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May 20, 2021

Public Sector Employers' Council Secretariat
Suite 210 - 880 Douglas Street
Victoria, BC V8W 2B7

**Attention: John Davison
President & CEO**

Dear Mr. Davison:

Re: Executive Compensation – British Columbia Lottery Corporation, Fiscal Reporting Period 2020/21

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 2020/21, 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,

Peter Kappel
Chair, Board of Directors

cc: File
Enclosure(s) x 1

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 October 22, 2020.
- b) Compensation transactions for the CEO (and interim CEO) are approved by the Minister.

Public Sector Executive Compensation Reporting Form

British Columbia Lottery Corporation
Reporting for Fiscal Year 2020/21

Statement of Executive Compensation

May 2021

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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, 2021 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

- **Experience** - We strive to reward in many ways, and pay is just one part of the experience at BCLC. We will communicate a holistic view of rewards, as the whole is greater than the sum of its parts.
- **Agile** - To serve our people as we serve our players, we need to cater to a range of tastes and needs. We do this through offering our people choice, control and flexibility so that their experience is more personal and meaningful. One-size-does-not-fit-all.
- **Competitive** - A total reward program that ensures BCLC can compete to attract and retain the talent needed to continue providing exceptional playing experiences.
- **Performance** - We will differentiate rewards for high performing teams and individuals to support and promote a performance-based organizational culture.
- **Transparency** - Our practices will be transparent and accountable to all our stakeholders.

BCLC Compensation Philosophy

BCLC is a dynamic, entrepreneurial Crown Corporation of British Columbia that endeavors to be a best in class employer. We endeavor to attract, engage and retain high performing, dedicated, and conscientious employees to further its mandate of managing and conducting commercial gambling in a socially responsible manner for the benefit of British Columbians.

To support BCLC's vibrant and impactful work as a company with a social purpose and public sector organization, we believe it is imperative our rewards strategy is versatile and our approach fosters an environment where employees can perform to the best of their abilities, be passionate about their work, and be themselves.

To be successful, we must attract a diverse pool of candidates and hire top talent who are multi-talented and committed to our purpose. We promote a culture founded on hard work, autonomy, respect, innovation, and a deep understanding and commitment to the value we bring to the residents of British Columbia, so the organization and the province of British Columbia can benefit from our collective synergy and passion focused efforts. We seek to provide our employees with challenging and rewarding work, and to offer a total rewards package that remunerates them for their value, is multidimensional, and addresses all aspects of their wellbeing.

Equity in BCLC's compensation program 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.

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 People and Culture Committee (PCC) 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, evaluate the CEO's performance against agreed upon annual goals and objectives;
- approve the CEO's compensation, subject to applicable Government requirements and approvals;
- approve certain matters relating to all employees, including:
 - BCLC's compensation philosophy and principles, ensuring they meet applicable Government requirements; and
 - any material changes to benefit programs;
- oversee BCLC's pension plans in accordance with a Board-approved pension plan governance structure.

People and Culture Committee

- review and recommend to the Board for approval the CEO's Total Compensation, subject to applicable Government requirements and approvals;
- annually review with the CEO the planned Total Compensation of Executive Management for the next fiscal year;
- annually review and recommend to the Board for approval the Total Compensation 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;
- review and recommend to the Board for approval any material changes to benefit programs;
- support Board oversight of BCLC's pension plans in accordance with the Board-approved pension plan governance structure.

2.1.3 Forms of Compensation

Total compensation for the Executive includes base pay, benefits plan, pension, supplementary pension, 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.

Compensation changes for the CEO must be approved by the Minister.

Per the *B.C. Public Sector Executive Compensation Freeze Policy, August 31, 2020*, there will be no increases or adjustments paid to executive-level employees for the 2020/21 performance year.

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 SPP 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's vehicle/transportation allowance is aligned with the BC Government vehicle policy.

Other

Paid parking is provided to Vancouver based Executives.

Executives may participate in the corporate recognition program which recognizes the demonstration of the corporation's values, or advancement of the corporation's strategic goals.

BC Lottery Corporation

Summary Compensation Table at 2021

Name and Position	Salary	Holdback/Bonus/ Incentive Plan Compensation	Benefits	Pension	All Other Compensation (expanded below)	2020/2021 Total Compensation	Previous Two Years Totals Total Compensation	
							2019/2020	2018/2019
Lynda Cavanaugh, President & CEO	\$ 57,692	-	\$ 4,509	-	-	\$ 62,201		
Jim Lightbody, President	-	-	\$ 7,221	\$ 80,300	-	\$ 87,521	\$ 386,027	\$ 411,084
Greg Moore, President and CEO (acting)	\$ 270,624	-	\$ 4,287	-	\$ 32,852	\$ 307,763	\$ 201,425	
Patrick Davis, Chief Information Officer and VP, Business Technology	\$ 238,146	-	\$ 11,850	\$ 15,548	\$ 15,240	\$ 280,784		
Bradley Desmarais, Chief Operating Officer	\$ 266,140	-	\$ 11,907	\$ 31,875	\$ 39,459	\$ 349,381	\$ 304,021	\$ 286,081
Kevin Gass, Vice President, Lottery Gaming	\$ 270,457	-	\$ 10,833	\$ 34,719	\$ 40,278	\$ 356,287	\$ 334,534	\$ 323,778
Alan Kerr, Chief Financial Officer and VP Corporate Services	\$ 266,670	-	\$ 12,234	\$ 35,116	-	\$ 314,020		

Notes

Lynda Cavanaugh, President & CEO	General Note: Ms. Cavanaugh was hired January 18, 2021 to act as interim CEO while Mr. Lightbody is on a medical leave of absence. Ms. Cavanaugh does not participate in the BCLC benefits plan or pension plan. The amount showing in the Benefits field includes statutory benefits.
Jim Lightbody, President	General Note: Mr. Lightbody is on a medical leave of absence which commenced on September 9, 2019.
Greg Moore, President and CEO (acting)	General Note: Mr. Moore resigned effective January 22, 2021. Mr. Moore did not participate in the BCLC benefits plan or pension plan. The amount showing in the Benefits field includes statutory benefits. BCLC provided a 2% performance based salary increase effective August 26, 2020, for the 2019/20 performance year. As the executive freeze was implemented on August 31, 2020, executives will forgo standard performance based increases for the 2020/21 performance year. Effective March 2020, as a COVID safety measure, BCLC's offices were closed (and continue to be closed as of the end of this reporting period) except for essential office workers. As a result, parking expense attributable to Vancouver Executives was nil.
Patrick Davis, Chief Information Officer and VP, Business Technology	
Bradley Desmarais, Chief Operating Officer	General Note: Base salary includes acting pay of \$4,722 for the period of April 1, 2020 to June 29, 2020 for assuming duties of VP, Legal, Compliance, Security. Effective April 1, 2020 for the 2019/20 performance year, BCLC provided a 2% performance based salary increase from \$236,119 to \$240,841. In March of 2021, BCLC provided a 12% increase to Mr. Desmarais' salary effective June 30, 2020 as a result of his transition to COO after a corporate reorganization. As the executive freeze was implemented on August 31, 2020, executives will forgo standard performance based increases for the 2020/21 performance year. Effective March 2020, as a COVID safety measure, BCLC's offices were closed (and continue to be closed as of the end of this reporting period) except for essential office workers. As a result, parking expense attributable to Vancouver Executives was nil.
Kevin Gass, Vice President, Lottery Gaming	General Note: Mr. Gass terminated on June 29, 2020. \$200,762 is included in the Salary column for Mr. Gass, which represents salary continuance for the period of June 30, 2020 to March 31, 2021. Salary continuance of \$204,923 will be paid over the period of April 1, 2021 to December 29, 2021. Effective March 2020, as a COVID safety measure, BCLC's offices were closed (and continue to be closed as of the end of this reporting period) except for essential office workers. As a result, parking expense attributable to Vancouver Executives was nil.
Alan Kerr, Chief Financial Officer and VP Corporate Services	