



BOARD OF DIRECTORS MEETING

8:00 am (PT) Thursday 26 July 2018
Presentation Room – BCLC, 74 West Seymour Street
Kamloops, BC V2C 1E2

AGENDA

1. ADOPTION OF AGENDA

2. REPORT BY CHAIR

Verbal

3. REPORT BY PRESIDENT

Verbal

4. CORPORATE APPROVALS

- 4.1. Q1 Financial Statements[A. Hobson – 15 mins] Approval
- 4.2. Q1 Revised Forecast & Projections[A. Hobson - 20 mins] Approval
- 4.3. Appoint External Auditor & Approve Fees.....[A. Hobson - 10 mins] Approval
- 4.4. Appoint Pension Auditor & Approve Fees[A. Hobson - 5 mins] Approval
- 4.5. Additional KPMG Services[A. Hobson - 10 mins] Approval
- 4.6. Pension Plan: Investment Manager Selection.....[A. Hobson/J. Callahan – 30 mins] Approval
- 4.7. Proposed 2019 Board & Committee Meeting Schedule.....[J. Keim – 10 mins] Approval

5. CORPORATE OPERATIONS

- 5.1. KPMG Issues Log[P. Presta – 10 mins] Discussion
- 5.2. Accounting Policies & Financial Reporting Practices[A. Hobson – 5 mins] Discussion
- 5.3. Key Estimates & Judgments.....[A. Hobson – 15 mins] Discussion
- 5.4. Q1 Dashboard..... [M. Bohm – 10 mins] Discussion
- 5.5. Service Provider Financial Update[A. Hobson – 10 mins] Discussion
- 5.6. Q1 Audit Services Report[G. Aujla – 10 mins] Discussion
- 5.7. Q1 ERM Report [R. Kroeker – 10 mins] Discussion
- 5.8. Q1 Business Continuity Report.....[A. Hobson – 5 mins] Discussion
- 5.9. Q1 Occupational Health & Safety Report[A. Hobson – 5 mins] Discussion
- 5.10. Update of Board Skills Matrix & Composition [P. Kappel – 20 mins] Discussion
- 5.11. Human Resources Policy Report..... [J. Callahan – 10 mins] Discussion
- 5.12. BRDO Disclosure Guidelines.....[J. Keim – 5 mins] Discussion
- 5.13. Kamloops Property Update.....[A. Hobson – 30 mins] Discussion
- 5.14. German Review Update.....[J. Lightbody – 15 mins] Discussion
- 5.15. Management Reports Information Only
 - 5.15.1. Finance & Corporate Services
 - 5.15.2. Casino & Community Gaming
 - 5.15.3. Lottery Gaming
 - 5.15.4. Digital & Enterprise Services
 - 5.15.5. Business Technology
 - 5.15.6. Social Responsibility & Communications
 - 5.15.7. Human Resources
 - 5.15.8. Legal, Compliance, Security
- 5.16. Carbon Neutral Action Report Information Only

6. OTHER BUSINESS

- 6.1. *In camera* Session [Directors – 30 mins] Discussion
 - 6.1.1. Material Litigation Report – General Counsel
 - 6.1.2. External Auditor – KPMG LLP (including Performance Assessment)
 - 6.1.3. Director, Audit Services (including Performance Assessment)
 - 6.1.4. CEO (Review Role Profile & Terms of Reference)
 - 6.1.5. Whistleblower reports, if any

7. NEXT MEETING

- 7.1. Thursday 25 October 2018 – Vancouver



**Minutes of the Meeting of the Board of Directors
held at 8:00 am (PT) 26 July 2018**

Location: Presentation Room – BCLC, 74 West Seymour Street, Kamloops, BC

Board Present:

Peter Kappel Chair
Andrew Brown
Robert Holden

Board Not Present:

Wendy Lisogar-Cocchia

Management Present:

Jim Lightbody	President and Chief Executive Officer
Amanda Hobson	Chief Financial Officer and Vice President, Finance and Corporate Services
Monica Bohm	Vice President, Digital and Enterprise Services
Jamie Callahan	Vice President, Human Resources
Patrick Davis	Chief Information Officer and Vice President, Business Technology
Brad Desmarais	Vice President, Casino and Community Gaming
Kevin Gass	Vice President, Lottery Gaming
Rob Kroeker	Chief Compliance Officer and Vice President, Legal, Compliance, Security
Gurmit Aujla	Director, Audit Services (for items 5.6, 5.14, and 6.1.3 only)
Jennifer Keim	Corporate Secretary
Jennifer Smith	Associate Corporate Secretary
Suzanne Rowley	Assistant Corporate Secretary

Observers & Guests:

Paula Presta, Partner, KPMG LLP (for items 5.1 and 6.1.2 only)
Douglas S. Scott, Associate Deputy Minister, Ministry of the Attorney General of British Columbia

Peter Kappel took the Chair at 8:00 am with Jennifer Keim acting as recording secretary. As proper notice of the meeting had been given and a quorum was present, the Chair declared the meeting to be regularly constituted and open for the transaction of business at 8:00 am.

1 ADOPTION OF AGENDA

On motion duly made and carried, the agenda was adopted.

2 REPORT BY CHAIR

Peter Kappel welcomed everyone and introduced Doug Scott. The Chair noted two immediate priorities: the appointment of new Board members and Board oversight of the implementation of the recommendations of the Peter German report.

3 REPORT BY PRESIDENT

Jim Lightbody provided a synopsis of the year to date financial results. He updated the Board on a recent meeting with the Minister, and highlighted current work being done on the Kamloops property project and BCLC's strategic plan.

4 CORPORATE APPROVALS

4.1 Q1 Financial Statements

Approval

Amanda Hobson presented the report and highlighted the impact of the majority of casino service providers transitioning to the new operational services agreement (OSA). In particular, the OSA requires service providers to provide their own gaming bankroll and to pay net win to BCLC on a daily basis. As a result of the former change, BCLC recovered its gaming bankroll and paid down its fiscal agency loan from the Province. The impact of recent service provider labour disruptions was discussed.

On motion duly made and carried, the following resolution was adopted:

WHEREAS the Board has reviewed the financial statements for the first quarter of fiscal year 2018/2019;

AND WHEREAS the Board has received a recommendation from the Management to approve such statements;

NOW THEREFORE be it resolved that:

- 1. The financial statements for the first quarter of fiscal year 2018/2019 are hereby approved; and*
- 2. Any officer or director is hereby authorized on behalf of the Corporation to execute and deliver all such documents and instruments, and to do all such other acts and things as in his or her opinion may be necessary or desirable to give full effect to the foregoing resolution.*

4.2 Q1 Revised Forecast & Projections

Approval

Amanda Hobson presented the report which is due to be submitted to the Treasury Board by August 7, 2018. There was no change to the net income projection from the previous version presented to the Board. Discussion followed.

On motion duly made and carried, the following resolution was adopted:

WHEREAS the Board has reviewed the Corporation's forecast for fiscal year 2018/2019 and projections for fiscal years 2019/20-2022/2023 (the "Q1 Revised Forecast and Projections");

AND WHEREAS the Board has received a recommendation from Management to approve the foregoing;

NOW THEREFORE be it resolved that:

- 1. The Q1 Revised Forecast and Projections are hereby approved; and*
- 2. Any officer or director is hereby authorized on behalf of the Corporation to execute and deliver all such documents and instruments, and to do all such other acts and things as in his or her opinion may be necessary or desirable to give full effect to the foregoing resolution.*

4.3 Appoint External Auditor & Approve Fees

Approval

Bob Holden presented and discussion followed.

On motion duly made and carried, the following resolution was adopted:

WHEREAS the Board has received a recommendation from Management to appoint KPMG LLP as auditor for British Columbia Lottery Corporation's annual consolidated financial statements ("External Auditor") for the fiscal year ending March 31, 2019;

NOW THEREFORE BE IT RESOLVED THAT:

- 1. KPMG LLP is hereby appointed as External Auditor for the fiscal year ending March 31, 2019;*

2. *Payment by the Corporation to KPMG LLP of a maximum fee amount of \$ 21 for its services as External Auditor for the fiscal year ending March 31, 2019 is hereby approved; and*
3. *Any officer or director is hereby authorized on behalf of the Corporation to execute and deliver all such documents and instruments, and to do all such other acts and things as in his or her opinion may be necessary or desirable to give full effect to the foregoing resolution.*

4.4 Appoint Pension Auditor & Approve Fees

Approval

Bob Holden presented.

On motion duly made and carried, the following resolution was adopted:

WHEREAS the Board has received a recommendation from Management to appoint KPMG LLP as auditor for the annual financial statements of the British Columbia Lottery Corporation Pension Plan (the "Pension Auditor") for the year ending December 31, 2018;

NOW THEREFORE BE IT RESOLVED THAT:

1. *KPMG LLP is hereby appointed as Pension Auditor for the year ending December 31, 2018;*
2. *Payment by the Corporation to KPMG LLP of a maximum fee amount of \$ 21 for its services as Pension Auditor for the year ending December 31, 2018 is hereby approved; and*
3. *Any officer or director is hereby authorized on behalf of the Corporation to execute and deliver all such documents and instruments, and to do all such other acts and things as in his or her opinion may be necessary or desirable to give full effect to the foregoing resolution.*

4.5 Additional KPMG Services

Approval

Bob Holden and Amanda Hobson summarized the various services proposed to be provided by KPMG LLP and highlighted that the tax advisory services are higher than past years due to additional consulting on future initiatives. Discussion followed.

On motion duly made and carried, the following resolution was adopted:

WHEREAS Management has recommended that the Board approve certain services to be provided by KPMG LLP;

NOW THEREFORE be it resolved that:

1. *The engagement of KPMG LLP to provide the following services is hereby approved:*
 - a. *tax advisory services for the period from September 1, 2018 to August 31, 2019, inclusive, for a fee not to exceed \$ 21*
 - b. *advisory accounting services for the period from September 1, 2018 to August 31, 2019, inclusive, for a fee not to exceed \$ 21*
 - c. *specified audit procedure services with respect to certain host financial assistance agreements for the period from September 1, 2018 to August 31, 2019, inclusive, for a fee not to exceed \$ 21*
 - d. *draw audit services for the period from September 1, 2018 to August 31, 2019, inclusive, for a fee not to exceed \$ 21 and*
 - e. *draw machine advisory services for the period from August 1, 2018 to August 31, 2019, inclusive, for a fee not to exceed \$ 21*
2. *Any one officer or director is hereby authorized on behalf of the Corporation to execute and deliver all such documents and instruments, and to do all such other acts and things as in his or her opinion may be necessary or desirable to give full effect to the foregoing resolutions.*

4.6 Pension Plan: Investment Manager Selection **Approval**
This item was deferred to a future meeting.

4.7 Proposed 2019 Board & Committee Meeting Schedule **Approval**
Jennifer Keim presented the draft schedule and noted that it may change after the Crown Agencies and Board Resourcing Office calendar is released. Discussion followed.

5 CORPORATE OPERATIONS

5.1 KPMG Issues Log **Discussion**
Paula Presta presented the material and invited questions. Discussion followed.

5.2 Accounting Policies & Financial Reporting Practices **Discussion**
Amanda Hobson presented the report and advised that IFRS 9 will not have any impact on the statements. Discussion followed, including an explanation by Management of the approach used to account for instant lottery tickets.

5.3 Key Estimates & Judgments **Discussion**
Amanda Hobson presented the report, noting there are no significant changes from the last quarter. During discussion, Jennifer Keim confirmed that external legal counsel reviews the characterization of legal matters.

5.4 Q1 Dashboard **Discussion**
Monica Bohm presented the material and invited questions. Discussion followed, focused primarily on BCLC's corporate brand strategy.

5.5 Service Provider Financial Update **Discussion**
Amanda Hobson presented the report. Discussion followed, centered on BCLC's available remedies in the event that a casino service provider defaults on its financial covenants.

5.6 Q1 Audit Services Report **Discussion**
Gurmit Aujla presented the report. Discussion followed, focusing on Audit Services' work in the areas of Interprovincial Lottery Corporation control standards, slot machine return to players, reporting to FinTRAC, and service provider protection of player data privacy.

5.7 Q1 ERM Report **Discussion**
Rob Kroeker presented the report and invited questions. Discussion focused on work being undertaken to address legacy systems and to consider the potential impact of European Union General Data Protection Regulation compliance by BCLC's vendors.

5.8 Q1 Business Continuity Report **Discussion**
Amanda Hobson presented the report and advised that BCLC's business continuity program is progressing well. Disaster recovery planning will be led by the Business Technology division.

5.9 Q1 Occupational Health & Safety Report **Discussion**
Amanda Hobson presented the report and highlighted that BCLC has expanded its program to include mental health care initiatives, including offering a course on mental health first aid.

5.10 Update of Board Skills Matrix; Board Composition **Discussion**

Peter Kappel led a discussion about the types of skills needed on the Board and advised that he has reached out to several individuals who may have those skills. The Board plans to update the Crown Agencies and Board Resourcing Office next week, providing a summary of skills currently held on the Board as well as desired skills for incoming Directors to fill the Board vacancies.

5.11 Human Resources Policy Report **Discussion**

Jamie Callahan presented the report and highlighted several new policies, including those resulting from updates to the *Employment Standards Act* (British Columbia). BCLC is updating its maternity leave and compassionate care leave, as well as allowing new types of leave for disappearance or death of a child. Discussion followed, including regarding issues of compensation and salary compression and inversion.

5.12 BRDO Disclosure Guidelines **Discussion**

Jennifer Keim advised that BCLC is in compliance with the BRDO disclosure guidelines.

5.13 Kamloops Property Update **Discussion**

Amanda Hobson presented the report and provided comments on the risks and financial implications of the proposed project, and preparation of a Treasury Board submission. Doug Scott commented on his role with respect to the process.

The Board expressed its support in principle to move forward and seek government approval.

5.14 German Review Update **Discussion**

Jim Lightbody an overview of the process being used to manage the implementation of recommendations arising from the Peter German report. The Board was advised that, of the recommendations for which BCLC is responsible, four are complete, three are substantially complete, seven are in progress and three have not yet been started as they are dependent on the completion of other recommendations. Doug Scott provided the Board with an outline of the expected governance structure for the overall management and implementation of the recommendations contained within the Peter German report.

5.15 Management Reports **Information Only**

5.16 Carbon Neutral Action Report **Information Only**

6 OTHER BUSINESS

6.1 *In camera* Session **Discussion**

The Board went *in camera* with the parties noted below.

6.1.1 General Counsel – Material Litigation Report

This item was deferred to next meeting.

6.1.2 External Auditor – KPMG LLP (including Performance Assessment)

The Board went *in camera* with KPMG LLP for approximately 30 minutes.

6.1.3 Director, Audit Services (including Performance Assessment)

The Board went *in camera* with Gurmit Aujla, Doug Scott, Jim Lightbody and Jennifer Keim for approximately 40 minutes.

The Board then went *in camera* with Gurmit Aujla for approximately 20 minutes.

6.1.4 CEO (Review Role Profile & Terms of Reference)

This item was deferred to next meeting.

6.1.5 Whistleblower reports, if any

This item was deferred to next meeting.

7 TERMINATION OF MEETING

There being no further business, the meeting was terminated at 1:45 pm.

NEXT MEETING

25 October 2018 – Vancouver

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✓Chair



BOARD OF DIRECTORS MEETING

1:00 am (PT) Friday 14 September 2018
Boardroom – BCLC, 2940 Virtual Way
Vancouver, BC V5M 0A6

AGENDA

- 1. ADOPTION OF AGENDA**
- 2. APPROVAL OF MINUTES**
 - 2.1. 26 July 2018
- 3. CORPORATE APPROVALS**
 - 3.1. Draft FIA Report[A. Hobson – 15 mins] Approval
- 4. CORPORATE OPERATIONS**
 - 4.1. Lottery Commission Change[K. Gass – 60 mins] Discussion
 - 4.2. Kamloops Property Development Update[A. Hobson – 30 mins] Discussion
 - 4.3. New Board Member Update[P. Kappel – 15 mins] Discussion
 - 4.4. Pending Board Matters[P. Kappel – 15 mins] Discussion
 - 4.4.1. Strategy Session
 - 4.4.2. Other
- 5. OTHER BUSINESS**
 - 5.1. *In camera* Session [Directors – 45 mins] Discussion
 - 5.1.1. VP, Legal Compliance Security
 - 5.1.2. Director, Audit Services
 - 5.1.3. CEO
- 6. NEXT MEETING**
 - 6.1. Thursday 25 October 2018 – Vancouver

2. Any officer or director is hereby authorized on behalf of the Corporation to execute and deliver all such documents and instruments, and to do all such other acts and things as in his or her opinion may be necessary or desirable to give full effect to the foregoing resolution.

4 CORPORATE OPERATIONS

4.1 Lottery Commission Change Discussion

Kevin Gass and Craig James presented the rationale for the proposed change to the current lottery commission formulation, including anticipated costs and enhanced retailer accountabilities for compliance. Discussion followed.

4.2 Kamloops Property Development Update Discussion

Amanda Hobson provided an update on status of the project. Work has been underway with Partnerships BC since August 2018 to complete the necessary work for a Treasury Board business case. It will take approximately 6 - 8 months to complete the business case and in the meantime, remediation work will continue on the land west of the current BCLC building.

Discussion followed regarding the anticipated benefits and costs of preparing the business case with Partnerships BC and the Board expressed its support for Management to continue its work with Partnerships BC. The impact on timelines was also discussed.

The Chair disclosed that he is a Director on the Board of Partnerships BC.

4.3 New Board Member Update Discussion

The Chair advised that he has been active in meeting with potential board members and expects that there may be some new members in place prior to the October board meeting.

4.4 Pending Board Matters

4.4.1 Strategy Sessions Discussion

For planning purposes, the Chair advised that it would be helpful for the Board to receive a high-level overview of the corporate strategy in October, with more in-depth work on the strategy to follow in early 2019 after some of the Board vacancies have been filled.

4.4.2 Other Discussion

No additional items were raised.

5 OTHER BUSINESS

5.1 *In camera* Sessions Discussion

5.1.1 CEO, VP, Legal, Compliance, Security, General Counsel and Douglas S. Scott

The Board went *in camera* for this item from 4:50 pm to 5:30 pm.

5.1.2 CEO, VP, Legal, Compliance, Security, General Counsel, Douglas S. Scott, and Director, Audit Services

The Board went *in camera* for this item from 3:50 pm to 4:50 pm.

5.1.3 CEO and Douglas S. Scott

The Board went *in camera* for this item from 5:30 pm to 6:10 pm.

6 TERMINATION OF MEETING

There being no further business, the meeting was terminated at 6:10 pm.

NEXT MEETING

25 October 2018 – Vancouver
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Chair