

TERMS OF REFERENCE FOR THE BOARD OF DIRECTORS

I. INTRODUCTION

- A. British Columbia Lottery Corporation (BCLC) is a Crown Corporation with the mandate to conduct, manage and operate lotteries, casinos and commercial bingos in BC on behalf of the provincial government
- B. BCLC's mandate is derived from the legislative authority which exists under the Gaming Control Act. BCLC's legislative mandate is set forth in Section 7 of the Gaming Control Act, a copy of which is included in this Manual (Tab 3). In addition, the Minister responsible for gaming and the Assistant Deputy Minister/General Manager of the Gaming Policy and Enforcement Branch, with the Minister's approval, may issue written directives to BCLC on matters of general policy with which BCLC must comply.

II. PURPOSE

- A. The BCLC Board of Directors (the "Board") has a primary responsibility to foster the Corporation's short and long-term success. This should be consistent with the Board's responsibility to the Corporation's shareholder, the Government of British Columbia, giving consideration to the legitimate interests held by other stakeholders including employees, customers, suppliers, communities and the public.
- B. The directors are stewards of the Corporation. The Board has the responsibility to oversee the conduct of the Corporation's business and to supervise management, which is responsible for the day-to-day operation of the Corporation. In supervising the conduct of the business, the Board, through the President and Chief Executive Officer will set the standards of conduct for the Corporation.
- 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 directors are appointed by the Government.
- 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 Tab 23 of the Board Manual.

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- C.** Certain of the Board's responsibilities may be delegated to Board committees. The responsibilities of those committees will be as set forth in their terms of reference, as amended from time to time.
- D.** The Board retains the responsibility for managing its own affairs including the responsibility to:
 - i) annually review, in conjunction with the CEO, the skills and experience represented on the Board in light of the Corporation's strategic direction, for the purpose of recommending the criteria and potential candidates who meet the criteria to the Government when appointing directors;
 - ii) make recommendations to the Chair and to the Government regarding the criteria it should consider in making appointments to the Board;
 - iii) on the recommendation of the Chair, appoint, determine the composition of and set the terms of reference for Board committees;
 - iv) implement an appropriate process for assessing the effectiveness of the Board, the Board Chair, committees and directors in fulfilling their responsibilities;
 - v) assess the adequacy and form of director compensation and make recommendations to the Government, as appropriate.
 - vi) assume responsibility for the Corporation's governance practices and ensure they meet the needs of Government, the Corporation, and the public;
 - vii) approve the terms of reference for the Board, the Chair, the Vice Chair, and the directors; and
 - viii) appoint the secretary to the Board.

IV. DUTIES AND RESPONSIBILITIES

A. Human Resources

The Board has the responsibility to:

- i) appoint the CEO and plan succession of the CEO;

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- ii) approve terms of reference for the CEO;
- iii) monitor and, at least annually, review the CEO's performance against agreed upon annual objectives;
- iv) approve the CEO's compensation;
- v) review the senior management structure including such duties and responsibilities to be assigned to officers of the Corporation;
- vi) on the recommendation of the CEO, appoint the officers of the Corporation who report to the CEO;
- vii) review compensation plans for senior management including salary, incentive, benefit and pension plans;
- viii) approve certain matters relating to all employees, including:
 - a) the Corporation's broad compensation strategy and philosophy;
 - b) new benefit programs or material changes to existing programs; and
 - c) material changes to the employee pension plans;
- ix) ensure succession planning programs are in place, including programs to train and develop management; and
- x) provide advice and counsel to the CEO in the execution of the CEO's duties.

B. Mission, Strategy and Plans

The Board has the responsibility to:

- i) participate with management in the development of, and ultimately approve, the Corporation's Mission, Vision, and Values;
- ii) participate with management in the development of, and ultimately approve, the Corporation's strategic and service plans, taking into consideration the commercial, public policy, social responsibility and regulatory responsibilities of the Corporation;

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- iii) approve annual business plans, operating and capital budgets that support the Corporation's ability to meet its strategic plan;
- iv) direct management to develop, implement and maintain a reporting system that accurately measures the Corporation's performance against its strategic, business and service plans;
- v) monitor BCLC's progress towards the approved strategic objectives and performance against business, operating and capital plans, and to alter its direction in light of changing circumstances; and
- vi) review and approve significant changes to the plans.

C. Financial and Risk Issues

The Board has the responsibility to:

- i) take reasonable steps to ensure the implementation and integrity of the Corporation's internal control and management information systems;
- ii) ensure management identifies the principal financial and non-financial risks of the Corporation and implements appropriate systems and programs to manage these risks;
- iii) monitor operational and financial results;
- iv) approve annual and quarterly financial statements, and approve release thereof by management; and
- v) appoint external auditors and approve auditors' fees.

D. Policies and Procedures

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 a Code of Conduct and Conflict of Interest Guidelines for the Corporation;

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- iii) direct management to ensure the Corporation operates at all times within applicable laws and regulations and to the highest ethical and moral standards;
- iv) direct management to ensure that the Corporation has in place a corporate social responsibility management program and is engaging in a socially responsible approach to business practices; and
- v) review significant new policies or material amendments to existing policies.

E. Government and Stakeholder Communications

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

The Board has the responsibility to:

- i) ensure the Corporation has in place a plan/policy to enable management and the Board to communicate effectively with the Government, stakeholders and the public generally;
- ii) ensure the financial performance of the Corporation is adequately and promptly reported to the Government and the public;
- iii) ensure financial results are reported fairly and in accordance with governing laws and generally accepted accounting principles;
- iv) ensure timely reporting of any other developments that have a significant and material effect on the Corporation; and
- v) report annually to the Government on the Board's stewardship for the preceding year (Annual Report).

V. GENERAL LEGAL OBLIGATIONS OF THE BOARD OF DIRECTORS

- A.** The Board is responsible for directing management to ensure legal requirements have been met and documents and records have been properly prepared, approved and maintained.
- B.** Legal duties are imposed on directors. The basic legal duties are imposed at common law.

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- C.** Directors are under a fiduciary duty to the Corporation to carry out the duties of their office:
- i) honestly and in good faith;
 - ii) with a view to the best interests of the Corporation;
 - 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 the Corporation.

Directors have specific statutory duties and obligations under employment, environmental and financial reporting law as well as under the withholding provisions of taxation law.