

May 1, 2017

Christina Zacharuk
President and CEO
Public Sector Employers' Council Secretariat
2nd Floor, 880 Douglas Street
Victoria, BC V8W 2B7



Re: Attestation letter for Executive Compensation – British Columbia Lottery Corporation, Fiscal Reporting Period 2016/17

I have read the Public Sector Executive Compensation Reporting Guidelines as prepared by the Public Sector Employer's Council Secretariat and understand it is my responsibility as Board Chair to be aware of executive compensation paid as reported by British Columbia Lottery Corporation (BCLC) management.

I hereby attest that, the executive compensation transactions, as reported by BCLC for the fiscal reporting period 2016/17, in all material respects, were within approved compensation plans¹.

Yours truly,

Bud Smith
Chair, Board of Directors

Enclosure(s)

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¹ The approved compensation plans referenced in this attestation letter are comprised of the following:
a) The British Columbia Lottery Corporation Compensation Plan approved by BCLC's Board of Directors on October 29, 2015 and approved by PSEC on January 26, 2016.

Public Sector Executive Compensation Reporting Form

**British Columbia Lottery Corporation
Reporting for Fiscal Year 2016/17**

Statement of Executive Compensation

May 2017

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Statement of Executive Compensation

1.1 PURPOSE

BCLC is required to disclose all compensation provided to the Chief Executive Officer and the next four highest paid executives for the services they have provided to the organization. This document outlines the design, provisions and total value of executive compensation for the fiscal year ending March 31, 2017 for the British Columbia Lottery Corporation (BCLC).

2.1 COMPENSATION DISCUSSION AND ANALYSIS

2.1.1 Compensation Philosophy

BCLC's compensation philosophy and plan is aligned to a common compensation philosophy for the B.C. Public Sector and has embodied the following four core principles:

- Performance – Compensation programs support and promote a performance-based organizational culture.
- Differentiation – Differentiation of salary is supported where there are differences in the scope of the position within an organization, and/or due to superior individual team contributions.
- Accountability – Compensation decisions are objective and based upon a clear and well documented business rationale that demonstrates the appropriate expenditure of public funds.
- Transparent – Compensation programs are designed, managed and communicated in a manner that ensures the program is clearly understood by employees and the public while protecting individual personal information.

BCLC's Guiding Principles for Reward and Compensation

1. **Merit-based compensation** – We will differentiate compensation and rewards for high performing employees.
2. **Externally competitive** – We strive to pay base salaries at median (50th percentile) of a role's market rate.
3. **Internally equitable** – High-performing employees will progress through the range at a faster pace than accomplishing employees as performance achievement is taken into account for movement through the range.
4. **Relevant comparators** – The market will be based on comparable crown corporations and national jurisdictions, with the exception of “special market” roles which will include specific private sector organizations (aligned by role, market, and geography).
5. **A “total rewards” perspective** – We will communicate a holistic view of rewards to staff and leadership that includes base compensation (salary, holdback, benefits) along with development, recognition, and other quantifiable rewards that are provided to employees.
6. **Transparent and accountable** – Practices will be transparent and accountable to employees, leadership, the Board of Directors, and key public sector stakeholders.

Total Rewards Overview

The compensation program includes both a base pay and holdback incentive component. The holdback incentive is applicable to management and executive. All management and executive employees have a portion of their salary at risk, payable subject to the achievement of corporate and individual objectives.

Equity is achieved through a formalized job evaluation system that evaluates jobs and level of compensation on the basis of complexity. Employees progress through a salary range based on individual performance and mastery of the job.

The Benefits and Work/Life balance component of the Total Rewards package is designed to provide competitive and comprehensive coverage for employees and their families and to recognize the importance of work life balance in being a contributor to a high performance culture.

Any Total Rewards offered must be in compliance with any government regulations and guidelines in place.

2.1.2 Governance

The Board of Directors (BOD) and the Human Resources and Compensation Committee (HR&C) have oversight of BCLC's executive compensation. The terms of reference (as it pertains to total compensation) are outlined below:

Board of Directors

- Monitor and, at least annually, review the CEO's performance against agreed upon annual objectives;
- Approve the CEO's compensation
- Review compensation plans for senior management including salary, incentive, benefit and pension plans;
- Approve certain matters relating to all employees, including:
 - The Corporation's broad compensation strategy and philosophy;
 - New benefit programs or material changes to existing programs; and
 - Material changes to the employee pension plans;

Human Resource and Compensation Committee

- Annually review and recommend to the BOD for approval the Total Compensation philosophy and principles, ensuring they meet applicable Government requirements
- Annually review and approve the salary plan (including, if applicable, merit increase budget) for the upcoming fiscal year;
- Annually review and approve the resource plan (proposed FTE) for the upcoming fiscal year;
- Review and recommend to the BOD for approval any material changes to benefit programs; and
- For purposes of administering the CEO/Executive/Management incentive holdback plans, review and recommend to the BOD for approval:
 - The corporate objectives for the next fiscal year
 - The CEO objectives for the next fiscal year; and
 - The incentive holdback plan payout after fiscal year-end results are confirmed
- Review and make recommendations to the BOD respecting the terms and conditions of the pension plans of which BCLC is an administrator.

2.1.3 Forms of Compensation

Total compensation for the Executive includes base salary, holdback incentive, benefits, pension, supplementary pension, and vacation. Following is a description of each total compensation element.

Base Pay

BCLC's compensation plan is market-based and salary ranges are reflective of the 50th percentile of the market.

Salaries are allocated through a formal job evaluation process and within approved salary bands.

Annual salary increases for the Executive are determined based on individual performance.

The salary freeze for management and executive employees announced September 12, 2012 remains in effect.

Holdback Incentive

BCLC's Holdback Incentive is aimed at directly linking employee performance to pay, ensuring that accountability cascades down through the organization. Success is measured on the achievement of both corporate objectives and individual objectives, aligning employee contributions to the strategic priorities of the organization.

BCLC's Holdback Incentive is earned each year based on the achievement of a financial trigger, corporate objectives and individual objectives. The holdback incentive plan is not remunerated (corporate or individual) if the financial trigger is not achieved.

Fiscal Year 2016/17 Targets

Corporate Goals	Trigger	Threshold	Target
Net Income before taxes (millions)	1,270.8	1,270.8	1,294.8
Net Win (millions)		2,246.4	2,288.4

Benefit Plan

BCLC provides a cost-shared flexible benefit program, which gives employees the flexibility to choose medical, extended health, dental, AD&D, and life insurance. Long Term Disability premiums are paid for by the employee.

Vacation

Twenty days of vacation is provided for executive upon joining BCLC, unless otherwise negotiated as part of the employment contract. Annual rate of vacation accrual increases at established years of service until the maximum accrued vacation rate is met. The maximum accrued vacation provided to Executive is 35 days. Thirty days' vacation is provided to the CEO.

Registered Pension Plan (RPP)

BCLC provides a defined benefit pension plan which is a shared cost between the employee and the Corporation. Employees contribute 4.4% of their monthly earnings that are less than or equal to the Year's Maximum Pensionable Earnings (YMPE) and 6.0% of their annual earnings that are in excess of the YMPE. The Corporation contributes additional amounts necessary to pay for the promised pension. An actuary who is certified in the determination of pension funding requirements calculates the amount of the Corporation's contribution.

Supplemental Registered Pension Plan (SRP)

BCLC has a Supplemental Registered Plan for Vice-Presidents. The SRP provides a pension payable at retirement on or after age 55. The pension is calculated using the formula from the RPP, without *Income Tax Act* maximum pension limits imposed on the RPP. The excess over the RPP is payable from the SRP. In other words, the SRP provides the pension that the *Income Tax Act* will not allow to be paid from the RPP. The SRP is simply a mirror of the RPP, with two exceptions: The Vice Presidents do not have to contribute to the SRP. If a Vice President terminates employment before age 55, no benefit is payable from the SRP.

Supplemental Registered Pension Plan (CEO)

The CEO Supplemental Registered Pension is similar to the SRP for Vice Presidents with one exception; the CEO receives 1.5 years of pensionable service credit for each year of eligible service.

BC Lottery Corporation

Summary Compensation Table at 2017

Name and Position	Salary	Holdback/Bonus/ Incentive Plan Compensation	Benefits	Pension	All Other Compensation (expanded below)	2016/2017 Total Compensation	Previous Two Years Totals Total Compensation	
							2015/2016	2014/2015
Jim Lightbody, President	\$ 285,265	\$ 30,522	\$ 13,284	\$ 67,500	\$ 18,489	\$ 415,060	\$ 394,324	\$ 386,964
Monica Bohm, Vice President, eGaming	\$ 214,669	\$ 23,093	\$ 12,727	\$ 12,600	\$ 6,987	\$ 270,076		
Bradley Desmarais, Vice President, Casino and Community Gaming	\$ 210,972	\$ 22,695	\$ 13,161	\$ 15,800	\$ 6,923	\$ 269,551	\$ 259,444	\$ 247,716
Susan Dolinski, Vice President, Social Responsibility and Communication	\$ 216,644	\$ 23,348	\$ 12,197	\$ 8,800	\$ 8,215	\$ 269,204	\$ 242,215	
Lynette DuJohn, Chief Information Officer	\$ 13,400	-	\$ 1,145	\$ 1,100	\$ 19,238	\$ 34,883		
Kevin Gass, Vice President, Lottery Gaming	\$ 241,211	\$ 25,995	\$ 12,306	\$ 35,600	\$ 11,152	\$ 326,264	\$ 298,754	\$ 301,367
Robert Kroeker, Vice President Corporate Security & Compliance	\$ 213,721	\$ 22,991	\$ 12,651	\$ 15,400	\$ 6,987	\$ 271,750		

Summary Other Compensation Table at 2017

Name And Position	All Other Compensation	Severance	Vacation payout	Leave payout	Vehicle / Transportation Allowance	Perquisites / other Allowances	Other
Jim Lightbody, President	\$ 18,489	-	\$ 18,489	-	-	-	-
Monica Bohm, Vice President, eGaming	\$ 6,987	-	-	-	\$ 6,987	-	-
Bradley Desmarais, Vice President, Casino and Community Gaming	\$ 6,923	-	-	-	\$ 6,923	-	-
Susan Dolinski, Vice President, Social Responsibility and Communication	\$ 8,215	-	-	-	\$ 8,215	-	-
Lynette DuJohn, Chief Information Officer	\$ 19,238	-	\$ 19,238	-	-	-	-
Kevin Gass, Vice President, Lottery Gaming	\$ 11,152	-	\$ 4,165	-	\$ 6,987	-	-
Robert Kroeker, Vice President Corporate Security & Compliance	\$ 6,987	-	-	-	\$ 6,987	-	-

Notes

Jim Lightbody, President	
Monica Bohm, Vice President, eGaming	General Note: This is the first year that Ms. Bohm has been reported on the Executive Compensation Disclosure
Bradley Desmarais, Vice President, Casino and Community Gaming	
Susan Dolinski, Vice President, Social Responsibility and Communication	General Note: Base Salary – adjusted in recognition of reduced holdback potential, effective April 2016
Lynette DuJohn, Chief Information Officer	General Note: Ms Dujohn resigned effective Apr 12, 2016
Kevin Gass, Vice President, Lottery Gaming	General Note: Base Salary – adjusted in recognition of reduced holdback potential, effective April 2016
Robert Kroeker, Vice President Corporate Security & Compliance	General Note: This is the first year that Mr. Kroeker has been reported on the Executive Compensation Disclosure