

TERMS OF REFERENCE: BOARD OF DIRECTORS

I. INTRODUCTION

British Columbia Lottery Corporation (“**BCLC**”) is a Crown corporation continued under the *Gaming Control Act* (British Columbia). BCLC is responsible for the conduct and management of gaming on behalf of the Government of British Columbia (“**Government**”).

II. PURPOSE

- A. The BCLC Board of Directors (the “**Board**”) has a primary responsibility to foster BCLC’s short and long-term success. This should be consistent with the Board’s responsibility to Government, giving consideration to the legitimate interests held by other stakeholders including employees, customers, suppliers, communities and the public.
- B. The Directors have the responsibility to manage the affairs of BCLC and may delegate the exercise of performance of any power or duty conferred on them to a person employed by BCLC. Management is responsible for the day-to-day operation of BCLC.
- C. These Terms of Reference are prepared to assist the Board and Management in clarifying responsibilities and ensuring effective communication between the Board and Management.

III. COMPOSITION AND BOARD ORGANIZATION

- A. The Board Chair and other Directors are appointed by the Lieutenant Governor in Council.
- B. The Board operates by delegating to Management certain of its authorities, including spending authorizations, and by reserving certain powers to itself.
- C. Certain of the Board’s responsibilities may be delegated to Board committees (“**Committees**”). The responsibilities of those Committees will be as set forth in their Terms of Reference.

IV. DUTIES AND RESPONSIBILITIES

A. Governance

The Board retains the responsibility for managing its own affairs including the responsibility to:

- i. recommend to the Board Chair, for subsequent recommendation to Government, criteria and candidates to consider when appointing Directors;
- ii. approve the Terms of Reference for the Board, Board Chair, Committees, Individual Directors, and Corporate Secretary and any material amendments thereto;
- iii. on the recommendation of the Board Chair, appoint Committee members;

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- iv. assess the adequacy of Director compensation and make recommendations to Government, as appropriate;
- v. implement an appropriate evaluation process for the Board, Committees, their respective Chairs and individual Directors;
- vi. ensure the Board's governance practices meet the needs of BCLC, with consideration to the interests of its stakeholders; and
- vii. appoint the Corporate Secretary to the Board.

B. Corporate Strategy and Planning

The Board has the responsibility to:

- i. participate with Management in the development of, and approve, BCLC's mission, vision, and values;
- ii. participate with Management in the development of, and approve, BCLC's strategic and service plans, consistent with BCLC's mission, vision and values and Government's Mandate Letter;
- iii. approve annual business plan, operating and capital budgets that support BCLC's ability to meet its strategic and service plans;
- iv. direct Management to develop, implement and maintain a reporting system that accurately measures BCLC's performance against its strategic, business and service plans;
- v. monitor BCLC's progress towards the approved strategic objectives and performance against the business plan, operating and capital budgets and, through the President and Chief Executive Officer ("CEO"), alter its direction in light of changing circumstances; and
- vi. review and approve significant changes to the plans.

C. Financial Oversight

The Board has the responsibility to:

- i. approve BCLC's quarterly revised forecast and projections;
- ii. approve BCLC's quarterly unaudited financial statements and the release thereof by Management;
- iii. approve the annual unaudited financial statements of any BCLC subsidiary company;
- iv. approve BCLC's annual audited consolidated financial statements and the release thereof by Management;
- v. approve BCLC's Annual Service Plan Report;

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- vi. appoint External Auditors¹ and approve their fees;
- vii. approve BCLC's statements of financial information (*Financial Information Act* report); and
- viii. approve BCLC's Signing and Spending Authority Policy.

D. Policies and Controls

The Board has the responsibility to:

- i. approve and monitor, through Management, compliance with all major corporate policies and procedures that govern BCLC's operations;
- ii. approve and act as the guardian of BCLC's corporate values, including approving BCLC's Standards of Ethical Business Conduct and Whistleblower Policy and Procedures;
- iii. direct Management to ensure BCLC operates at all times within applicable laws and regulations and to the highest ethical and moral standards;
- iv. direct Management to ensure that BCLC has a corporate social responsibility program and is engaging in a socially responsible approach to business practices;
- v. review significant new policies or material amendments to existing policies; and
- vi. take reasonable steps to ensure the integrity of BCLC's internal control and management systems.

E. Risk Oversight

The Board has the responsibility to:

- i. take reasonable steps to ensure BCLC establishes and implements an effective enterprise risk management program for the identification, assessment and management of strategic and operational risks;
- ii. approve BCLC's Risk Advisory Services charter and any amendments thereto;
- iii. oversee BCLC's risk appetite and tolerance levels set by Management; and
- iv. oversee BCLC's risk profile, including its ongoing and potential exposure to risks.

¹ For the purposes of this Terms of Reference, "External Auditor" is defined as the independent firm of Chartered Professional Accountants that is specifically engaged to audit BCLC's annual consolidated financial statements.

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F. Human Resources and Compensation Oversight

The Board has the responsibility to:

- i. recruit, as required, and appoint the CEO;
- ii. monitor and, at least annually, evaluate the CEO's performance against agreed upon annual goals and objectives;
- iii. approve the CEO's compensation, subject to applicable Government requirements and approvals;
- iv. approve the CEO role profile and Terms of Reference and any material amendments thereto;
- v. review any significant changes recommended by the CEO to the structure of the Vice Presidents reporting to the CEO ("**Executive Management**");
- vi. on the recommendation of the CEO, appoint the officers of BCLC;
- vii. ensure succession and development plans are in place for the CEO and Executive Management;
- viii. approve certain matters relating to all employees, including:
 1. BCLC's compensation philosophy and principles, ensuring they meet applicable Government requirements; and
 2. any material changes to benefit programs;
- ix. oversee BCLC's pension plans in accordance with a Board-approved pension plan governance structure; and
- x. provide advice and counsel to the CEO in the execution of the CEO's duties, including with respect to his or her oversight of Executive Management.

G. Government and Stakeholder Communications

The Board must pay particular attention to the fact that it operates within a highly public environment. The actions of BCLC have a significant public impact and there is a need to ensure communications with Government and the public are effective and appropriate.

The Board has the responsibility to:

- i. ensure BCLC has in place a plan/policy to enable Management and the Board to communicate effectively with Government, stakeholders and the public generally;
- ii. ensure the financial performance of BCLC is adequately and promptly reported to Government and the public;
- iii. ensure financial results are reported fairly and in accordance with governing laws and generally accepted accounting principles;

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- iv. ensure timely reporting of any other developments that have a significant and material effect on BCLC; and
- v. report annually to Government regarding the preceding year (Annual Service Plan Report).

V. GENERAL LEGAL OBLIGATIONS OF THE BOARD OF DIRECTORS

- A. The Board is responsible for directing Management to comply with applicable law, and to properly prepare, approve and maintain documents and records.
- B. Legal duties are imposed on Directors. The basic legal duties are imposed at common law.
- C. Directors are under a fiduciary duty to BCLC to carry out the duties of their office:
 - i. honestly and in good faith;
 - ii. with a view to the best interests of BCLC;
 - iii. with the care, diligence, and skill of a reasonably prudent person; and
 - iv. the powers of the Directors are conferred upon them to exercise on behalf of and for the benefit of BCLC. The Directors are legally bound to serve the interests of BCLC.
- D. Directors have specific statutory duties and obligations under employment, environmental and financial reporting law as well as under the withholding provisions of taxation law.
- E. In determining whether to approve or recommend a matter, Directors exercise their discretion as appropriate in the circumstances, taking into account their duties at law.

VI. BOARD TIMETABLE

The timetable in Tab 6 outlines the Board's anticipated schedule of activities during the year.