relation to the Licensee; or
- (b) the Licensee does not comply with the guidelines referred to in Clause 3.2.

8. EFFECTS OF TERMINATION

- 8.1 On termination of this Sub-Licence for any reason, the rights and licence granted under this Sub-Licence to the Licensee shall cease and the Licensee shall without delay discontinue all use of the Licensed IP and deliver up to the Licensor all of the Licensed IP and copies thereof in its possession, power, custody or control.
- 8.2 Termination of this Sub-Licence shall not release either of the parties from any other liability which at the time of termination has already accrued to the other party, nor affect in any way the survival of any other right, duty or obligation of the parties which is expressly stated elsewhere in this Sub-Licence to survive termination.

9. CONFIDENTIAL INFORMATION

- 9.1 Each of the parties shall both during the term and after termination of this Sub-Licence:
 - (a) keep confidential the terms of this Sub-Licence and all documents or information, whether in written or any other form, which has been disclosed to it by or on behalf of the other party under its respective obligations under this Sub-Licence which by its nature ought to be regarded as confidential; and
 - (b) procure that its officers, employees and representatives and those of any group companies keep secret and treat as confidential all such documents and information.
- 9.2 Clause 9.1 does not apply to information which the recipient party is required to disclose by law or by any governmental or other regulatory authority and each party must give the other at least five (5) Business Days' advance written notice of any intended disclosures of this sort unless it is legally prohibited from doing so.
- 9.3 The provisions of this Clause 9 shall survive any termination of this Sub-Licence.

10. SEVERABILITY

- 10.1 If, and to the extent that, any provision of this Sub-Licence is held to be illegal, void or unenforceable, that provision shall be given no effect and will be treated as though it were not included in this Sub-Licence, but the validity and enforceability of the remaining provisions of this Sub-Licence will not be affected.

11. WAIVERS AND AMENDMENTS

- 11.1 No failure or delay by either party in exercising any right or remedy provided by this Sub-Licence or by law constitute a waiver or variation of it or preclude its exercise at any subsequent time, and no single or partial exercise of any such right or remedy shall preclude any other or further exercise of it or of any other right or remedy.
- 11.2 The rights and remedies provided for are cumulative and not exclusive of any rights and remedies provided by law.

11.3 No provision of this Sub-Licence may be amended, modified, waived, discharged or terminated otherwise than by the express written agreement of the parties to this Sub-Licence nor may any breach of any provision of this Sub-Licence be waived or discharged except with the express written consent of the party not in breach.

12. NOTICES

12.1 A notice or communication given under, or in connection with, this Sub-Licence, must be in writing and in English and sent to the following address:

Licensor

Address [●]

Email [●]

For the attention of: [●]

The Licensee

Address [●]

Email [●]

For the attention of: [●]

12.2 Each party must give the other party reasonable advance notice of any change to the notice details set out in clause 12.1.

Service of Notices

12.3 A notice or communication that complies with clause 12.1 is deemed to have been given:

- (g) if delivered by hand or by courier, on signature of a delivery receipt;
- (h) if sent by recorded, special delivery or registered post, at 9.00 am on the second Business Day after the day of posting; or
- (i) if sent by email, at the time of its transmission.

13. GOVERNING LAW AND JURISDICTION

13.1 This Sub Licence shall be governed by and construed in accordance with English law.

13.2 The parties irrevocably agree that the English courts shall have exclusive jurisdiction in relation to any legal action or proceedings arising out of or in connection with this Sub Licence (Proceedings) and waive any objection to Proceedings in such courts on the grounds of venue or on the grounds that Proceedings have been brought in an inappropriate forum.

14. ENTIRE AGREEMENT

14.1 This Sub-Licence and the Head-Licence set out the entire agreement and understanding between the parties in respect of the subject matter of this Sub-Licence. This Clause shall not exclude any liability for, or remedy in respect of, fraudulent misrepresentation.

15. **FORCE MAJEURE**

15.1 Neither party shall be liable for any failure or delay in performing any of its obligations under this Sub-Licence if the failure or delay is due to any cause outside its reasonable control, and it shall be entitled to a reasonable extension of the time for performing the obligations as a result of the cause.

16. **ASSIGNMENT**

16.1 The Licensee shall not purport to assign, transfer, charge or otherwise deal with all or any of its rights and/or obligations under this Sub-Licence nor grant, declare, create or dispose of any right or interest in it, without the prior written consent of the Licensor, such approval not to be unreasonably withheld or delayed. Save that the Licensee may arrange for the printing or design by third parties of literature relating to the Permitted Purpose which includes the Licensed IP without further reference to the Licensor.

17. **THIRD PARTY RIGHTS**

17.1 With the exception of the Commission’s rights under Clause 17.2 and unless otherwise stated, a person who is not a party to this Sub-Licence shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.

17.2 All rights and interests exercisable by the Licensor under this Sub-Licence shall be exercisable by the Commission.

18. **COUNTERPARTS**

18.1 This Sub-Licence may be executed in any number of counterparts and by the parties to it on separate counterparts, each of which is an original but all of which together constitute one and the same instrument.

IN WITNESS WHEREOF the signatures of the parties or their duly authorised representatives on the date

first written above.

Signed by

for and on behalf of

[Licensor]

Director/Duly Authorised Signatory

Signed by

for and on behalf of

[Licensee]

Director/Duly Authorised Signatory