

TERMS OF REFERENCE: BOARD OF DIRECTORS

These Terms of Reference are designed to assist the Board and Management of the British Columbia Lotteries Corporation (“the **Corporation**”) in demonstrating sound governance practices and ensuring effective board operation.

I. PURPOSE

- A. The BCLC Board of Directors (the “Board”) has a primary responsibility to foster BCLC’s short and long-term success in fulfillment of its mandate, purpose, vision, and values. The Board is responsible for acting in the best interest of BCLC, in accordance with applicable Government direction and law, and giving consideration to the company’s positive and negative impacts on the environment and stakeholders, including the public, Government, employees, customers, service providers, suppliers and communities.
- B. The Board has the responsibility to manage the affairs of BCLC and may delegate the exercise or performance of any power or duty conferred on them to a person employed by BCLC.
 - i. As indicated in the BCLC Governance Framework section of this Board Manual, the Board has delegated to the Chief Executive Officer (“CEO”), responsibility for the management of the affairs and direction of the business and operations of BCLC subject to the supervision of the Board.
- C. These Terms of Reference serve to assist the Board and Management in clarifying responsibilities and ensuring effective communication between the Board and Management.
- D. The Board is accountable for its own culture, and for setting the tone for organizational culture. In keeping with best governance practices, the Board maintains its independence from management, provides strong oversight and the consideration of diverse interests, perspectives and opinions in its deliberations.
- E. The Corporation is the sponsor and administrator of the British Columbia Lottery Corporation Pension Plan (the “Plan”). As administrator of the Plan under the Pension Benefits Standards Act (British Columbia) (“PBSA”), BCLC has certain duties, including duties to members of the Plan and others entitled to benefits from the Plan.

II. COMPOSITION AND BOARD ORGANIZATION

- A. The Board Chair and other Directors are appointed by the Lieutenant Governor in Council.

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- B.** The Board operates by delegating to Management certain of its authorities, including spending authorizations, and by reserving certain powers to itself. The current spending authorizations are outlined in the Spending and Signing Authority Policy.
- C.** Certain of the Board's responsibilities may be delegated to Board Committees ("Committees"). The responsibilities of those Committees are set forth in their Terms of Reference.

III. DUTIES AND RESPONSIBILITIES

A. Governance

The Board retains the responsibility for managing its own affairs including but not limited to the following:

- i. making recommendations to Government through the Board Chair, and on the advice of the Governance Committee, for the criteria to consider when appointing Directors;
- ii. acting on the advice of the Governance Committee, reviewing and approving the Terms of Reference for the Board, Board Chair, Committees, Individual Directors, President and CEO, and Corporate Secretary and any material amendments thereto;
- iii. on the recommendation of the Board Chair and the Governance Committee, determining the composition, setting the mandate and membership for Board Committees;
- iv. through the Governance Committee, implementing an appropriate process for assessing the effectiveness of the Board, the Board Chair, Committees, Committee Chairs and Directors in fulfilling their responsibilities;
- v. assessing the adequacy and form of Director compensation and making recommendations to Government, as appropriate;
- vi. assuming responsibility for Board governance practices and ensuring they meet the needs of BCLC, with consideration given to best practices and the interests of its stakeholders including, without limitation, the public and Government; and
- vii. recruiting, appointing and, when appropriate removing the Corporate Secretary, on the advice of the Board Chair and Governance Chair, acting in consultation with the CEO.

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B. Relationship with Government

The Board is accountable for oversight of BCLC's compliance with prescribed reporting to, and communication with, Government. This includes, but is not limited to, the following accountabilities:

- i. ensure the Corporation has in place a policy to enable Management and the Board to communicate effectively with Government and the public generally;
- ii. report annually to Government regarding the preceding year (Annual Service Plan Report); and
- iii. determine that financial results are reported fairly and in accordance with governing laws and generally accepted accounting principles; such determination may be based on good faith reliance on representations by an officer of the Corporation or a written report by an auditor.

C. Corporate Strategy and Planning

The Board has the responsibility to:

- i. participate with Management in the development of, and approve, BCLC's purpose, vision, and values;
- ii. participate with Management in the development of, and approve, BCLC's strategic and service plans, consistent with BCLC's purpose, vision and values and Government's Mandate Letter;
- iii. ensure that BCLC's material short and long-term risks are addressed in its strategic and service plans;
- iv. approve the annual business plan, operating and capital budgets that support BCLC's ability to meet its strategic and service plans, with consideration given to social, environmental, stakeholder and governance implications;
- v. direct Management to develop, implement and maintain a reporting system that accurately measures BCLC's performance against its strategic plan, annual business plan, operating and capital budgets and people and culture strategy;
- vi. monitor BCLC's progress towards the approved strategic goals 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
- vii. review and approve significant changes to the service plans.

D. Financial Oversight

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The Board, with the advice of the Audit Committee, 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;
- vi. appoint External Auditors¹ and approve their fees;
- vii. oversee the Internal Audit function and accountabilities;
- viii. approve BCLC's statements of financial information (Financial Information Act report); and
- ix. approve BCLC's Signing and Spending Authority Policy.

E. Purpose Oversight

The Board, with the advice of the Governance Committee, has the responsibility to:

- i. Approve, review and update BCLC's social purpose, as needed.;
- ii. ensure management puts implementation strategies and measures in place to implement the social purpose;
- iii. review the content of reports regarding the progress on implementation strategies, and performance on measures against, the corporation's social purpose;
- iv. ensure the company's social, environmental and stakeholder risks and opportunities are addressed in the strategic and business plans.

F. Risk Oversight

The Board, with the advice of the Strategy Committee, has the responsibility to:

¹For 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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- i. direct management to establish and implement an effective enterprise risk management program for the identification, assessment and management of short and long-term strategic, operational and emerging risks and opportunities, including financial, social and environmental risks;
- ii. approve BCLC's Enterprise Risk Management Services Charter and any amendments thereto;
- iii. approve significant BCLC risk management policies and any amendments thereto;
- iv. after discussion with Management, approve BCLC's risk appetite and tolerance levels;
- v. oversee BCLC's risk profile, including its ongoing and potential exposure to short and long-term risks;
- vi. oversee the ongoing risk education of the Board and management;
- vii. ensure BCLC's material risks and opportunities are addressed in the Corporate Strategy and business plan.

G. Pension Plan Oversight

- i. The Board has responsibility to oversee the British Columbia Lottery Corporation Pension Plan (the "**Plan**") in accordance with the Board-approved pension plan governance structure and the Pension Plan Administration Manual (the "PPAM"). The Audit Committee and the People & Culture Committee support the Board's oversight as further described in the PPAM and in their respective Committee Terms of Reference.
- ii. The Board will appoint a Director from the Audit Committee to observe the work of the Pension Committee and will receive regular reports from that director on any concerns or emerging issues.

H. People & Culture and Compensation Oversight

The Board, with the advice of the People Committee, has the responsibility for:

- i. Oversight of CEO:
 - a. Recruit, appoint and, when appropriate, remove the CEO;
 - b. monitor and, at least annually, evaluate the CEO's performance against agreed upon annual objectives;
 - c. approve the CEO's salary increases, incentive payouts and/or other compensation adjustments, subject to applicable Government requirements and approvals;

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- d. approve the CEO role profile and Terms of Reference and any material amendments thereto;
 - e. review and approve any significant changes recommended by the CEO to the structure of the Executives reporting to the CEO (“**Executive Management**”);
 - f. on the recommendation of the CEO, appoint the Executives and other officers of BCLC;
 - g. approve succession and development plans for the CEO and review succession plans for Executive Management;
 - h. through the Board Chair, or as directed by the Board Chair, provide advice and counsel to the CEO in the execution of the CEO’s duties, including with respect to their oversight of Executive Management.
- ii. Corporate Culture and Employee Relations:
- a. oversight of management’s approach to developing BCLC’s desired corporate culture, ensuring the corporate culture is aligned with the purpose, vision, values and corporate strategy;
 - b. monitor the corporate culture, annually review corporate culture-related survey results, engaging internal audit, as necessary, to assess the corporate culture;
 - c. oversight of the development and management of BCLC’s people and culture strategy, including recruitment and retention, diversity and inclusion, and safety and wellness strategies;
 - d. review performance measurement reports on people and culture strategy;
 - e. approve BCLC’s Compensation Philosophy, as well as the merit increase budget (if applicable), and any significant changes to the Compensation Plan, such as new salary ranges, new Vice President positions or an entirely new Compensation Plan, ensuring they meet applicable Government requirements and giving consideration to current market practices; and
 - f. approve any material changes to benefit programs.

I. Stakeholder Relations Oversight

The Board, with the advice of the Governance Committee, has the responsibility to oversee the organization’s approach to stakeholder value creation, including its public accountability, its stakeholder relationships,

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and crisis management to ensure it operates in consideration of the best interest of its stakeholders. This includes but is not limited to the following responsibilities:

- i. understand BCLC's public accountability responsibilities, monitor BCLC's public perception, make decisions in consideration of the public interest and direct management to put in place effective and timely communications response plans;
- ii. identify with management the key stakeholders that can materially affect or be affected by BCLC in the short and long-term and that can help BCLC realize its purpose, vision and corporate strategy, receive a presentation from one of the key stakeholders and/or a stakeholder subject-matter expert at least annually, and ensure that BCLC has measures in place to foster effective relationships through appropriate strategies, policies, plans, joint ventures, partnerships, collaborations, risk management and related monitoring;
- iii. agree with management on BCLC's approach to stakeholder value creation and monitor BCLC's stakeholder perception through key performance indicators and presentations on the status of stakeholder relations at least annually, and;
- iv. confirm that risk management policies, communication plans and monitoring are in place for timely response and reporting of developments that have a significant and material effect on BCLC.

J. Policies and Controls

The Board has the responsibility to:

- i. approve major corporate policies and processes that govern BCLC's operations, that have been designated by the Board or by regulatory guidelines for Board approval ("Board Policies and Processes");
- ii. through Management, monitor compliance with policies;
- iii. approve and act as the guardian of BCLC's values, including approving and monitoring BCLC's Standards of Ethical Business Conduct and Whistleblower Policy and Procedures;
- iv. direct Management to ensure BCLC operates at all times within applicable laws and regulations and to the highest ethical and moral standards, in keeping with public and government expectations as they evolve;
- v. review the Board Policies and Processes to confirm they remain up to date and reflect best practices, and approve any material amendments thereto; and

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- vi. monitor the integrity of BCLC's internal control and management systems.

IV. 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.** Each Director is expected to fulfill all the obligations of a Director under applicable law. Without limiting the generality of the foregoing, when exercising the powers and performing the functions of a Director of BCLC, a Director must:
 - i. act honestly and in good faith with a view to the best interests of BCLC; and
 - ii. **exercise the care, diligence and skill that a reasonably prudent individual would** exercise in comparable circumstances.
- C.** In addition, Directors have specific statutory duties and obligations under employment, environmental and financial reporting law as well as under the withholding provisions of taxation law.
- D.** 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.

V. BOARD TIMETABLE

The timetable in Tab 4 outlines the Board's anticipated schedule of activities during the year.