

Ceasing future accrual

Ladbrokes Pension Plan ("the Plan")

Dear Member

As you are aware, Ladbrokes plc (the "Company") is proposing to cease future accrual in the Ladbrokes Pension Plan and are currently consulting with you on that proposal.

We thought it would now be helpful for the Trustees to provide you with details of our role in this process, including details of what we have done and what we are doing.

The Trustees involvement in the proposal

The proposal to cease future accrual is a Company initiative. The Trustees have not been involved in the development of the proposal since it is a Company remuneration and benefits issue.

Trustee approval of the proposal is not required. As such, the Trustees have not been consulted on the proposal and have not been involved in drafting the member communications.

The Trustees role

The key responsibilities of a Trustee are to protect the benefits that members have accrued and to administer the pension scheme efficiently so as to ensure that members receive their correct benefits at the correct time. Our role is not to negotiate on future service benefit provision. That does not however mean that we have not been monitoring the situation very closely to ensure the process is carried out fairly and legally.

The Company's chosen method of implementing the proposal

Ceasing future accrual in a pension scheme can be achieved in a variety of ways.

The most common is by rule amendment. Had the Company chosen that route then the Trustees would have had more involvement because the Rules of the Plan require Trustee agreement and the Trustees would need to consider whether they could, and whether they should, agree to make such an amendment. The Company, however, did not want to cease future accrual by rule amendment because that route would not allow them to sever the final salary link with benefits that have already accrued. The Company has been very clear that it wants to sever the final salary link as well as to stop extra years of service being built up.

Since amending the Plan rules does not achieve the Company's aims it has therefore chosen to pursue its aims via a variation of contract approach. This is the proposal being consulted on. Since it is a contractual matter, the Company has chosen not to consult with the Trustees (and that is within its power to do).

What have we done and what are we doing?

The Company is proposing to cease future accrual (including severing the final salary link with benefits already accrued) in a similar way to that achieved by other companies. Given the method is contractual, the Trustees role is limited. However, as we are responsible for the administration of the Plan, we do need to make sure that the process that is followed by the Company is carried out in a way that is legal and fair. As such we have:

- rigorously questioned the Company on its proposal (and on the rationale for the proposal);
- suggested further clarifications that could be added to future communications to make the issues clearer to affected members; and
- obtained agreement from the Company that it will provide us with details of member queries and the Company's responses and processes in dealing with them – to enable us to assess the consultation process and the Company's approach generally.

So far we have not seen or heard anything that would suggest to us that the proposal or the process for implementing it is unlawful or defective in any way.

Clearly we are continually monitoring the situation and will alert the Company to any issues that we feel need further action or clarification.

Employee representative on the Trustee board

Some of you may be aware that one of our number (Paul Plowright) is also an employee representative for the purposes of the consultation process. Paul's role as an employee representative and as a Trustee are entirely separate and distinct. This is important to maintain independence and confidentiality. As such, any views expressed by Paul as an employee representative are given in that capacity and should not be taken to be the views of the Trustees.

And finally...

We would like to assure you that we take our role as Trustees very seriously and to the extent we have any concerns over the security of members benefits accrued to date we will immediately take this up with the Company. However, what we cannot do, is interfere with contractual matters between employees and their employers.

If there are any issues that you wish to raise further with the Trustees please contact me in writing by either post or email to the following addresses:

HR Trustees Ltd
Phoenix House, 1 Station Hill, Reading
Berkshire RG1 1NB
Email: Mark.Fletcher@hrtrustees.com

Yours sincerely



Mark Fletcher (Chair of Trustees)

For and on behalf of the Trustees of the Ladbrokes Pension Plan