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May 15, 2019

Christina Zacharuk
President and CEO
Public Sector Employers' Council Secretariat
Suite 210 - 880 Douglas Street
Victoria, BC V8W 2B7

Re: *Attestation letter for Executive Compensation – British Columbia
Lottery Corporation, Fiscal Reporting Period 2018/19*

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 in the prior fiscal year, 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 2018/19, in all material respects, are accurate and include all Executive compensation paid by BCLC. The disclosed information also includes the value of any pre-employment or post-employment payments made during the 12 month period before or after the term of employment. The compensation provided to Executives was within approved compensation plans and complies with these guidelines¹.

Yours truly,

A handwritten signature in black ink, appearing to read 'Peter Kappel', with a long horizontal flourish extending to the right.

Peter Kappel
Chair, Board of Directors

Enclosure(s)

¹ The approved compensation plans referenced in this attestation letter are comprised of the following:

- a) The British Columbia Lottery Corporation Compensation Philosophy and Plan approved by BCLC's Board of Directors on January 16, 2019.
- b) Compensation transactions for the CEO are approved by the Minister.

Public Sector Executive Compensation Reporting Form

**British Columbia Lottery Corporation
Reporting for Fiscal Year 2018/19**

Statement of Executive Compensation

May 2019

Table of Contents

Item 1 – General Provisions

Item 2 – Compensation Discussion and Analysis

Item 3 – Summary Compensation Table

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, 2019 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 B.C. public sector organizations, other provincial lottery jurisdictions, and private sector organizations. The market for "hard to fill" roles will include other provincial lottery jurisdictions and 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 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 comply with any government regulations and guidelines in place.

2.1.2 Governance

The Board of Directors (BOD) and the Human Resources and Compensation Committee (HRCC) 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 Resources and Compensation Committee

- Annually review and recommend to the BOD for approval the BCLC Compensation Philosophy and Plan, ensuring it meets 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;
- For purposes of administering the incentive holdback plan, 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 pay, holdback incentive, benefits plan, pension, supplementary pension, and vacation, vehicle/transportation allowance and other compensation. 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 (excluding the CEO) announced September 12, 2012, was removed effective September 1, 2018. Compensation changes for the CEO must still be approved by the Minister.

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 financial 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 corporate financial threshold, corporate financial objectives and individual objectives. The holdback incentive plan is not remunerated (corporate financial or individual) if the corporate financial threshold is not achieved.

BCLC's holdback incentive was approved to be pensionable income for all Executives as of April 1, 2019.

Fiscal Year 2018/19 Targets

Corporate Goals	Threshold	Target
Net Income before taxes (millions)	1,312.2	1,373.6
Revenue (formerly Net Win) (millions)		2,477.8

Benefits Plan

BCLC provides a cost-shared flexible benefit program, which gives employees the flexibility to choose appropriate levels of extended health, dental, accidental death and dismemberment insurance, life insurance critical illness insurance, healthcare spending account and wellness account coverage. Long Term Disability premiums are paid for by the employee.

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 Pension Plan (SPP) – For Vice-Presidents

BCLC has a Supplemental Pension Plan for Vice-Presidents. The SPP 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 SPP. In other words, the SRPP provides the pension that the *Income Tax Act* will not allow to be paid from the RPP. The SPP is simply a mirror of the RPP, with two exceptions: The Vice Presidents do not have to contribute to the SPP. If a Vice President terminates employment before age 55, no benefit is payable from the SPP.

Supplemental Pension Plan (SPP) – For CEO

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

Vacation

Twenty days of vacation is provided for an Executive upon joining BCLC, unless otherwise negotiated as part of the employment contract. The 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 an Executive is 35 days.

Vehicle/Transportation Allowance

BCLC implemented a vehicle/transportation allowance aligned with the BC Government vehicle policy.

Other

Paid parking is provided to Vancouver based Executives.

BC Lottery Corporation

Summary Compensation Table at 2019

Name and Position	Salary	Holdback/Bonus/ Incentive Plan Compensation	Benefits	Pension	All Other Compensation (expanded below)	2018/2019 Total Compensation	Previous Two Years Totals Total Compensation	
							2017/2018	2016/2017
Jim Lightbody, President and CEO	\$ 274,700	\$ 30,522	\$ 12,501	\$ 84,140	\$ 9,221	\$ 411,084	\$ 428,227	\$ 415,060
Monica Bohm, Vice-President, Digital and Enterprise Services	\$ 217,380	\$ 23,555	\$ 11,748	\$ 22,677	\$ 8,094	\$ 283,454		\$ 270,076
Bradley Desmarais, Vice-President, Casino and Community Gaming	\$ 211,577	\$ 23,149	\$ 12,144	\$ 22,876	\$ 16,335	\$ 286,081	\$ 287,991	\$ 269,551
Kevin Gass, Vice-President, Lottery Gaming	\$ 238,639	\$ 26,515	\$ 11,796	\$ 35,317	\$ 11,511	\$ 323,778	\$ 315,610	\$ 326,264
Robert Kroeker, Chief Compliance Officer and Vice-President Legal, Compliance, Security	\$ 211,055	\$ 23,451	\$ 11,751	\$ 23,445	\$ 16,210	\$ 285,912	\$ 270,730	\$ 271,750

Summary Other Compensation Table at 2019

Name And Position	All Other Compensation	Severance	Vacation payout	Leave payout	Vehicle / Transportation Allowance	Perquisites / other Allowances	Other
Jim Lightbody, President and CEO	\$ 9,221	-	\$ 9,221	-	-	-	-
Monica Bohm, Vice-President, Digital and Enterprise Services	\$ 8,094	-	-	-	\$ 6,960	-	\$ 1,134
Bradley Desmarais, Vice-President, Casino and Community Gaming	\$ 16,335	-	\$ 13,332	-	\$ 1,869	-	\$ 1,134
Kevin Gass, Vice-President, Lottery Gaming	\$ 11,511	-	\$ 3,417	-	\$ 6,960	-	\$ 1,134
Robert Kroeker, Chief Compliance Officer and Vice-President Legal, Compliance, Security	\$ 16,210	-	\$ 8,116	-	\$ 6,960	-	\$ 1,134

Notes

Jim Lightbody, President and CEO	General Note: Effective April 1, 2019, holdback became pensionable, which resulted in an increased Supplemental Pension Plan value.
Monica Bohm, Vice-President, Digital and Enterprise Services	General Note: Ms. Bohm was reported on the 2016/17 executive compensation disclosure, though was not reported on the 2017/18 disclosure based on total compensation ranking for named executive officers in those years. Ms. Bohm has been continuously employed by BCLC throughout this period. Actual Base Salary includes acting pay (\$6,588) for the period November 9, 2018 to March 31, 2019 (responsibility for partial duties of the position of Vice-President, Social Responsibility and Communication). Effective April 1, 2019, holdback became pensionable, which resulted in an increased Supplemental Pension Plan value. Other Note: Paid parking is provide for Vancouver based Executive
Bradley Desmarais, Vice-President, Casino and Community Gaming	General Note: Actual Base Salary includes acting pay (\$3,237) for the period November 9, 2018 to March 31, 2019 (responsibility for partial duties of the position of Vice-President, Social Responsibility and Communication). Effective April 1, 2019, holdback became pensionable, which resulted in an increased Supplemental Pension Plan value. Other Note: Paid parking is provide for Vancouver based Executive
Kevin Gass, Vice-President, Lottery Gaming	Other Note: Paid parking is provide for Vancouver based Executive
Robert Kroeker, Chief Compliance Officer and Vice-President Legal, Compliance, Security	General Note: Effective April 1, 2019, holdback became pensionable, which resulted in an increased Supplemental Pension Plan value. Other Note: Paid parking is provide for Vancouver based Executive