

# ANNUAL REPORT

2020-2021



**LOTO  
QUÉBEC**

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## MISSION

To responsibly and efficiently manage games of chance in a controlled and measured fashion, in the interest of all Quebecers.

## VISION

To offer Quebecers first-rate entertainment thanks to an appealing, innovative and competitive offering, while remaining a recognized world leader for responsible commercialization.

## VALUES

INTEGRITY AND AGILITY

OVERALL PERFORMANCE AND INNOVATION

CLIENT-CENTRED AND CREATOR OF EMOTIONS

SYNERGY AND PLEASURE

## KEY FIGURES

AS AT MARCH 31

(In thousands of Canadian dollars)	2021	2020	\$ Variation	% Variation
<b>Total revenues</b>	<b>1,407,524</b>	<b>2,740,816</b>	<b>(1,333,292)</b>	<b>(48.6)</b>
Lotteries	860,912	929,426	(68,514)	(7.4)
Casinos	331,175	963,665	(632,490)	(65.6)
Gaming establishments	217,412	872,577	(655,165)	(75.1)
Intragroup transactions	(1,975)	(24,852)	22,877	92.1
Gross margin	1,131,163	2,257,038	(1,125,875)	(49.9)
Total expenses	673,533	903,576	(230,043)	(25.5)
Net income	457,630	1,353,462	(895,832)	(66.2)
Dividend	432,630	1,328,462	(895,832)	(67.4)
Other amounts contributed to the Québec and Canadian governments	144,591	190,376	(45,785)	(24.0)
Total assets	979,422	986,469	(7,047)	(0.7)
Shareholders' equity	191,368	170,235	21,133	12.4

### Total revenues

(In millions of Canadian dollars)	2021	2020	2019	2018	2017
	1,407.5	2,740.8	2,827.1	2,742.2	2,623.3

### Net income

(In millions of Canadian dollars)	2021	2020	2019	2018	2017
	457.6	1,353.5	1,408.2	1,335.5	1,230.6

## ECONOMIC AND SOCIAL CONTRIBUTIONS



**\$432.6M**

Dividend to the Government of Québec



**\$1,261.4M**

Prizes awarded to lottery and gaming establishment (bingo and Kinzo) winners



**\$299.1M**

Employee benefits



**\$203.2M**

Purchases from companies conducting business in Québec



**\$176.5M**

Commissions to lottery and gaming establishment network partners



**\$101.9M**

Taxes to governments



**\$17.7M**

Contribution to the Government of Canada



**\$27.0M**

Problem gambling prevention



**\$6.0M**

Contributions to non-profit organizations



**\$9.3M**

Sponsorships

## MESSAGE FROM THE CHAIRWOMAN OF THE BOARD OF DIRECTORS



The 2020–2021 fiscal year brought with it challenges for many organizations, including Loto-Québec. The COVID-19 pandemic heavily impacted the entertainment industry. Loto-Québec’s Board of Directors would like to highlight the excellent work of all of the Corporation’s teams under these exceptional circumstances.

Despite a difficult year, Loto-Québec’s activities resulted in a dividend payment of \$432.6 million to the government, which will help fund public services.

The Board closely monitored the finalization of the 2020–2023 Strategic Plan. This plan presents the four orientations that will enable Loto-Québec to meet the challenges of a rapidly changing and increasingly complex business environment.

Loto-Québec will focus in particular on the quality of its relationships with customers across all distribution channels. Given the importance of connectivity, it will enhance the customer experience on its digital channels. Nevertheless, the Corporation will continue to maintain a strong land-based presence. It is important to note that [lotoquebec.com](http://lotoquebec.com) is still the only legal gaming website in Québec.

Loto-Québec will continue to enhance its overall offer, as it has done since its inception more than 50 years ago. It will still offer first-rate entertainment that meets the expectations of its customers. This will allow the organization to remain competitive in a market where entertainment options abound.

Loto-Québec’s contributions to the community take various forms, from sponsoring numerous festivals and events to supporting the arts and culture. Given the industry the organization operates in, responsible commercialization is one of its top priorities. It will maintain the highest standards in this regard, and in all matters relating to the security and integrity of its activities. It will also work to substantially reduce its environmental footprint.

To ensure the success of its overall offer, Loto-Québec will combine its primary activities with its capacity for innovation while improving its processes in an agile manner. It will pursue its brick-and-click initiatives and maximize the potential of its human capital by rallying employees around a customer-centric model.

The past year's achievements are fully in line with these key orientations. The Board witnessed first-hand the hard work of all sectors of the organization, whether in implementing measures to protect the health and safety of customers and employees, launching new products, enhancing the existing product line, developing responsible gambling awareness campaigns, or swiftly rolling out technological tools to facilitate remote work.

The Board also closely followed the development of the 2021-2023 Corporate Social Responsibility (CSR) Plan. The initiatives it presents are in line with the Code of Responsible Commercialization and serve as a springboard for the strategic plan, particularly in meeting the high expectations of the public with regard to CSR.

## DEPARTURES, APPOINTMENTS AND ACKNOWLEDGMENTS

My fellow directors and I would like to extend our heartfelt thanks to Lynne Roiter, President and Chief Executive Officer, who is leaving Loto-Québec after more than 35 years of loyal service. A seasoned manager and the first woman to be appointed to head Loto-Québec, she has been, without a doubt, a pillar of the organization. We thank her for her invaluable contribution.

We are also pleased to welcome Jean-François Bergeron as the new President and Chief Executive Officer. We believe he is the right person to successfully meet the challenges ahead.

I would also like to take this opportunity to acknowledge Donald M. Bastien and Anie Perrault, who have left the Board after many years of service, and thank them for their contribution. At the same time, I would like to welcome our two new directors, Katy Yam and Sarine Chitilian.

I am grateful to all my colleagues on the Board of Directors for their unwavering support during this eventful year.

The cooperation and assistance of Executive Committee members have also been invaluable. Their ability to adapt quickly and to provide sound advice to their teams, who have also shown great flexibility, gives us reason to look to the future with optimism.



Hélène F. Fortin, FCPA, FCA, ICD.D  
Chairwoman of the Board of Directors

## MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER



Many of our commercial activities were suspended for most of the 2020–2021 fiscal year due to the COVID-19 pandemic, resulting in a significant decline in our revenues, which we anticipated. Throughout the year, the health and safety of our customers and staff has been and continues to be a priority as we adapt to this ever-changing situation.

### OUR OVERALL RESULTS

Compared to fiscal 2019–2020, our total revenues and consolidated net income saw respective declines of 48.6% and 66.2%.

These significant variances were mainly due to our casinos and gaming halls being shut down, our video lottery, network bingo and Kinzo activities being suspended for more than three quarters of the fiscal year, and lottery ticket sales being halted at retail locations until early May.

However, revenues from [lotoquebec.com](http://lotoquebec.com) grew. Many customers turned to online purchases while lottery ticket sales at retail locations were suspended. Some have subsequently kept up this habit to avoid unnecessary travel and store visits.

Some of our casino and gaming hall customers also started playing games on our website due to the closure of these locations.

### A CAUTIOUS REOPENING

In late June, we announced that we would be gradually resuming our activities. In addition to mandatory procedure masks or face coverings, a number of public health and physical distancing measures were put in place at our gaming locations, such as significantly reducing their capacity, launching an online booking system for visits, reconfiguring gaming areas, frequently disinfecting surfaces, shortening business hours, and carrying out daily staff health checks. We were commended for the exemplary measures we put in place, and no outbreaks ever occurred at our locations.

In early October, we had to suspend some of our activities again, in accordance with the Government of Québec's protocols based on regional alert levels.



## NECESSARY COST-CUTTING MEASURES

Faced with an unprecedented situation, we were forced to make difficult decisions to soundly manage our organization while protecting jobs and retaining expertise. Among other things, we significantly reduced our operating and capital expenditures, froze managers' salaries, shortened the work week for many employees for a few months, and implemented temporary layoffs.

The first wave of layoffs took place in July, when our gaming locations gradually and partially reopened with several restrictions. A second wave occurred in the fall, when all of Québec moved to the red alert level, which led to another suspension of a large portion of our activities.

## POSTPONED CELEBRATIONS

Loto-Québec's 50th anniversary celebrations began in December 2019 and were scheduled to continue until March 2021. Some of the planned activities had to be cancelled or postponed, while others went ahead in a different form. For example, the monthly unveiling of the historical murals at our head office and in each of our locations was presented to employees virtually. In addition, we gave our permanent instant lottery games a 50th anniversary theme and offered several bonus prizes for our draw-based lottery games. How the rest of the celebrations unfold remains to be seen. The other commercial initiatives planned to mark this important milestone in our history will resume in due course.

Other anniversaries were celebrated during the fiscal year, namely the 25th anniversary of the Casino du Lac-Leamy and the 10th anniversary of our gaming website.

## OUR FOUNDATION FOR THE NEXT THREE YEARS

In the last few months, we finalized our 2020-2023 Strategic Plan, which was tabled in the National Assembly. We identified key orientations that will enable us to respond to issues such as changing and increasingly complex consumer habits and the public's high expectations with regard to corporate social responsibility (CSR). They are as follows:

- Provide a positive customer experience across all distribution channels
- Offer gaming and entertainment options that meet customers' expectations
- Actively contribute to the community—socially, economically and environmentally
- Increase our agility and improve our processes

## A SAFE AND POSITIVE EXPERIENCE

Many Quebecers were lucky enough to win major prizes. Our prize claim procedures were adjusted to reflect the public health situation. We consistently ensured that winners had a safe and pleasant experience. Interviews were conducted virtually and, on two occasions, we presented cheques with the assistance of a robot designed by university students.

We reconfigured our casinos and gaming halls to provide a safe and fun environment when they reopened during summer.

## AN UPDATED OFFER

We launched a number of commercial initiatives to update our extensive entertainment portfolio. These included marketing new instant lottery games, creating the Instants category on [lotoquebec.com](http://lotoquebec.com), and increasing our event betting options, including adding live betting to the mix.

Our televised lottery games, namely *La Poule aux œufs d'or*, *Roue de fortune chez vous!* and *Célébration 2021*, have undergone numerous adjustments. The teams involved were innovative in implementing measures to comply with public health regulations and providing solid entertainment for contestants and viewers alike.

## COMMITMENTS TO THE COMMUNITY

The responsible commercialization of our offer remained a top priority, with a focus on online awareness messages. These have included encouraging players to set time and spending limits for themselves.

Furthermore, in light of the results of a study conducted by an independent firm, we announced the relocation of the Salon de jeux de Québec. This decision will promote social acceptability while maintaining the current gaming offer.

We honoured our financial commitments to the events on the *Rendez-vous Loto-Québec* calendar as well as to our partners in the arts and culture community in order to support them despite the cancellations caused by the pandemic.

## A YEAR MARKED BY AGILITY

All of our sectors have shown a great deal of agility during this difficult year. The roll-out of tools to facilitate collaboration and mobility, including Office 365, made remote work much easier. Our IT teams were very efficient in equipping some 1,300 employees who had to work from home, while respecting all IT security rules.

A number of measures were also taken to support our entire workforce, including temporarily laid-off employees, and to ensure their health and safety. These included developing new communication tools, expanding the employee and family assistance program, holding training workshops, and developing codes of conduct outlining the protective and preventive measures to be followed in each of our locations.

## OUR CSR PRIORITIES

Over the fiscal year, we developed our 2021-2023 CSR Plan. This plan reflects all of our contributions to the community and clearly lays out our sustainable development initiatives. These involve responsible gambling, our environmental footprint, diversity, inclusion and well-being, as well as economic, cultural and social support to the community.

We formalized our commitment to diversity and inclusion at all levels of the organization by signing a statement of commitment in February. This statement will lead to a forward-looking action plan, among other things. We would like to become ambassadors in this area, an aspiration that is particularly meaningful to me.

## THE END OF A LONG AND REWARDING CAREER

As this is my final message, I'd like to take a more personal tone in my acknowledgments.

I'm leaving Loto-Québec after a very exciting career that exceeded all my expectations. Arriving as a young lawyer, I could never have imagined the journey that lay ahead.

When I started, Loto-Québec offered traditional lottery games and was taking its first steps into the world of sports betting. I was subsequently involved in several watershed moments for the organization, including the opening of casinos, the introduction of video lottery terminals and network bingo, and the arrival of online gaming. I am very proud of what Loto-Québec has become, especially in its role as a global leader in responsible commercialization.

I was fortunate to have the opportunity to grow within the same organization for over 35 years. After achieving this major milestone, and with my birthday approaching, I thought it would be appropriate to combine these two significant events to announce my departure.

I was able to have such a wonderful career because of the trust shown to me by my predecessors, who helped me grow over the years, as well as the trust shown by the government in appointing me and renewing my term.

I'd like to thank all the Board members for their invaluable contribution to Loto-Québec and for all of their support, especially Hélène F. Fortin, who has chaired the Board with skill and dedication since 2008. I'd also like to acknowledge the commitment of two outgoing members, Donald M. Bastien and Anie Perrault, and welcome Katy Yam and Sarine Chitilian.

I'm grateful to have been able to count on an Executive Committee made up of individuals who demonstrated unwavering dedication in all circumstances. Together, we've weathered many challenges.

I'm also very grateful to all of the colleagues I worked with at one time or another in my career. They made my job truly stimulating. Loto-Québec is the strong and credible brand it is today thanks to the professionalism and talent of its current and former employees.

I'D NOW LIKE TO WELCOME MY SUCCESSOR, JEAN-FRANÇOIS BERGERON, AND WISH HIM ALL THE BEST. HE WILL HAVE A WONDERFUL TEAM TO SUPPORT HIM IN OVERSEEING THE CORPORATION'S AFFAIRS.

I FIRMLY BELIEVE THAT WITH ALL OF ITS ASSETS, LOTO-QUÉBEC IS FACING A PROMISING FUTURE. ITS 50 YEARS OF SUCCESS WILL SURELY LEAD TO 50 MORE!



Lynne Roiter  
President and Chief Executive Officer



IN APRIL 2020, IN THE MIDST OF THE COVID-19 PANDEMIC,

THE CORPORATION SHOWED ITS SOLIDARITY WITH QUEBECERS  
IN A MOST ORIGINAL WAY AT THE HILTON LAC-LEAMY HOTEL.



# REVIEW OF **ACTIVITIES**

OUR 2020-2023 STRATEGIC PLAN IS DESIGNED TO HELP US MEET THE CHALLENGES OF TODAY'S GLOBAL ENVIRONMENT IN THE DIGITAL AGE, WITH A GROWING AWARENESS OF SOCIAL, ECONOMIC AND ENVIRONMENTAL IMPACTS. FOUR STRATEGIC ORIENTATIONS WILL ENABLE US TO STAY THE COURSE ON OUR MISSION.

## ORIENTATION 1

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### **PROVIDE A POSITIVE CUSTOMER EXPERIENCE ACROSS ALL DISTRIBUTION CHANNELS**

Beyond the offer itself, given the hyper-connectedness of consumers, omnipresent mobility and high expectations in terms of e-commerce, the way we interact with customers has become a key aspect of the quality of their experience. In the digital age, connectivity must help us build and enrich our relationships with current and future customers. We will continue to adapt our commercialization methods, our marketing strategies and our customer service to respond to the expectations of Quebecers and their consumer habits. Following the government's lead on digital strategy, we will equip ourselves with the tools we need to further our customer-centred approach by focusing on customization.

## ORIENTATION 2

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### **OFFER GAMING AND ENTERTAINMENT OPTIONS THAT MEET CUSTOMERS' EXPECTATIONS**

Consumers have never had more choice when it comes to entertainment experiences, anytime, anywhere. Industry players are competing, especially since Quebecers' discretionary budgets are limited. We must ensure that our offer is competitive and promotes social interaction in order for it to remain relevant in the daily lives of Quebecers, and that games of chance can be offered to consumers within a responsible commercialization framework on a sustainable basis. The offer must also be in sync with the time and place.

### ORIENTATION 3

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## **ACTIVELY CONTRIBUTE TO THE COMMUNITY— SOCIALY, ECONOMICALLY AND ENVIRONMENTALLY**

The Corporation's mission is based on two complementary pillars: its economic and social dimensions. The need to maintain a balance between the two is gaining ground as the public becomes increasingly aware of the global impacts of large companies. Their expectations are commensurate with their growing awareness of the environment, cybersecurity and, of course, responsible gambling. Social, economic, and environmental issues are equally real and important to us. This may seem obvious from an economic standpoint, but we also want to set a positive example by enhancing and promoting our sustainable development practices and by having a concrete impact on the community.

### ORIENTATION 4

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## **INCREASE OUR AGILITY AND IMPROVE OUR PROCESSES**

The business environment is changing rapidly, and large companies are in a state of constant transformation, which calls for agility in terms of human resources and technology. In the digital age, we must not let this transformation process compromise the organization's achievements in recent decades. It's important to maintain a balance between the beneficial aspects of our current operations, the digital evolution of our processes, technological environments and the driving force of our operations, our employees. Our workforce must be diverse, inclusive and engaged.

## ORIENTATION 1

## PROVIDE A POSITIVE CUSTOMER EXPERIENCE ACROSS ALL DISTRIBUTION CHANNELS

### BIGGEST JACKPOTS WON IN QUÉBEC OVER THE FISCAL YEAR

PRIZE	LOTTERY GAME	DRAW DATE	WINNERS' PLACE OF RESIDENCE
<b>\$70,000,000</b>	Lotto Max	October 9, 2020	Montréal
<b>\$55,000,000</b>	Lotto Max	October 30, 2020	Outaouais
<b>\$50,000,000</b>	Lotto Max	December 22, 2020	Capitale-Nationale
<b>\$28,936,318</b>	Lotto 6/49	December 19, 2020	Laval
<b>\$27,146,339</b>	Lotto 6/49	March 13, 2021	Montréal
<b>\$26,000,000</b>	Lotto Max	August 4, 2020	Montréal
<b>\$15,000,000</b>	Lotto Max	June 16, 2020	Mauricie
<b>\$14,061,516</b>	Lotto 6/49	November 18, 2020	Chaudière-Appalaches
<b>\$9,000,000</b>	Lotto 6/49	March 18, 2020	Estrie, Lanaudière, Montérégie, Montréal
<b>\$8,539,083</b>	Lotto 6/49	July 22, 2020	Montréal

### A LUCKY YEAR IN QUÉBEC

- For Lotto Max, 6 of 21 jackpots, including one shared with an Ontario winner, were won in Québec and 14 out of a total of 64 Maxmillions prizes were awarded to Quebecers.
- For Lotto 6/49, Quebecers won 9 jackpots (out of a total of 31) and 21 won a \$1 million guaranteed prize (out of a total of 104).
- For all lotteries combined, 24,796 prizes of \$600 or more were claimed in Québec, for a total of \$550.7 million.

### SEVERAL NEW MILLIONAIRES

Over the year, 110 prizes of \$1 million or more were awarded to lottery winners. Since our first draw in March 1970, we've awarded 2,040 prizes of \$1 million or more.

### FOUR NEW MILLIONAIRES ON LOTOQUEBEC.COM

The Powerbucks™ slot game's jackpot was won online four times during the year. This Canada-wide game, which features a progressive jackpot that starts at \$1 million, is also available at casinos. In addition, 10 other prizes of \$500,000 or more were won at slot machines.



## RECORD PRIZE FOR THE BAD BEAT JACKPOT VIRTUAL INTERVIEWS

In April, the bad beat jackpot, which reached a record \$755,896, was won at poker. This is a progressive jackpot that is paid to an unlucky player who loses with a strong hand that is usually hard to beat. The bad beat jackpot winner receives half of the jackpot while the other players at the table each take home a share of the other half.

## PRIZE CLAIM OFFICES AND CENTRES

Safety protocols were put in place at our prize claim offices and centres to protect the health and well-being of employees and customers, including:

- Extended the prize claim deadline for scratch tickets that expired between March 17 and September 17
- Closing our prize claim offices and centres in casinos and gaming halls
- Adjusting the process for winners to claim a prize and adding contactless procedures
- Making mail-in claims for prizes of under \$25,000 mandatory
- Paying grand prizes by bank transfer
- Organizing virtual interviews with winners

In May, we held our first virtual interview with a Montréal woman who won \$609,863 on lotoquebec.com to celebrate her win while adhering to physical distancing protocols. Virtual interviews continued throughout the year.

## PRESENTING CHEQUES VIA ROBOT

On two occasions, we used a social and autonomous robotic assistant (SARA) to present cheques to winners. Designed, developed and remote-controlled by the Walking Machine student club at the École de technologie supérieure, SARA enabled winners to keep a safe distance from each other while experiencing a once-in-a-lifetime event.

## DIVIDING UP THE SPACE AT CASINOS

When the casinos reopened during the summer, the Casino de Montréal and the Casino du Lac-Leamy were divided up into 6 and 4 distinct zones, respectively, with a maximum capacity of 250 people each. Each zone was closed off to prevent customers from moving from one zone to another and to minimize contact among them. Each zone was assigned a dedicated parking lot and entrance. The Casino de Charlevoix and the Casino de Mont-Tremblant each had a maximum capacity of 250 people.



## BOOKING SYSTEM

With the help of a supplier, we quickly developed a booking system to manage access to our casinos. This system has helped us adhere to the limit of 250 customers per zone and keep lineups short.

## LIVE BINGO

As network bingo activities were suspended in Québec bingo halls, we wanted to organize fun events that would break the isolation. We therefore held live bingo nights on Facebook. A number of our followers took part in these free events. Many of them gave us positive feedback, including how nice it was to be able to have fun in these unusual times.

## ANNIVERSARIES

- The Casino du Lac-Leamy celebrated its 25th anniversary on March 24, 2021. As circumstances didn't lend themselves to celebrations, we simply highlighted the occasion online. We encouraged employees to share their wishes, stories and photos in a community created on the Yammer corporate social network.
- Our online gaming website, lotoquebec.com, was launched on December 1, 2010, (called Espacejeux.com at the time) and celebrated its 10th anniversary this past year. Our entertainment options have since grown to include a wide range of games, in addition to casino games, such as lotteries, sports betting, and bingo.



## ORIENTATION 2

## OFFER GAMING AND ENTERTAINMENT OPTIONS THAT MEET CUSTOMERS' EXPECTATIONS

### NEW SCRATCH TICKETS

Every year, we develop scratch tickets with fun and varied themes. They appeal to a clientele that is less accustomed to buying lottery tickets. Among the tickets launched during the year were Mysterium, Nain de jardin, Atchoum le chat and Cabane à sucre.

### 50TH ANNIVERSARY COLLECTION

To celebrate Loto-Québec's 50th anniversary, we offered a celebratory version of our permanent scratch tickets online and at retail locations. Scrabble, Mots cachés and many others sported a new golden design. Most of our draw-based lottery games, such as Lotto 6/49 and Banco, offered several bonus prizes for our anniversary.

### LA MINI

La Mini, which has been available for 50 years at a cost of \$0.50, was given a facelift, a new prize category and an advertising campaign. Its design was updated and now features a mini comic strip every week. A contest was held on Facebook in which followers were asked to come up with jokes for the comic strips.

### EVENT BETTING

In July, we unveiled our new online betting platform. Among other things, it offers live betting and a cashout option. Soccer is the sport that generates the most live betting sales. Online betting sales remained fairly stable compared to the previous year despite there being fewer sporting events or them being postponed.

### LIVE CASINO

To respond to new customer habits due to the pandemic, we focused our efforts on e-commerce. Among other things, we enhanced the Live Casino section on lotoquebec.com with new blackjack, roulette and baccarat games, as well as two new game categories: Live Game Shows and Live Dice Games.

### ONLINE CASINOS

The shutdown of our casinos led to the rapid roll-out of a major project to boost our online gaming options: online casinos. These allow players to have the same experience as playing at land-based casinos.



## LAUNCH OF INSTANT GAMES

A new category of games was launched on [lotoquebec.com](http://lotoquebec.com): Instants (or instant games).

It offers a host of new games, which are added every week, such as:

- Popular scratch tickets available in-store
- Quick-play games also available in-store
- A wide selection of chain-reaction games

## INNOVATION ZONE

In the summer of 2020, we created an innovation zone at the Casino du Lac-Leamy. This pilot project allowed customers to enhance their entertainment experience, try out products not yet available at the casino and give us feedback. Their comments guide us in choosing the games we will offer. The innovation zone was an immediate success. We plan to implement it again once circumstances allow.

## LA POULE AUX ŒUFS D'OR

The *Poule aux œufs d'or* season was cut short in the spring of 2020 due to the pandemic. The 28th season premiered on October 25, a few weeks later than usual, with hosts Sébastien Benoit and Julie Houle. In February, the show changed its time slot and is now broadcast on Sundays at 5:30 p.m. The show has been adapted to comply with public health guidelines, and contestants take part from the comfort of their own homes using a tablet.

## ROUE DE FORTUNE CHEZ VOUS!

Sales of Roue de fortune chez vous! scratch tickets were delayed for a few months in order to adapt the concept to the realities of 2020. Filming took place in a studio set up to comply with the public health guidelines, rather than at contestants' homes as in previous years. A total of 41 TV segments were broadcast. The prizes awarded during the season amounted to \$3.9 million.

## CÉLÉBRATION 2021

The 32nd *Célébration* gala was filmed at TOHU, without an audience due to the pandemic. Only the hosts and guest artists were on set. Participants received a tablet and took part in the event remotely. The 43 participants won a total of \$2.75 million. Many prizes were also awarded to ticket holders. Sales for the *Célébration* ticket were up in 2020-2021 compared to the previous year.



## ORIENTATION 3

## ACTIVELY CONTRIBUTE TO THE COMMUNITY—SOCIALY, ECONOMICALLY AND ENVIRONMENTALLY

### AWARENESS-RAISING

When our gaming locations shut down, many of our customers turned to our gaming website. We quickly enhanced the responsible gambling messages and boosted their visibility. The main messages communicated were as follows:

- Play responsibly, play from home.
- Set a time limit and stick to it.
- Set a budget and stick to it.

In addition to being posted on our websites, these messages were included in our newsletters and on social media. Your Best Bet, a tab that provides responsible gambling tools and tips, was added to the quick links on the Lotteries page and on the Mise-o-jeu page.

### TRAINING IN RESPONSIBLE COMMERCIALIZATION AND RESPONSIBLE GAMBLING

To ensure the responsible commercialization of our gaming and entertainment options, we rolled out a new online continuing training program that is mandatory for all employees, including managers, in March. This interactive training course offers general videos, with special bonus content based on the job performed, such as serving alcoholic drinks. The content will be reviewed and improved over the years to meet ever-changing needs.



### RAISING AWARENESS IN A FUN AND ENGAGING WAY

Pat the Decipherer is an avatar we created to communicate responsible gambling awareness content on [agameshouldremainagame.com](http://agameshouldremainagame.com) and social media. For example, Pat has debunked the belief that the number 13 brings bad luck. In the same vein, we broadcast a fun and colourful educational video, *It's All Up to Chance*, which explains the concept of probabilities in a way that's easy to understand.

### HOLIDAY CAMPAIGNS

Once again, the holiday season was an opportunity to remind people that lottery tickets should not be gifted to anyone under the age of 18. To do this, we produced a funny video and posted it on social media.



## PLANNING THE RELOCATION OF THE SALON DE JEUX DE QUÉBEC

We signed the new lease for the Salon de jeux de Québec in preparation for its move to a new location in Beauport. The relocation of the gaming hall is further to a study conducted by KPMG, which we hired to evaluate sites according to five criteria, including social acceptability and the impact on the Charlevoix region. The choice of location is intended to minimize access to the site by vulnerable populations and to maintain the current gaming options without increasing them.

## MYSTERY SHOPPER VISITS TO BARS

For the 2020–2021 fiscal year, the rate of compliance with the Code of Responsible Commercialization for video lottery terminals was 99.4%. This rate was obtained based on mystery shopper visits to locations that offer video lottery terminals. These visits continued despite the pandemic.

## RENDEZ-VOUS LOTO-QUÉBEC

As it was impossible to hold large gatherings during the 2020 season, festivals and events had to be reinvented. We paid the full amounts of our sponsorship contracts in order to meet our commitments and support our partners, even when the events were cancelled. Of the 52 *Rendez-vous Loto-Québec* events scheduled, more than 30 managed to come up with a formula that met the local COVID-19 restrictions and requirements, particularly as virtual events.

## #ENSEMBLEAUTREMENT

The majority of the festivals we sponsor were held as virtual events. Our communication strategy was therefore focused on the human aspect, empathy and solidarity, using the French hashtag #ensembleautrement.

## #MOMENTSCHANCEUX

In keeping with public health restrictions and requirements, we organized a surprise visit by Bonhomme Carnaval to the homes of 10 volunteers who help make the Québec Winter Carnival a success year after year. This activity is one of the lucky moments (“moments chanceux”) that we prepare every year with event partners. The video for this activity was widely shared and received numerous likes on social media.



## LOTO-QUÉBEC CORPORATE ART COLLECTION

We honoured all of our commitments to our partners in the cultural sector, despite the fact that the pandemic caused planned events to be adapted, postponed or cancelled.

### 2020-2021 CULTURAL PARTNERSHIPS

ORGANIZATION	TARGET REGION	INITIATIVE
2020 Papier Art Fair (virtual event)	Montréal	Grant for the purchase of a work of art
Adélarde Centre	Montréal	Presenting Partner of the program
Villa Bagatelle	Capitale-Nationale	Presentation of works of art from the collection in the <i>La nature nous habite</i> exhibition
Les arts et la ville Network	Province of Québec	Presentation of the \$5,000 Loto-Québec Coup de cœur award
Rencontres internationales de la photographie	Gaspésie	Presenting Partner of the 15 exhibitions over the 2020 summer season
Centre d'exposition de Val-David	Laurentides	Presenting Partner of the exhibition <i>Ces lieux qui nous habitent</i> , by Chloé Beaulac
Artch 2020	Montréal	Presenting Partner of the program
Manif d'art	Capitale-Nationale	Presenting Partner of the Jeunes commissaires component
Musée d'art contemporain de Baie-Saint-Paul	Capitale-Nationale	Presenting Partner of the program

## BOMA BEST®

The Casino de Charlevoix and the Casino de Montréal were awarded new BOMA BEST® certifications in December 2020. The casinos' continuous improvement processes enabled them to achieve Gold certification, surpassing their previous performance levels in both cases. All of our target gaming locations (see p. 85) are now BOMA BEST® Gold certified.

### ICI ON RECYCLE +

The Casino de Montréal was awarded Performance + certification for the *ICI on recycle +* program. This certification recognizes proactive organizations that are committed to improving their waste management performance. It also highlights the contribution of our employees, who reduce, reuse, recover and recycle waste from our activities on a daily basis.

## ENVIRONMENTAL PERFORMANCE REVIEW

To guide our next Corporate Social Responsibility Plan, we updated the environmental performance review of our commercial and administrative activities. This enabled us to identify the sectors where action to reduce environmental impacts should be prioritized.

### FIGHT AGAINST CLIMATE CHANGE

We adopted a greenhouse gas reduction target (-25% by the end of the 2022-2023 fiscal year) to contribute to the Québec government's 2030 Plan for a Green Economy. This will lead to consistent and relevant action aimed at reducing our environmental footprint.



## A WORLD FIRST

The Évasion scratch ticket is the world's first lottery ticket to be printed on 100% recycled cardboard. The game was launched in January after passing all environmental and security tests. Printing on 100% recycled cardboard is a challenge, as it's less stable than virgin cardboard. More than two years passed between the start of laboratory tests and the distribution of the first Évasion tickets across Québec.

## LES VIVATS

The first virtual edition of Les Vivats brought together 200 people who are involved in the eco-friendly event industry. In 2020–2021, the Festival Zéro Déchet, held by the Association québécoise Zéro Déchet, won the Grand Vivat prize, awarded by Loto-Québec.

## MOUVEMENT CONTEST

The Boomerang cooperative was the grand prize winner of the 2021 Mouvement contest. Created by Novae and Loto-Québec, the Mouvement contest adapted its format during the pandemic without losing sight of its social innovation objectives.

## THE QUEBEC FOUNDATION FOR ATHLETIC EXCELLENCE

In June, as part of the 13th edition of the Loto-Québec Bursary Program, the Quebec Foundation for Athletic Excellence recognized the remarkable achievements of 14 athletes with physical or sensory limitations. These exceptional athletes shared a \$40,000 bursary.



Source: Musée d'art contemporain de Baie-Saint-Paul

## BIG-HEARTED EMPLOYEES

The pandemic didn't stop our employees from being generous:

- Nearly 200,000 meals were prepared in our kitchens and donated to organizations supported by La Tablée des Chefs, which contributes \$1 per meal to its partners. Loto-Québec chose to give back its entire contribution to La Tablée des Chefs.
- Presents were given to 56 children in need as part of Opération Père Noël.
- Six organizations were given 175 backpacks as part of Opération Sac à Dos.
- Entraide and its philanthropic partners were given \$50,000 in donations.

## LES PETITS ROIS

Our commitment to the Fondation Les Petits Rois continued. We've lent the foundation space in our head office so that adults with moderate to severe intellectual disabilities can continue their student work placement program. This program allows them to remain active and develop their independence. We also took part in a video game marathon, organized in collaboration with NoReset, which raised over \$25,000 for the foundation.



## ORIENTATION 4

## INCREASE OUR AGILITY AND IMPROVE OUR PROCESSES

### RENEWAL OF SECURITY CONTROL STANDARD CERTIFICATION

Information security is paramount to our operations. The World Lottery Association renewed our Security Control Standard certification, which demonstrates our commitment to ensuring the security and integrity of our gaming operations.

### TECHNOLOGICAL ROLL-OUT

The rapid roll-out of new collaborative tools by our information technology (IT) teams enabled the majority of employees to work from home, which became necessary due to the pandemic. At the same time, we continued to successfully upgrade our technological infrastructure and increase the capacity of our IT networks while ensuring the availability of our critical services and systems.

### TEAM SUPPORT

The Office of the Corporate Vice-President – Talent and Culture showed great agility during the pandemic in supporting all staff. A number of initiatives were quickly implemented, including:

- Developing a practical guide for working from home
- Rolling out a telemedecine pilot project
- Expanding the employee and family assistance program
- Posting webinars
- Holding training courses to promote a safe return to the workplace

### ADAPTING TO DEMAND

In the spring of 2020, we created several units on our support and customer service teams to deal with an unprecedented volume of requests. Our employees:

- Helped customers open an online gaming account due to lottery ticket sales being suspended at retail locations
- Explained the new prize claim procedures to winners
- Provided remote support to televised draw participants on the correct usage of the technological tools made available to them

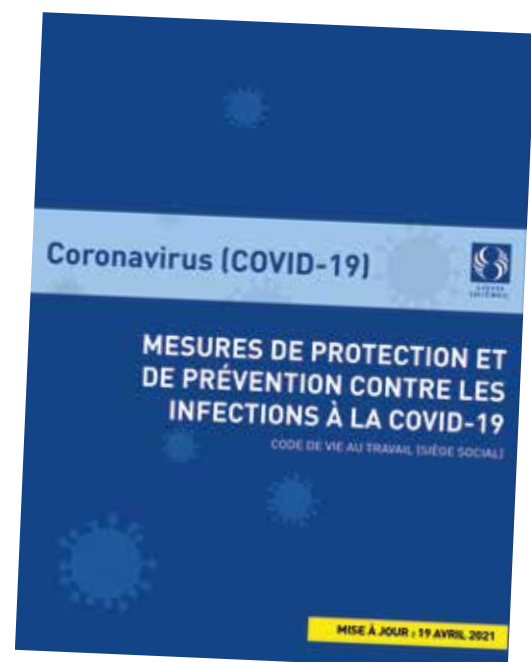
More than 200 employees from other parts of the organization assisted the customer service teams, ensuring that we were able to:

- Answer over 900 calls per day
- Handle up to 5,000 emails per day

### HYGIÈNE+ COMMITTEE

We established the Hygiène+ Committee and a governance structure, which brings together stakeholders from each of our business segments to ensure a safe and healthy environment for those who have to be present in the workplace. The committee is responsible for all protection and prevention measures and for updating them.

These measures include guides tailored to each of our locations, a self-assessment form for employees to complete before they go to work, personal protective equipment, and signage.



## PROVIDING SAFE LOCATIONS FOR ALL

Québec casinos were transformed in anticipation of their reopening in the summer of 2020. No detail was left to chance to ensure the safety of our customers and staff and, as a result, no outbreaks occurred in our facilities.

SAFETY MEASURES FOR CUSTOMERS	SAFETY MEASURES FOR STAFF
Cutting hours	Providing mandatory training to those returning to the workplace
Transforming the premises (installing plexiglass screens between dealers and customers, ensuring adequate space between gaming machines, etc.)	Transforming employee areas (one-way corridors, modification of break areas, etc.)
Installing signs with COVID-19 safety protocol reminders	Installing signs with COVID-19 safety protocol reminders
Disinfecting gaming spots after each customer	Ensuring daily health checks
Providing stylus pens to slot machine players	Installing gaming chip washers
Suspending alcohol service in gaming areas	Providing protective equipment
Suspending the use of cards and cash	

## CASHLESS TECHNOLOGY

At the gaming tables in our casinos, players no longer have to handle cash, thanks to a cashless technological solution, i.e. printers that issue cashout tickets. These printers are installed at each island of active game tables. They are provided in addition to cashout ticket machines at the slot machines. As well as minimizing the risk of spreading COVID-19, these printers reduce lineups at the cash desk for customers who want to exchange their chips for cash.

## SUPPORT FOR BUSINESS PARTNERS

In coordination with video lottery terminal retailers and bingo and Kinzo hall owners, we adapted our operations as they resumed over the summer to ensure customer safety by:

- Installing plexiglass screens between video lottery terminals (VLTs) and on Kinzo tables
- Relocating VLTs (where possible) to maintain a distance of two metres between them
- Reducing VLT activation times
- Providing a guide to VLT retailers and Kinzo hall owners for resuming their activities
- Producing and delivering signage

## NEW COMMUNICATION PROCESS

The shutdown of our casinos and gaming halls forced us to implement temporary layoffs. However, we kept in touch with the workers who were affected. Monthly virtual meetings were held on a voluntary basis, new communication tools were developed, including a community on Yammer, and a support committee was created. We also offered information sessions on the support measures available.



## FIRST GLMS CENTRE IN NORTH AMERICA

The Global Lottery Monitoring System (GLMS), which monitors betting on sporting events in order to detect and report any irregular activity to sports federations, has opened an operational centre in our offices, the mission of which is to ensure the integrity of sporting events throughout the North American market. Nearly 40 international lottery corporations that offer sports betting are members. This is the third centre to be opened after those in Denmark and Hong Kong.

## GAMING HALL MANAGEMENT PAIR-UPS

In an effort to further link our gaming hall and casino teams, we paired up some of our gaming locations. The Salon de jeux de Trois-Rivières is now under the management of the Casino de Montréal, and the Salon de jeux de Québec is now under the management of the Casino de Charlevoix. This will allow us to develop a shared and complementary vision.

## SPONTANEOUS FEEDBACK

To continually improve the experience of our customers in our casinos, we implemented a new tool that enables them to give us feedback quickly and easily. All they have to do is scan one of the QR codes posted throughout the casino with their phone to give us instant feedback. Employees can also enter feedback they receive from customers into the tool.

## PARITY CERTIFICATION

For a third year, we were awarded Parity Gold level certification by Women in Governance. This recognition reflects our commitment in the following three areas:

- Governance and vision
- Collective catalysts
- Equity

## IT SKILLS DEVELOPMENT

During the year, we formed a committee of IT managers and advisors from the Office of the Corporate Vice-President - Talent and Culture to ensure the ongoing development of key IT skills. Employees now have access to a host of tools, including technical training from their peers and a reference model as a skill measurement scale. Other tools are under development.

## DIVERSITY AND INCLUSION

We demonstrated our commitment to diversity and inclusion at all levels of the organization. The President and Chief Executive Officer and the Chairwoman of the Board of Directors signed a commitment statement, and we participated in the #EnsembleInc movement. This statement will culminate in an action plan that includes:

- A governance structure
- Mandatory unconscious bias training course for managers
- Communications activities and the creation of a brand image



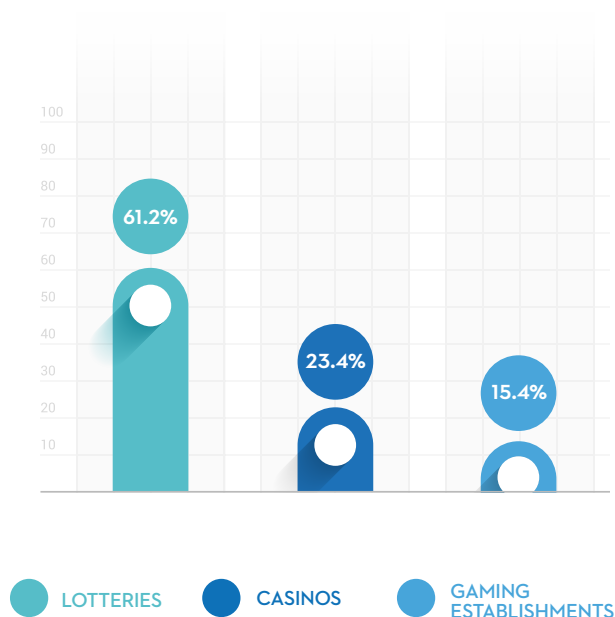


# **FINANCIAL** REVIEW

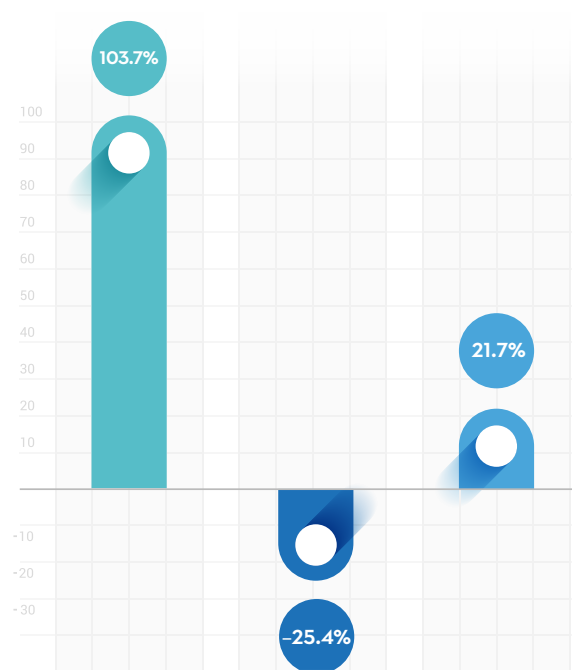
## FINANCIAL REVIEW

AS AT MARCH 31, 2021

### REVENUES



### NET INCOME



Several of Loto-Québec's commercial activities were suspended for much of the year due to the COVID-19 pandemic, which had an impact on revenues and net income. As a result, measures were taken to reduce expenses.

At the end of the 2020-2021 fiscal year, Loto-Québec posted total revenues of \$1.408 billion. This is a decrease of \$1.333 billion (-48.6%) from the previous fiscal year. Consolidated net income was \$457.6 million, down \$895.8 million (-66.2%) from the previous fiscal year.

Consolidated gross margin totalled \$1.131 billion, a decrease of \$1.126 billion (-49.9%) compared to fiscal 2019-2020.

Total expenses were \$673.5 million, down \$230.0 million (-25.5%).

## LOTTERIES

With revenues of \$860.9 million, the lottery sector posted a decrease of \$68.5 million (-7.4%) compared to the previous fiscal year.

The sector's net income was \$474.4 million, down \$54.4 million (-10.3%). These decreases are primarily due to lottery ticket sales being suspended at retail locations until May 4, 2020.

However, we should point out that instant lottery games saw revenue growth, in part due to the addition of new online games. Event betting performed well despite there being fewer sporting events or them being postponed.

A total of \$4.7 million was distributed to non-profit organizations operating lottery kiosks.

## REVENUES

### AS AT MARCH 31

(In thousands of Canadian dollars)	2021	2020	\$ Variation	% Variation
Draw-based lotteries	632,193	735,665	(103,472)	(14.1)
Instant lotteries	199,341	163,434	35,907	22.0
Event betting	29,378	30,327	(949)	(3.1)
<b>Total</b>	<b>860,912</b>	<b>929,426</b>	<b>(68,514)</b>	<b>(7.4)</b>
<b>Online gaming</b> (Included in the table above)	<b>123,908</b>	<b>39,419</b>	<b>84,489</b>	<b>214.3</b>

## CASINOS

In the casino sector, revenues reached \$331.2 million, down \$632.5 million (-65.6%) from the previous fiscal year.

The sector reported a net loss of \$116.3 million.

These results are mainly due to the shutdown of casinos and gaming halls for much of the year.

## REVENUES

### AS AT MARCH 31

(In thousands of Canadian dollars)	2021	2020	\$ Variation	% Variation
Land-based casinos	78,427	800,759	(722,332)	(90.2)
Online casino	244,418	96,449	147,969	153.4
Gaming halls	8,330	66,457	(58,127)	(87.5)
<b>Total</b>	<b>331,175</b>	<b>963,665</b>	<b>(632,490)</b>	<b>(65.6)</b>

## GAMING ESTABLISHMENTS

The gaming establishment sector, which includes video lottery terminals in bars, as well as bingo and Kinzo, reported revenues of \$217.4 million in 2020-2021. Compared to the previous year, this is a decrease of \$655.2 million (-75.1%).

The sector's net income was \$99.5 million, down \$448.1 million (-81.8%).

These declines are primarily due to the shutdown of establishments for much of the year.

A total of \$1.1 million was distributed to non-profit organizations that hold a bingo licence.

## REVENUES

### AS AT MARCH 31

(In thousands of Canadian dollars)	2021	2020	\$ Variation	% Variation
Bars	213,798	853,476	(639,678)	(74.9)
Bingo and Kinzo	3,614	19,101	(15,487)	(81.1)
<b>Total</b>	<b>217,412</b>	<b>872,577</b>	<b>(655,165)</b>	<b>(75.1)</b>

## ONLINE GAMING

For the 2020-2021 fiscal year, total revenues (lottery games and casino games) on our gaming website, lotoquebec.com, were \$368.3 million (\$123.9 million for lottery games and \$244.4 million for casino games), up \$232.5 million (+171.1%) compared to 2019-2020 (+\$84.5 million for lottery games and +\$148.0 million for casino games).

Many consumers turned to lotoquebec.com when our casinos and gaming halls closed and lottery ticket sales at retail locations were suspended, and some have kept up this habit. That is the reason for this increase.

## OPERATING EXPENSES

Expenses, including the cost of sales, total \$949.9 million, a decrease of \$437.5 million (-31.5%) compared to the previous year.

Faced with a marked decline in its commercial activities due to the pandemic, the Corporation undertook an extensive optimization exercise involving all sectors. Significant cost-saving measures, which impacted its operations and entire workforce, were implemented, including a plan to reduce labour-related expenses.



## NET FINANCIAL EXPENSES

Net financial expenses stood at \$5.0 million, a decrease of \$1.2 million compared to the previous year. This difference is due mainly to lower borrowing rates than in 2019-2020.

## CONTRIBUTIONS TO GOVERNMENTS

The dividend Loto-Québec paid to the Minister of Finance was \$432.6 million, down \$895.8 million (-67.4%) from the amount paid the previous fiscal year. In addition to this dividend, \$25.0 million was paid into the Government of Québec's various designated funds, along with \$67.9 million to the Ministère du Revenu in

Québec Sales Tax. Loto-Québec's total contributions to the Government of Québec amounted to \$525.5 million (2020: \$1.452 billion). The Corporation also paid \$17.7 million to the Government of Canada as compensation for the federal government's withdrawal from the lottery sector and \$34.0 million in Goods and Services Tax, for a total of \$51.7 million (2020: \$66.9 million).

## CONTRIBUTIONS TO GOVERNMENTS

### AS AT MARCH 31

(In millions of Canadian dollars)

	2021	2020
<b>Government of Québec</b>		
Dividend	432.6	1,328.5
Designated funds	25.0	25.0
Québec Sales Tax	67.9	98.4
<b>Total to Government of Québec</b>	<b>525.5</b>	<b>1,451.9</b>
<b>Government of Canada</b>		
Compensation – withdrawal from the lottery sector	17.7	17.6
Goods and Services Tax	34.0	49.3
<b>Total to Government of Canada</b>	<b>51.7</b>	<b>66.9</b>
<b>Total</b>	<b>577.2</b>	<b>1,518.8</b>

## SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED MARCH 31

	2021				
	Lotteries	Casinos	Gaming establishments	Elimination of intragroup transactions	Consolidated figures
(In thousands of Canadian dollars)					
<b>Business segments</b>					
<b>Revenues</b>					
Games	860,912	326,042	217,412	–	1,404,366
Restaurants	–	3,429	–	(1,975)	1,454
Accommodation	–	1,704	–	–	1,704
	860,912	331,175	217,412	(1,975)	1,407,524
<b>Cost of sales</b>					
Commissions	128,322	–	48,131	–	176,453
Royalties	3,885	39,178	–	–	43,063
Printing	20,537	–	285	–	20,822
Food and beverages	–	1,756	–	–	1,756
Goods and Services Tax	7,239	1,784	2,418	–	11,441
Québec Sales Tax	14,442	3,559	4,825	–	22,826
	174,425	46,277	55,659	–	276,361
<b>Gross margin</b>	686,487	284,898	161,753	(1,975)	1,131,163
<b>Expenses</b>					
Employee benefits	83,993	201,989	13,802	(690)	299,094
Depreciation, amortization and net impairment losses	15,275	56,584	20,980	–	92,839
Depreciation of right-of-use assets	1,531	4,741	388	–	6,660
Special payments	17,690	–	746	–	18,436
Goods and Services Tax	3,876	4,351	1,624	–	9,851
Québec Sales Tax	7,734	8,709	3,241	–	19,684
General operating, administrative, and other expenses	79,208	109,084	20,527	(1,285)	207,534
	209,307	385,458	61,308	(1,975)	654,098
<b>Income from operating activities</b>	477,180	(100,560)	100,445	–	477,065
Financial income	(1,464)	(543)	(103)	–	(2,110)
Financial expenses	4,203	1,856	1,056	–	7,115
<b>Net financial expenses</b>	2,739	1,313	953	–	5,005
Share of net loss in the joint venture and payments to partners	–	(4,410)	–	–	(4,410)
Write-down of interests in the joint venture	–	18,840	–	–	18,840
<b>Net income</b>	474,441	(116,303)	99,492	–	457,630

(In thousands of Canadian dollars)

2020

<b>Business segments</b>	<b>Lotteries</b>	<b>Casinos</b>	<b>Gaming establishments</b>	<b>Elimination of intragroup transactions</b>	<b>Consolidated figures</b>
<b>Revenues</b>					
Games	929,426	857,702	872,577	–	2,659,705
Restaurants	–	86,979	–	(24,852)	62,127
Accommodation	–	18,984	–	–	18,984
	<b>929,426</b>	<b>963,665</b>	<b>872,577</b>	<b>(24,852)</b>	<b>2,740,816</b>
<b>Cost of sales</b>					
Commissions	144,002	–	193,632	–	337,634
Royalties	879	33,290	597	–	34,766
Printing	24,825	–	1,339	–	26,164
Food and beverages	–	27,480	–	–	27,480
Goods and Services Tax	8,060	1,450	9,767	–	19,277
Québec Sales Tax	16,080	2,892	19,485	–	38,457
	<b>193,846</b>	<b>65,112</b>	<b>224,820</b>	<b>–</b>	<b>483,778</b>
<b>Gross margin</b>	<b>735,580</b>	<b>898,553</b>	<b>647,757</b>	<b>(24,852)</b>	<b>2,257,038</b>
<b>Expenses</b>					
Employee benefits	67,546	356,847	28,197	(6,808)	445,782
Depreciation, amortization and net impairment losses	14,155	57,306	27,595	–	99,056
Depreciation of right-of-use assets	1,748	4,948	564	–	7,260
Special payments	17,631	–	4,508	–	22,139
Goods and Services Tax	4,075	7,053	2,573	–	13,701
Québec Sales Tax	8,133	14,111	5,133	–	27,377
General operating, administrative and other expenses	91,824	173,773	29,254	(18,044)	276,807
	<b>205,112</b>	<b>614,038</b>	<b>97,824</b>	<b>(24,852)</b>	<b>892,122</b>
<b>Income from operating activities</b>	<b>530,468</b>	<b>284,515</b>	<b>549,933</b>	<b>–</b>	<b>1,364,916</b>
Financial income	(1,235)	(1,074)	(300)	–	(2,609)
Financial expenses	2,910	3,219	2,639	–	8,768
<b>Net financial expenses</b>	<b>1,675</b>	<b>2,145</b>	<b>2,339</b>	<b>–</b>	<b>6,159</b>
Share of net loss in the joint venture and payments to partners	–	5,295	–	–	5,295
<b>Net income</b>	<b>528,793</b>	<b>277,075</b>	<b>547,594</b>	<b>–</b>	<b>1,353,462</b>

# COMPARATIVE RESULTS

FOR THE YEAR ENDED MARCH 31

(In thousands of Canadian dollars)	2021	2020	2019	2018	2017
Consolidated results					
<b>Revenues</b>	<b>1,407,524</b>	<b>2,740,816</b>	<b>2,827,087</b>	<b>2,742,167</b>	<b>2,623,275</b>
<b>Cost of sales</b>					
<b>Lotteries</b>					
Commissions	128,322	144,002	146,980	138,784	127,694
Royalties	3,885	879	934	860	604
Printing	20,537	24,825	29,374	22,862	20,721
Goods and Services Tax	7,239	8,060	8,727	7,435	7,312
Québec Sales Tax	14,442	16,080	17,410	14,833	14,588
	<b>174,425</b>	<b>193,846</b>	<b>203,425</b>	<b>184,774</b>	<b>170,919</b>
<b>Casinos</b>					
Royalties	39,178	33,290	29,345	15,975	8,867
Food and beverages	1,756	27,480	28,231	27,627	25,580
Goods and Services Tax	1,784	1,450	1,188	609	322
Québec Sales Tax	3,559	2,892	2,371	1,215	643
	<b>46,277</b>	<b>65,112</b>	<b>61,135</b>	<b>45,426</b>	<b>35,412</b>
<b>Gaming establishments</b>					
Commissions	48,131	193,632	202,791	203,939	202,603
Royalties	–	597	1,227	192	109
Printing	285	1,339	1,292	1,354	1,448
Goods and Services Tax	2,418	9,767	10,247	10,261	10,194
Québec Sales Tax	4,825	19,485	20,443	20,471	20,338
	<b>55,659</b>	<b>224,820</b>	<b>236,000</b>	<b>236,217</b>	<b>234,692</b>
<b>Total</b>	<b>276,361</b>	<b>483,778</b>	<b>500,560</b>	<b>466,417</b>	<b>441,023</b>
<b>Gross margin</b>	<b>1,131,163</b>	<b>2,257,038</b>	<b>2,326,527</b>	<b>2,275,750</b>	<b>2,182,252</b>
<b>Operating expenses</b>					
Lotteries	180,891	177,001	178,537	172,985	168,555
Casinos	309,098	505,768	493,181	495,969	466,413
Gaming establishments	35,075	61,959	81,704	88,684	119,159
Depreciation, amortization and net impairment losses	92,839	99,056	119,918	126,564	132,618
Depreciation of right-of-use assets	6,660	7,260	–	–	–
Goods and Services Tax	9,851	13,701	11,586	14,294	17,173
Québec Sales Tax	19,684	27,377	23,143	29,055	34,289
	<b>654,098</b>	<b>892,122</b>	<b>908,069</b>	<b>927,551</b>	<b>938,207</b>
<b>Income from operating activities</b>	<b>477,065</b>	<b>1,364,916</b>	<b>1,418,458</b>	<b>1,348,199</b>	<b>1,244,045</b>
<b>Net financial expenses</b>	<b>5,005</b>	<b>6,159</b>	<b>6,016</b>	<b>7,942</b>	<b>8,515</b>
Share of net loss in the joint venture and payments to partners	(4,410)	5,295	4,236	4,790	4,979
Write-down of interests in the joint venture	18,840	–	–	–	–
<b>Net income</b>	<b>457,630</b>	<b>1,353,462</b>	<b>1,408,206</b>	<b>1,335,467</b>	<b>1,230,551</b>



# CONSOLIDATED FINANCIAL STATEMENTS

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## MANAGEMENT'S REPORT

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The consolidated financial statements of Loto-Québec have been prepared by management, which is responsible for their preparation and presentation, including significant estimates and judgments. This responsibility involves the selection of appropriate accounting policies in accordance with International Financial Reporting Standards (IFRS). All financial information contained in the annual report on activities is consistent with that appearing in the consolidated financial statements.

To fulfill its responsibilities, management develops, establishes and maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded on a timely basis and in a manner suitable for preparing reliable consolidated financial statements. The Office of the Corporate Vice-President of Internal Auditing and Enterprise Risk Management carries out periodic audits to ensure that internal controls are adequate, consistent and applied uniformly by Loto-Québec.

Loto-Québec management acknowledges its responsibility for conducting its affairs in accordance with its governing statutes and regulations.

The Board of Directors of Loto-Québec oversees management in the performance of its financial reporting responsibilities and approves the consolidated financial statements, assisted by its Audit Committee consisting solely of independent members. The Audit Committee meets with management, the Office of the Corporate Vice-President of Internal Auditing and Enterprise Risk Management, the Auditor General of Québec and accounting firm KPMG LLP (KPMG), reviews the consolidated financial statements and recommends their approval to the Board of Directors.

The Auditor General of Québec and KPMG have jointly audited the consolidated financial statements of Loto-Québec, in accordance with Canadian generally accepted auditing standards, and their independent auditors' reports state the nature and scope of this audit and express their opinion. The Auditor General of Québec and KPMG have full and free access to the Audit Committee to discuss any matter related to their audit.

President and Chief Executive Officer,  
Loto-Québec,



LYNNE ROITER

Corporate Vice-President  
Finance and Administration, Loto-Québec,



MARIE-CLAUDE TREMBLAY, CPA, CA

MONTRÉAL, QUÉBEC  
MAY 28, 2021

# INDEPENDENT AUDITORS' REPORT

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To the Minister of Finance

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Loto-Québec and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2021 and the consolidated statement of comprehensive income, consolidated statement of changes in shareholder's equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

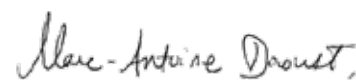
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

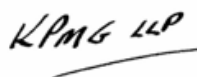
### Report On Other Legal and Regulatory Requirements

As required by the *Auditor General Act* (CQLR, c. V-5.01), we report that, in our opinion, these standards have been applied on a basis consistent with that of the preceding year.

On behalf of the Auditor General of Québec,

 Marc-Antoine Daoust, CPA auditeur, CA

Marc-Antoine Daoust, CPA auditor, CA  
Assistant Auditor General

 KPMG LLP

KPMG LLP\*

Montréal, May 28, 2021

\* FCPA auditor, FCA, public accountancy permit No. A110618



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2021

(In thousands of Canadian dollars)	2021	2020
<b>Revenues</b> (Note 5)	1,407,524	2,740,816
<b>Cost of sales</b> (Note 6)	276,361	483,778
<b>Gross margin</b>	1,131,163	2,257,038
<b>Expenses</b>		
Employee benefits (Note 7)	299,094	445,782
Depreciation and amortization (Notes 14 and 15)	92,839	99,056
Depreciation of right-of-use assets (Note 16)	6,660	7,260
Special payments (Note 8)	18,436	22,139
Goods and Services Tax	9,851	13,701
Québec Sales Tax	19,684	27,377
General operating, administrative and other expenses	207,534	276,807
	654,098	892,122
<b>Income from operating activities</b>	477,065	1,364,916
Financial income (Note 9)	(2,110)	(2,609)
Financial expenses (Note 9)	7,115	8,768
<b>Net financial expenses</b> (Note 9)	5,005	6,159
Share of net (income) loss in the joint venture and payments to partners (Note 13)	(4,410)	5,295
Write-down of interests in the joint venture (Note 13)	18,840	–
<b>Net income</b>	457,630	1,353,462
<b>Other comprehensive income</b>		
Items that will not be reclassified subsequently to net income:		
Remeasurements of the net defined benefit liability (asset) (Note 20)	21,133	59,348
<b>Comprehensive income</b>	478,763	1,412,810

The accompanying notes are an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

FOR THE YEAR ENDED MARCH 31, 2021

(In thousands of Canadian dollars)	Share capital	Retained earnings	Accumulated other comprehensive income	Total
<b>Balance as at April 1, 2019</b>	<b>170</b>	<b>86,300</b>	<b>24,417</b>	<b>110,887</b>
Dividend	–	(1,328,462)	–	(1,328,462)
Contributions to the Government of Québec (Note 10)	–	(25,000)	–	(25,000)
Transactions with the shareholder	–	(1,353,462)	–	(1,353,462)
Net income	–	1,353,462	–	1,353,462
Other comprehensive income				
Remeasurements of the net defined benefit liability (asset) (Note 20)	–	–	59,348	59,348
Comprehensive income	–	1,353,462	59,348	1,412,810
<b>Balance as at March 31, 2020</b>	<b>170</b>	<b>86,300</b>	<b>83,765</b>	<b>170,235</b>
Dividend	–	(432,630)	–	(432,630)
Contributions to the Government of Québec (Note 10)	–	(25,000)	–	(25,000)
Transactions with the shareholder	–	(457,630)	–	(457,630)
Net income	–	457,630	–	457,630
Other comprehensive income				
Remeasurements of the net defined benefit liability (asset) (Note 20)	–	–	21,133	21,133
Comprehensive income	–	457,630	21,133	478,763
<b>Balance as at March 31, 2021</b>	<b>170</b>	<b>86,300</b>	<b>104,898</b>	<b>191,368</b>

The accompanying notes are an integral part of the consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2021

(In thousands of Canadian dollars)	2021	2020
<b>ASSETS</b>		
Cash (Note 24)	105,142	110,527
Trade and other receivables (Note 11)	99,261	32,621
Inventories (Note 12)	4,141	4,604
Prepaid expenses	14,264	21,843
<b>Total current assets</b>	<b>222,808</b>	<b>169,595</b>
Interests in the joint venture and loans (Note 13)	18,408	37,956
Property, plant and equipment (Note 14)	652,634	697,524
Intangible assets (Note 15)	43,797	49,755
Right-of-use assets (Note 16)	13,794	19,495
Net defined benefit asset (Note 20)	27,981	12,144
<b>Total non-current assets</b>	<b>756,614</b>	<b>816,874</b>
<b>Total assets</b>	<b>979,422</b>	<b>986,469</b>
<b>LIABILITIES</b>		
Bank loans (Note 17)	242,788	283,800
Dividend payable	97,630	58,063
Accounts payable and accrued liabilities (Note 18)	226,344	274,722
Derivatives on gaming transactions	5,524	2,361
Deferred revenues	2,729	2,122
Current portion of lease liabilities (Note 16)	5,569	6,555
Current portion of long-term debt (Note 19)	9,943	43,375
<b>Total current liabilities</b>	<b>590,527</b>	<b>670,998</b>
Long-term debt (Note 19)	181,263	119,227
Lease liabilities (Note 16)	8,195	13,561
Net defined benefit and other long-term benefit liability (Note 20)	8,069	12,448
<b>Total non-current liabilities</b>	<b>197,527</b>	<b>145,236</b>
<b>Total liabilities</b>	<b>788,054</b>	<b>816,234</b>
<b>SHAREHOLDER'S EQUITY</b>		
Share capital authorized, issued and paid: 1,700 shares with a par value of \$100 each	170	170
Retained earnings	86,300	86,300
Accumulated other comprehensive income	104,898	83,765
<b>Total shareholder's equity</b>	<b>191,368</b>	<b>170,235</b>
<b>Total liabilities and shareholder's equity</b>	<b>979,422</b>	<b>986,469</b>

ON BEHALF OF THE BOARD



HÉLÈNE F. FORTIN, FCPA, FCA  
CHAIRWOMAN OF THE BOARD OF DIRECTORS



LYNNE ROITER  
PRESIDENT AND CHIEF EXECUTIVE OFFICER

The accompanying notes are an integral part of the consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2021

(In thousands of Canadian dollars)	2021	2020
<b>OPERATING ACTIVITIES</b>		
Net income	457,630	1,353,462
Items not affecting cash:		
Depreciation, amortization and net impairment losses of property, plant and equipment and intangible assets	92,839	99,056
Depreciation of right-of-use assets	6,660	7,260
Loss on disposal of property, plant and equipment, intangible assets and lease liabilities	1,134	773
Foreign exchange (gain) loss on lease liabilities	(852)	433
Defined benefit and other long-term benefit expense	13,341	33,054
Share of net (income) loss in the joint venture	(4,410)	5,295
Other net financial expenses	5,005	6,159
Write-down of interests in the joint venture (Note 13)	18,840	–
Net change in non-cash items (Note 24)	(76,877)	26,758
Capitalization of defined benefit obligation	(12,424)	(18,974)
Interest on leases	(306)	(410)
Interest paid	(7,219)	(8,243)
Interest received	2,110	2,609
<b>Cash flows provided by operating activities</b>	<b>495,471</b>	<b>1,507,231</b>
<b>INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(48,758)	(62,955)
Additions to intangible assets	(12,388)	(13,449)
Proceeds from disposal of property, plant and equipment	4	29
Receipt of non-interest bearing advance to the joint venture	–	5,000
Investment in the joint venture, net of distributions and payments to partners	(2,691)	(8,084)
<b>Cash flows used in investing activities</b>	<b>(63,833)</b>	<b>(79,458)</b>
<b>FINANCING ACTIVITIES</b>		
Dividend paid	(393,063)	(1,417,803)
Net change in bank loans	(41,012)	(12,935)
Increase in long-term debt	80,530	48,298
Repayment of long-term debt	(52,021)	(3,732)
Repayment of lease liabilities	(6,457)	(7,071)
Contributions to the Government of Québec (Note 10)	(25,000)	(25,000)
<b>Cash flows used in financing activities</b>	<b>(437,023)</b>	<b>(1,418,243)</b>
<b>(Decrease) increase in cash</b>	<b>(5,385)</b>	<b>9,530</b>
<b>Cash, beginning of year</b>	<b>110,527</b>	<b>100,997</b>
<b>Cash, end of year (Note 24)</b>	<b>105,142</b>	<b>110,527</b>

The accompanying notes are an integral part of the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

(In thousands of Canadian dollars)

## 1 / INCORPORATION AND ACTIVITIES

The Société des loteries du Québec, designated under the name Loto-Québec, is a joint-stock company whose shares form part of the public domain of Québec and are allocated to the Québec Minister of Finance. Under its incorporating statute (CQLR, chapter S-13.1), the functions of Loto-Québec are to conduct and administer lottery schemes and to operate businesses which are incidental to the operation of a State casino. Loto-Québec may also offer, for consideration, consulting and implementation services in matters within its competence. In addition, the *Act respecting mainly the implementation of certain provisions of the Budget Speech of 26 March 2015* amended the incorporating statute of Loto-Québec to ensure it performs the duties conferred on it by Title III.4 of the *Consumer Protection Act* (CQLR, chapter P-40.1) in relation to online gaming. The amendments in question will come into force on the date to be fixed by the government. Under the *Income Tax Act* (R.S.C. (1985), Ch. 1 (5th supplement)) and the *Taxation Act* (CQLR, chapter I-3), Loto-Québec is exempt from income taxes.

Loto-Québec is a corporation domiciled in Québec, Canada. Loto-Québec's head office is located at 500 Rue Sherbrooke Ouest, Montréal, Québec.

The consolidated financial statements of Loto-Québec include the accounts of Loto-Québec and those of its subsidiaries (collectively called "Loto-Québec" and, individually, the "entities of Loto-Québec") as well as Loto-Québec's interests in a joint venture.

## 2 / BASIS OF PREPARATION

### a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The Board of Directors approved the consolidated financial statements of Loto-Québec and authorized their release on May 28, 2021.

### b) Basis of measurement

The consolidated financial statements were prepared on a historical cost basis, except for:

- Derivative financial instruments on gaming transactions, which were measured at fair value;
- The net defined benefit liability (asset), which was measured at the present value of the defined benefit obligation, less the fair value of plan assets.

The methods used to measure fair value are discussed in greater detail in Note 23.

### c) Functional currency and presentation currency

The consolidated financial statements are presented in Canadian dollars, the functional currency of Loto-Québec.

### d) Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to use its judgment in applying the accounting policies and to make assumptions and estimates that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

The estimates and underlying assumptions are reviewed on a regular basis, and the impact of any changes is immediately recognized. They are based on experience, economic conditions and general trends, as well as conditions pertaining to the probable outcome of those matters. Actual results could differ from management's best projections.

Information about significant assumptions and uncertainties related to items that are subject to estimates, that have a significant impact on the amounts recognized in the consolidated financial statements and that have a significant risk of causing a material adjustment over the next fiscal year is provided in the following notes:

- Net defined benefit and other long-term benefit liability (asset) (Notes 4 f) and 20 b) (iv))
- Useful lives of property, plant and equipment and intangible assets (Note 4 l), m) and n))
- Impairment of financial and non-financial assets (Note 4 o))
- Contingent liabilities (Note 22)
- For the year ended March 31, 2021, Loto-Québec assessed the effect of uncertainties related to the COVID-19 pandemic on the amounts reported in the consolidated statement of financial position. Following this assessment, Loto-Québec recognized an impairment of interests in the joint venture (Note 13). There was no other significant impact on accounting estimates and judgments.

### 3 / CHANGES IN ACCOUNTING POLICIES

Certain new standards and interpretations have been issued, but are not expected to have a significant impact on Loto-Québec's consolidated financial statements.

### 4 / SIGNIFICANT ACCOUNTING POLICIES

#### a) Principles of consolidation

##### (i) Subsidiaries

The subsidiaries are entities controlled by Loto-Québec. Control exists when Loto-Québec is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over those subsidiaries. The financial statements of subsidiaries are integrated into the consolidated financial statements from the date control is obtained until the date control is lost. The accounting policies of the subsidiaries have been harmonized, as required, with those adopted by Loto-Québec.

The consolidated financial statements include the accounts of Loto-Québec and those of its wholly owned subsidiaries, whose places of business are in Québec (Canada), namely:

- Lotim inc.
- Société des casinos du Québec inc.
- Casiloc inc.
- Société des établissements de jeux du Québec inc.
- Société du jeu virtuel du Québec inc.
- 9059-3849 Québec inc.
- Casino Mondial inc.
- Casino Capital 2006 inc.
- Nter Technologies, Limited Partnership
- Nter Technologies inc.

##### (ii) Interests in a joint venture

Manoir Richelieu Limited Partnership (MRLP) and its general partner, 9064-1812 Québec inc., is a joint venture over whose activities Loto-Québec has joint control, established by contractual agreement requiring partners' unanimous consent on strategic financial and operating decisions. MRLP, whose place of business is in Québec (Canada), owns a resort which includes a hotel, restaurants, a golf course, a spa and commercial rental space.

The joint venture is initially recorded at cost. After their initial recognition, the consolidated financial statements incorporate Loto-Québec's share of the revenues and expenses and changes in equity of the entity accounted for using the equity method, taking into account adjustments made to bring the accounting policies in line with those of Loto-Québec, from the date on which Loto-Québec began to exercise significant influence or joint control until the date on which it ceases to exercise significant influence or joint control. When Loto-Québec's share of the losses exceeds its interest in the joint venture, the carrying amount of this interest is reduced to zero and additional losses are no longer recognized, unless Loto-Québec has an obligation or has made payments on behalf of the investee.

##### (iii) Transactions eliminated in the consolidated financial statements

Intragroup balances and transactions, and the revenues and expenses arising from intragroup transactions, are eliminated in the preparation of the consolidated financial statements.

## b) Foreign currencies

Transactions denominated in foreign currencies are initially recognized in the respective functional currencies of the Loto-Québec entities using the exchange rates in effect on the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are converted into the functional currency using the exchange rates in effect at the reporting date.

Foreign exchange gains and losses are reported on a net basis under General operating, administrative and other expenses in the consolidated statement of comprehensive income.

## c) Revenues

The main sources of revenues and the related accounting policies are described below:

### (i) Gaming revenues

Loto-Québec has determined that gaming revenues arising in the ordinary course of its business comprise two main categories:

- Gaming revenues for which the rates of prizes awarded are fixed or substantially fixed (hereinafter referred to as “substantially fixed”). Such gaming revenues are in substance commissions and fall within the scope of IFRS 15, *Revenue from Contracts with Customers*. The amount of these gaming revenues corresponds to the consideration received from clients less the lottery prizes payable to them.
- Gaming revenues for which the rates of prizes awarded depend on the outcome of each game. Such gaming revenues are in substance settlements of derivatives on gaming transactions and fall within the scope of IFRS 9, *Financial Instruments*. The amount of these gaming revenues corresponds to the cumulative net profits and losses following each gaming settlement, i.e. the difference between the wagers and the prizes awarded.

#### Lotteries

- Revenues from lotteries for which the rates of prizes awarded are substantially fixed comprise instant lotteries and draw-based lotteries.

Instant lottery revenues are recorded at the time of sale to clients by retailers or online, as these gaming transactions are settled, and the performance obligation is satisfied, instantly.

Draw-based lottery revenues for which the rates of prizes awarded are substantially fixed are recognized on the date of the draw, since this is when the performance obligation is satisfied. For tickets sold up to March 31 for which the draws take place subsequently, the portion of sales corresponding to the notional fixed rate of prizes to be awarded is recorded in the statement of financial position as a financial liability for lottery prizes payable and the remaining portion is recorded as deferred revenues.

- Revenues from lotteries for which the rates of prizes awarded depend on the outcome of each game comprise certain draw-based lotteries and betting lotteries.

These revenues are recognized on the date of the draw or at the time of the event since it is at that time the gaming transactions are settled. Tickets sold up to March 31 for which the draws or events take place subsequently are recorded under liabilities in the statement of financial position as derivatives on gaming transactions.

#### Casinos

- Revenues for which the rates of prizes awarded are substantially fixed comprise pari-mutuel poker games. These revenues are recognized on the date the gaming transactions are settled, since it is at that time the performance obligation is satisfied.
- Revenues from other casino and online gaming transactions as well as revenues from gaming halls are gaming revenues for which the rates of prizes awarded depend on the outcome of each game and are recognized on the date on which the gaming transactions are settled. Generally, wagers are placed and games are settled the same day.

When the free offer programs for clients is applicable to a transaction, the value of the points accumulated under the program is deducted from the revenues of these games.

#### Gaming establishments

- Gaming revenues for which the rates of prizes awarded are substantially fixed comprise bingo and Kinzo games. These revenues are recognized on the date of the draw, since it is at that time the performance obligation is satisfied.
- Gaming revenues for which the rates of prizes awarded depend on the outcome of each game comprise revenues from bars. These revenues are recognized on the date the gaming transactions are settled. Generally, wagers are placed and games are settled the same day.

**(ii) Non-gaming revenues**

Non-gaming revenues are mainly generated from restaurant and accommodation activities. These revenues are recognized on the date the services are rendered to clients, since it is at that time the performance obligation is satisfied.

**d) Free offer programs for clients**

Programs introduced by a Loto-Québec subsidiary allow clients, in particular, to accrue points for gaming, which are exchangeable for cash or goods and services, at the client's option. These point programs are related to games for which the rates of prizes awarded depend on the outcome of each game.

When points are awarded to clients, a portion of the transaction price is allocated to these points, in an amount corresponding to the cash value of the points, and is recognized as a liability under Accounts payable and accrued liabilities. Points used by clients are recorded as a deduction from the liability. If there is no activity in a client's account for a period of 12 months, the liability attributable to these expired points is written off and the consideration is recognized as revenues in the consolidated statement of comprehensive income.

**e) Cost of sales****Commissions**

Loto-Québec pays commissions based on a percentage of lottery ticket and bingo revenues as well as a percentage of revenues generated from video lottery terminals in bars. These commissions are recognized under cost of sales in the consolidated statement of comprehensive income when they are incurred.

**f) Employee benefits****(i) Short-term benefits**

Salaries, compulsory public plan contributions, vacation, sick leave and bonuses are short-term benefits and are recognized during the year in which employees rendered the related services.

**(ii) Compulsory public plans**

Defined contribution plan accounting is applied to the compulsory public defined benefit plans, namely the Government and Public Employees Retirement Plan (RREGOP) and the Pension Plan of Management Personnel (PPMP), as Loto-Québec is not liable for obligations other than its contributions under these plans.

Contributions payable under those plans are recognized through net income in the years in which the services are rendered by employees, under Employee benefits in the consolidated statement of comprehensive income.

**(iii) Defined benefit plans**

The term "defined benefit plan" means any post-employment benefit plan other than a defined contribution plan.

Pension plans

The net defined benefit liability (asset) recognized in the consolidated statement of financial position is equal to the deficit or surplus of defined benefit plans, i.e. the difference between the present value of the defined benefit obligation at the end of the reporting period and the fair value of plan assets, adjusted to take into account the effect, if any, of the asset ceiling. The net defined benefit liability (asset) is calculated separately for each plan. Actuarial valuations, for accounting purposes, are performed by an actuary at the end of each fiscal year. The asset ceiling equals the present value of any economic benefits available in the form of refunds or decreases in future contributions to the plan. An economic benefit is available for Loto-Québec if it can be realized during the life of the plan or when the plan obligations are settled.

The projected unit credit method is used to determine the present value of the defined benefit obligation, related current service cost and past service cost. This method is used to estimate the future benefits that employees have earned in return for their service in the current and prior fiscal years. These benefit amounts are discounted using a rate representing the yields at the end of the reporting period of high-quality corporate bonds rated AA or higher that have maturities close to the plan's defined benefit obligation and are denominated in the same currency as that in which the benefits will be paid.

Defined benefit expense consists of current service cost, past service cost, net interest and remeasurements of the net defined benefit liability (asset). Past service cost is recognized in net income in the fiscal year in which a plan amendment occurs. Net interest is determined by multiplying the net defined benefit liability by the discount rate. Current service cost, past service cost and net interest are recognized under Employee benefits in the consolidated statement of comprehensive income. Remeasurements, comprising actuarial gains and losses on the defined benefit obligations, the effect of any change in the asset ceiling (if any) and the return on plan assets (excluding interest income), are recognized in other comprehensive income in the fiscal year in which they occur and are not subsequently reclassified to net income.



#### Other long-term benefits

Other long-term benefits consist, among other things, of extended coverage during family and disability leave. The long-term benefit liability consists of the non-pension defined benefit obligation.

The method used to determine the present value of the defined benefit obligation, related current service cost and past service cost of other long-term benefits is the same as that used for pension plans.

Service cost, net interest and remeasurements of the long-term benefit liability are recognized in net income under Employee benefits in the consolidated statement of comprehensive income.

#### g) Commodity taxes

Loto-Québec remits the Goods and Services Tax (GST) to the Government of Canada, in accordance with the *Games of Chance (GST/HST) Regulations*, enacted under the *Excise Tax Act* (R.S.C. 1985, Ch. E-15), as well as Québec Sales Tax (QST) to the Government of Québec, in accordance with the *Regulation respecting the Québec sales tax*, enacted under the *Québec Sales Tax Act* (CQLR, chapter T-0.1).

Net taxes attributable to non-gaming activities are calculated in the same way as for other entities subject to commodity taxes (GST and QST). Taxes paid on products and services acquired and attributable to gaming activities are not recoverable by Loto-Québec. These taxes are recorded as part of the cost of the item to which they relate. Also, Loto-Québec pays additional taxes on the products and services acquired and attributable to gaming activities which are presented under cost of sales when they are directly attributable to a business segment, or separately in the consolidated statement of comprehensive income when they are not. Net taxes attributable to gaming activities represent approximately 30% of taxable gaming expenses.

#### h) Financial income and financial expenses

Financial income is recognized separately in the consolidated statement of comprehensive income and includes interest income on cash and on loans to the joint venture.

Financial expenses are recognized separately in the consolidated statement of comprehensive income and include, if applicable, interest on bank loans and long-term debt as well as interest on leases. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualified asset are recognized in net income using the effective interest method.

#### i) Financial instruments

##### (i) Initial recognition and measurement

Financial assets and liabilities are initially recognized as at the date Loto-Québec becomes a party to the contractual provisions of the instrument.

Trade receivables without a significant financing component are initially measured at the transaction price. Other financial assets and liabilities are initially measured at fair value plus or minus, in the case of an asset or liability that is not at fair value through profit or loss, transaction costs directly related to its acquisition or issue.

##### (ii) Financial assets – classification, subsequent measurement, and gains and losses

At the time of initial recognition, a financial asset is classified as subsequently measured either at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss based on both: (a) the entity's business model for managing financial assets; (b) the financial asset's contractual cash flows characteristics.

Financial assets are not reclassified following initial recognition unless Loto-Québec changes the business model for managing financial assets. Where applicable, all relevant financial assets are reclassified prospectively as from the reclassification date.

A financial asset is measured at amortized cost if both of the following conditions are met and if it is not designated at fair value through profit or loss:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset which is a debt instrument is measured at fair value through other comprehensive income if both of the following conditions are met:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as at amortized cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This is particularly the case for all derivative financial assets.

In summary, the following methods are applicable for the subsequent measurement of financial assets and the recognition of gains and losses:

- Financial assets at fair value through profit or loss:  
These assets are subsequently measured at fair value. Net gains and losses, including interest or dividends received, are recognized in net income.
- Financial assets at amortized cost:  
These assets are subsequently measured at amortized costs using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses, if any, are recognized in net income. Gains and losses resulting from derecognition are recognized in net income.

Non-derivative financial assets comprise cash, trade and other receivables, and loans to the joint venture, which are all classified as financial assets at amortized cost.

**(iii) Financial liabilities – classification, subsequent measurement and gains and losses**

At the time of initial recognition, a financial liability is classified as subsequently measured either at amortized cost or at fair value through profit or loss.

A financial liability is classified as a financial liability at fair value through profit or loss if it is held for trading purposes, a derivative or designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and the resulting gains and losses, including interest expense, are recognized in net income.

Non-settled derivatives on gaming transactions are subsequently measured at fair value, and changes in fair value are recognized in net income.

The other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expenses and foreign exchange gains and losses, if any, are recognized in net income. Any gains or losses resulting from derecognition are recorded in net income.

Bank loans, the dividend payable, accounts payable and accrued liabilities (except for GST, QST and employee benefits payable), lottery prizes payable, progressive jackpots payable, salaries payable, the due to the joint venture and long-term debt are subsequently measured at amortized cost.

**(iv) Derecognition**

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the rights to receive the contractual cash flows from a financial asset and substantially all the risks and rewards of ownership of the financial asset are transferred.

A financial liability is derecognized when Loto-Québec's contractual obligations are discharged, cancelled or expire. A liability is also derecognized when its terms are changed and the cash flows of the changed liability are substantially different, in which case a new financial liability is recognized at fair value based on the changed terms.

When a financial liability is derecognized, the difference between the carrying amount allocated to the derecognized portion and the consideration paid, including, if applicable, the assets (other than cash) transferred and liabilities assumed, is recognized in net income.

**(v) Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, Loto-Québec currently has a legally enforceable right to set off the amounts, and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

**(vi) Fair value**

Loto-Québec classifies financial instruments recognized at fair value and financial instruments recognized at amortized cost for which fair value is presented using a three-level hierarchy based on the type of inputs used to develop those measurements:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: Inputs for the asset or liability that are not based on market data (unobservable inputs).

The fair value of a financial asset traded in an active market generally reflects the bid price, and the fair value of a financial liability traded in an active market generally reflects the asking price. If the market for a financial instrument is not active, fair value is determined using a valuation technique that makes maximum use of inputs observed from markets. Those valuation techniques include using available information concerning recent market transactions, discounted cash flow analysis and valuation models.

When fair value is determined using valuation models, Loto-Québec uses assumptions regarding the amount and timing of estimated future cash flows and discount rates. Those assumptions are primarily based on external observable market inputs, including factors such as interest rates, credit spreads, currency rates, and price and rate volatilities, as applicable. Assumptions or inputs that are not based on observable market data are used when external data are not available.

**j) Cash**

Under Loto-Québec's policy, cash include cash on hand at casinos and bank balances.

**k) Inventories**

Inventories include food and beverage, and lottery tickets and paper stock. Inventories are valued at the lower of cost and net realizable value. The cost is determined using the average cost method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**l) Property, plant and equipment**

**(i) Recognition and measurement**

Property, plant and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures directly attributable to the acquisition of the asset. The cost of an asset produced by Loto-Québec for itself includes the cost of raw materials, direct labour, any other costs directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management and capitalized borrowing costs relating to qualifying assets.

Purchased software that is integral to the functionality of the related equipment is recorded as a component of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separated items (main components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined as the difference between the disposal proceeds and the net carrying amount of the item and are recognized under General operating, administrative and other expenses.

**(ii) Subsequent costs**

The cost of replacing a part of an item of property, plant and equipment is recognized in the item's carrying amount if it is probable that future economic benefits associated with the item will flow to Loto-Québec and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. Day-to-day servicing and maintenance costs are recognized under General operating, administrative and other expenses as incurred.

**(iii) Depreciation**

Depreciation is calculated using the cost of the asset less its residual value.

Depreciation is recognized commencing on the date when the property, plant and equipment are available for use for each main component of property, plant and equipment on a straight-line basis over the estimated useful life of each such main component, as this method reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The following rates represent the estimated useful lives:

Buildings	From 1.67% to 6.67%
Improvements to parking lots	3.33% and 5%
Improvements to rented parking lots	From 2.86% to 33.33%
Interior finishing	From 2% to 10%
Landscaping	From 3.33% to 6.67%
Leasehold improvements	From 1.67% to 6.67%
Equipment and other	From 6.67% to 33.33%

Loto-Québec reviews the depreciation methods, useful lives and residual values of its property, plant and equipment at each fiscal year-end and adjusts them as needed. Uncertainties in these estimates relate to technical obsolescence, which may affect useful lives.

Property, plant and equipment in progress, land and works of art are not depreciated.

Depreciation is recognized under Depreciation and amortization in the consolidated statement of comprehensive income.

#### m) Intangible assets

##### (i) Recognition and measurement

Intangible assets, consisting of software and licences, are measured at cost less any accumulated amortization.

Management must use judgment in determining whether software is in the research or development stage.

Costs directly attributable to the development phase of projects are recognized as intangible assets, provided they meet the following criteria:

- Development costs can be measured reliably;
- The project is technically and commercially feasible;
- Loto-Québec intends to complete the project and has sufficient resources to do so;
- Loto-Québec has the capacity to bring the software into use;
- The software will generate probable future economic benefits.

Loto-Québec is required to review costs directly attributable to the development phase for continued compliance with capitalization requirements, as software development is uncertain and can be jeopardized by technical issues arising after recognition.

Research and development costs that do not meet capitalization criteria are recognized as an expense in the consolidated statement of comprehensive income when incurred.

Internally generated intangible assets include development costs of internally developed or modified software, comprising the cost of raw materials and direct labour, any other directly attributable costs necessary to prepare the asset to be capable of operating in the manner intended by management, and capitalized borrowing costs relating to qualifying assets.

The cost of acquired intangible assets includes costs directly related to the acquisition of licences and software and software installation costs.

##### (ii) Subsequent costs

The cost of replacing a part of an item of an acquired intangible asset is recognized in the item's carrying amount if it is probable that future economic benefits associated with the item will flow to Loto-Québec and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. All other expenses are recognized in net income as incurred.

##### (iii) Amortization

Amortization is calculated using the cost of the asset less its residual value.

Amortization is recognized commencing on the date when the intangible asset is available for use on a straight-line basis over the estimated useful life of the intangible asset, as this method reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The following rates represent the estimated useful lives:

Acquired licences	Term of licence
Acquired software	From 6.67% to 20%
Internally generated software	From 6.67% to 20%

Amortization methods, useful lives and residual values are reviewed at each fiscal year-end and adjusted as needed.

IT projects under development are not amortized.

Amortization is recognized under Depreciation and amortization in the consolidated statement of comprehensive income.

## n) Leases

### **Identifying a lease**

At inception of a contract, Loto-Québec assesses whether it constitutes a lease, that is, whether it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Loto-Québec recognizes a lease liability and a corresponding right-of-use asset for all leases in which it is a lessee, except for short-term leases (defined as leases with terms of 12 months or less) and leases where the underlying asset is of low value, such as office equipment. For such leases, Loto-Québec recognizes lease payments as an operating expense on a straight-line basis over the term of the lease, unless another systematic method is more representative of how the economic benefits of the leased assets are expected to flow over time.

Loto-Québec determines the lease term as the non-cancellable term of the lease, together with any period covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. Loto-Québec reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

Loto-Québec elected not to separate lease components from non-lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

### **Right-of-use asset**

#### **(i) Initial recognition and measurement**

The right-of-use asset is recognized at lease inception and is measured at cost. The cost is based on the original amount of the lease liability plus the initial direct costs incurred, net of any lease incentives received, and an estimate of the costs that Loto-Québec will incur to dismantle and remove the leased property and to restore the site or return the property to the condition required by the contract.

#### **(ii) Subsequent measurement**

The cost of the right-of-use asset is reduced by accumulated depreciation and accumulated impairment losses, adjusted for remeasurements of the lease liability. Depreciation is recognized on a straight-line basis commencing on the lease inception date according to the expected pattern of consumption of the future economic benefits which is based on the lower of the asset's useful life and the lease term. The lease term includes the renewal options only if Loto-Québec is reasonably certain to exercise that option. The lease terms range from 1 to 16 years for the buildings, landscaping and parking lots, and from 1 to 9 years for equipment and other.

### **Lease liabilities**

#### **(i) Initial recognition and measurement**

At the lease inception date, Loto-Québec recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of any purchase option that Loto-Québec is reasonably certain to exercise and penalty payments for terminating a lease, if the lease term reflects Loto-Québec exercising the option to terminate the lease. The present value of the lease payments is calculated using the incremental borrowing rate at the lease inception date if the interest rate implicit in the lease cannot be readily determined.

**(ii) Subsequent measurement**

After the inception date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

**o) Impairment of financial and non-financial assets****(i) Financial assets**

Loss allowances for expected credit losses are recognized on financial assets measured at amortized cost, if any.

Loss allowances for expected losses are assessed on one of the following two bases:

- 12-month expected credit losses resulting from possible defaults over the 12 months following the reporting date; or
- Lifetime expected credit losses resulting from all possible defaults over the expected life of the financial instruments.

Loto-Québec measures loss allowances at an amount equal to lifetime expected credit losses of the assets and instruments concerned, except for the following items, which are measured as 12-month expected credit losses:

- Debt instruments that are determined to have a low credit risk at the reporting date; and
- Other debt and treasury instruments for which the credit risk (i.e. the risk of default over the expected life of the financial instruments) has not increased significantly since their initial recognition (Stage 1).

Loto-Québec measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses of these assets.

When determining whether the credit risk associated with a financial asset has increased significantly since its initial recognition, Loto-Québec considers reasonable and supportable information that can be obtained without incurring unreasonable costs or effort. This includes quantitative and qualitative information and analysis, based on Loto-Québec's historical experience, sound credit analyses and forward-looking information.

Loto-Québec considers that the credit risk associated with a financial asset has increased significantly if payments are more than 30 days in arrears or if the financial health of the counterparty has decreased significantly (Stage 2).

Loto-Québec considers a financial asset to be in default (Stage 3) when:

- It is unlikely that the borrower will pay all of its credit obligations to Loto-Québec without resorting to actions such as the realization of guarantees, if any;
- The financial asset is more than 90 days past due.

Loto-Québec considers that a debt instrument presents a low credit risk when its credit rating is equivalent to that which would result from an investment grade classification by a rating agency, i.e. when its credit rating is greater than or equal to Baa3 (according to the Moody's rating agency) or BBB- (according to the Standard & Poor's rating agency).

The maximum period to be taken into consideration in measuring expected credit losses is the maximum contractual period over which the entity is exposed to credit risk.

At each reporting date, Loto-Québec assesses whether financial assets carried at amortized cost and debt instruments at fair value through other comprehensive income are likely to be impaired. A financial asset is impaired as a result of one or more events that negatively impact the estimated future cash flows of the asset.

**Measurement of expected credit losses**

Expected credit losses are an objective estimate based on probability-weighted amounts, which is determined by evaluating a range of possible outcomes. Expected credit losses are measured based on the present value of all cash flow deficiencies (i.e. the difference between the cash flows that are due to an entity under a contract and the cash flows that the entity expects to receive) over the expected life of a financial instrument. Expected credit losses are discounted at the effective interest rate of the financial asset.

**Presentation of expected credit losses**

In the consolidated statement of financial position, loss allowances related to financial assets measured at amortized cost are deducted from the gross carrying amount of these assets.

Recognized impairment losses are reported under General operating, administrative and other expenses in the consolidated statement of comprehensive income.

**Derecognition**

The gross carrying amount of a financial asset is derecognized when Loto-Québec no longer has a reasonable expectation of recovery with respect to all or part of the financial asset. This assessment is carried out instrument by instrument.

**(ii) Non-financial assets**

The carrying amount of non-financial assets is reviewed at each reporting date for any evidence of impairment. If any such evidence exists, the asset's recoverable amount is estimated. Whether any evidence of impairment exists or not, an impairment test is performed at the same time every year on intangible assets yet to be commissioned.

The recoverable amount of an asset or a cash-generating unit (CGU) is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted using a rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets (a CGU) that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its estimated recoverable amount.

All non-financial assets are subsequently remeasured for indication that an impairment loss previously recognized may no longer exist. An impairment loss may be reversed if the recoverable amount of an asset or a CGU exceeds its carrying amount.

## 5 / REVENUES

Loto-Québec's revenues are allocated by business segment and main product categories as follows:

Business segments	2021				Total
	Lotteries	Casinos	Gaming establishments	Elimination of intragroup transactions	
<b>Gaming revenues</b>					
Draw-based lotteries	534,925	–	–	–	534,925
Instant lotteries	178,950	–	–	–	178,950
Betting lotteries	23,129	–	–	–	23,129
Casino gaming	–	73,294	–	–	73,294
Online gaming	123,908	244,418	–	–	368,326
Gaming halls	–	8,330	–	–	8,330
Bars	–	–	213,798	–	213,798
Bingo	–	–	1,940	–	1,940
Kinzo	–	–	1,674	–	1,674
<b>Total gaming revenues</b>	<b>860,912</b>	<b>326,042</b>	<b>217,412</b>	<b>–</b>	<b>1,404,366</b>
<b>Non-gaming revenues</b>					
Restaurants	–	3,429	–	(1,975)	1,454
Accommodation	–	1,704	–	–	1,704
<b>Total non-gaming revenues</b>	<b>–</b>	<b>5,133</b>	<b>–</b>	<b>(1,975)</b>	<b>3,158</b>
	<b>860,912</b>	<b>331,175</b>	<b>217,412</b>	<b>(1,975)</b>	<b>1,407,524</b>

### Gaming revenues

Revenues from gaming transactions for which the rates of prizes awarded are substantially fixed	569,095
Revenues from gaming transactions for which the rates of prizes awarded depend on the outcome of each game	835,271
	<b>1,404,366</b>



2020					
Business segments	Lotteries	Casinos	Gaming establishments	Elimination of intragroup transactions	Total
<b>Gaming revenues</b>					
Draw-based lotteries	702,597	–	–	–	702,597
Instant lotteries	162,721	–	–	–	162,721
Betting lotteries	24,689	–	–	–	24,689
Casino gaming	–	694,796	–	–	694,796
Online gaming	39,419	96,449	–	–	135,868
Gaming halls	–	66,457	–	–	66,457
Bars	–	–	853,476	–	853,476
Bingo	–	–	12,413	–	12,413
Kinzo	–	–	6,688	–	6,688
<b>Total gaming revenues</b>	<b>929,426</b>	<b>857,702</b>	<b>872,577</b>	<b>–</b>	<b>2,659,705</b>
<b>Non-gaming revenues</b>					
Restaurants	–	86,979	–	(24,852)	62,127
Accommodation	–	18,984	–	–	18,984
<b>Total non-gaming revenues</b>	<b>–</b>	<b>105,963</b>	<b>–</b>	<b>(24,852)</b>	<b>81,111</b>
	<b>929,426</b>	<b>963,665</b>	<b>872,577</b>	<b>(24,852)</b>	<b>2,740,816</b>
<b>Gaming revenues</b>					
Revenues from gaming transactions for which the rates of prizes awarded are substantially fixed					616,220
Revenues from gaming transactions for which the rates of prizes awarded depend on the outcome of each game					2,043,485
					<b>2,659,705</b>

Gaming revenues from gaming transactions for which the rates of prizes awarded are substantially fixed fall within the scope of IFRS 15, *Revenue from Contracts with Customers*, as explained in Note 4 c).

Gaming revenues from gaming transactions for which the rates of prizes awarded depend on the outcome of each game fall within the scope of IFRS 9, *Financial Instruments*, as explained in Note 4 c).

Non-gaming revenues fall within the scope of IFRS 15, *Revenue from Contracts with Customers*.

## 6 / COST OF SALES

The cost of sales for gaming transactions consists of the following:

	2021	2020
<b>Lotteries</b>		
Commissions	128,322	144,002
Royalties	3,885	879
Printing	20,537	24,825
GST	7,239	8,060
QST	14,442	16,080
	<b>174,425</b>	<b>193,846</b>
<b>Casinos</b>		
Royalties	39,178	33,290
Food and beverage	1,756	27,480
GST	1,784	1,450
QST	3,559	2,892
	<b>46,277</b>	<b>65,112</b>
<b>Gaming establishments</b>		
Commissions	48,131	193,632
Royalties	–	597
Printing	285	1,339
GST	2,418	9,767
QST	4,825	19,485
	<b>55,659</b>	<b>224,820</b>
<b>Total</b>		
Commissions	176,453	337,634
Royalties	43,063	34,766
Printing	20,822	26,164
Food and beverage	1,756	27,480
GST	11,441	19,277
QST	22,826	38,457
	<b>276,361</b>	<b>483,778</b>

## 7 / EMPLOYEE BENEFITS

	2021	2020
Short-term employee benefits	276,771	401,310
Post-employment benefits	24,991	45,044
Other long-term benefits	(2,668)	(572)
	<b>299,094</b>	<b>445,782</b>

## 8 / SPECIAL PAYMENTS

	2021	2020
Payment to the Government of Canada	17,690	17,631
Payments to non-profit organizations (NPOs)	746	4,508
	<b>18,436</b>	<b>22,139</b>

### Payment to the Government of Canada

Following an agreement reached between provincial governments and the Government of Canada regarding the federal government's withdrawal from the administration of lotteries, the provinces pay the federal government an annual amount of \$24,000 in 1979 dollars, which represented \$78,051 in today's dollars for the year ended March 31, 2021 (\$77,698 in 2020).

The Government of Québec's share is payable by Loto-Québec in accordance with the agreement reached between the provinces and the regional lottery corporations.

### Payments to NPOs

As an agent of Loto-Québec, the Société des établissements de jeux du Québec inc. awards certain charitable or religious organizations that hold bingo licences various percentages of bingo proceeds less the value of prizes awarded to game winners, depending on bingo games.

## 9 / NET FINANCIAL EXPENSES

	2021	2020
Interest income	2,110	2,609
<b>Total financial income</b>	<b>2,110</b>	<b>2,609</b>
Interest expense on bank loans <sup>1</sup>	896	3,066
Interest expense on long-term debt	5,913	5,292
Interest expense on leases	306	410
<b>Total financial expenses</b>	<b>7,115</b>	<b>8,768</b>
<b>Net financial expenses</b>	<b>5,005</b>	<b>6,159</b>

<sup>1</sup> Interest expense includes \$324 (\$1,112 in 2020) on bank loans with the Caisse de dépôt et placement du Québec.

**10/ CONTRIBUTIONS TO THE GOVERNMENT OF QUÉBEC**

	2021	2020
Ministère de la Santé et des Services sociaux	22,000	22,000
Ministère de la Sécurité publique	3,000	3,000
	<b>25,000</b>	<b>25,000</b>

The commitments related to these contributions are described in Note 22.

**11/ TRADE AND OTHER RECEIVABLES**

	2021	2020
Retailers <sup>1</sup>	52,865	21,858
Joint venture	6,931	–
Other	39,465	10,763
	<b>99,261</b>	<b>32,621</b>

Receivables from retailers comprise receivables resulting from contracts with clients relating to revenues recognized under IFRS 15 and IFRS 9.

<sup>1</sup> Under an agreement with its retailers, Loto-Québec has an enforceable legal right to offset accrued liabilities payable to a retailer with trade receivables from the retailer and intends to settle the amounts on a net basis. As at March 31, 2021, gross trade receivables and accrued liabilities offset amounted to \$64,780 (\$24,644 in 2020) and \$11,915 (\$2,786 in 2020), respectively, representing the net amounts of the settlement of \$52,865 (\$21,858 in 2020).

**12/ INVENTORIES**

	2021	2020
Food and beverage	2,869	3,858
Lottery tickets and paper stock	1,272	746
	<b>4,141</b>	<b>4,604</b>

For the fiscal year, the cost of inventories recognized as an expense amounted to \$22,293 (\$52,305 in 2020).

**13/ INTERESTS IN THE JOINT VENTURE AND LOANS**

	2021	2020
Interests	7,100	26,648
Loans	11,308	11,308
	<b>18,408</b>	<b>37,956</b>

**INTERESTS****Interests and share of the joint venture, and payments to partners**

	Units	Interest %		Carrying amount	
		2021	2020	2021	2020
Equity interests in the joint venture				7,100	26,648
With voting and participating rights	A	50%	50%		
With participating rights	B	33%	33%		

During the year ended March 31, 2021, Loto-Québec assessed the recoverable amount of equity interests in the joint venture which presented objective evidence of impairment due to financial difficulty caused by the health crisis. Loto-Québec estimated the recoverable amount based on value in use. As at March 31, 2021, an impairment loss of \$18,840 was recognized and presented under Write-down of interests in the joint venture in the consolidated statement of comprehensive income.

Pursuant to the guarantee agreement between Loto-Québec and the joint venture, and according to the distribution terms and conditions specified in the partnership agreement whereby Class A, B and C units of the joint venture carry a participatory interest in the income generated by the different types of operations of the joint venture, the portion of net income generated by the operations of the Casino de Charlevoix payable to the joint venture for the partners, holders of Class C units, as well as the share of Loto-Québec, holder of Class A and B units, in net income generated by Fairmont Le Manoir Richelieu are as follows:

	2021	2020
Share of Loto-Québec based on its proportion of Class A and B units	(1,386)	(1,482)
Payments to partners, holders of Class C units	5,796	(3,813)
Share of net income (loss) in the joint venture and payments to partners	<b>4,410</b>	<b>(5,295)</b>

## Summarized financial information excluding the percentage interest held by Loto-Québec:

	2021	2020
Total current assets	6,204	6,868
Total non-current assets	87,710	88,320
Total assets	93,914	95,188
Total current liabilities	6,165	4,610
Total non-current liabilities	12,665	9,865
Total liabilities	18,830	14,475
Revenues	14,586	28,333
Net and comprehensive loss - generated by the joint venture	(4,238)	(4,585)
Income - Class A units	15	118
Loss - Class B units	(4,253)	(4,703)
Payments to partners, holders of Class C units (contribution of Casino de Charlevoix)	(5,796)	3,813
<b>Net and comprehensive loss</b>	<b>(10,034)</b>	<b>(772)</b>

## LOANS

	2021	2020
<b>JOINT VENTURE</b>		
Loan, fixed rate of 5%, interest payable annually, without terms of repayment	2,508	2,508
Loan, fixed rate renewable annually of 0.69% as at March 31, 2021 (2.25% in 2020), interest payable annually, maturing on May 5, 2021	1,300	1,300
Loan, fixed rate renewable annually of 1.00% as at March 31, 2021 (2.45% in 2020), interest payable annually, maturing on January 9, 2024	3,500	3,500
Loan, fixed rate renewable annually of 1.00% as at March 31, 2021 (2.50% in 2020), interest payable annually, maturing on January 9, 2025	4,000	4,000
	<b>11,308</b>	<b>11,308</b>

As at March 31, 2021, the loans were transferred from Stage 1 to Stage 2, under IFRS 9, considering that the credit risk increased significantly since their initial recognition due to the impacts of COVID-19 on the tourism industry. However, the loss allowance for lifetime expected credit losses of these financial instruments, being the remaining contractual term, is considered immaterial.

## 14 / PROPERTY, PLANT AND EQUIPMENT

	Improvements								Total
	Land	Buildings	Parking lots	Interior finishing and landscaping	Leasehold improvements	Equipment and other	Works of art	Under construction <sup>1</sup>	
<b>Cost</b>									
Balance as at April 1, 2019	44,133	435,365	122,633	524,020	87,447	616,762	7,875	13,275	1,851,510
Additions	–	7,262	1,727	4,037	9,549	32,530	–	15,456	70,561
Transfers out of Under construction – commissioned	–	–	1,412	3,331	5,242	–	–	(9,985)	–
Disposals	–	–	–	(14)	(3,692)	(33,009)	–	–	(36,715)
<b>Balance as at March 31, 2020</b>	<b>44,133</b>	<b>442,627</b>	<b>125,772</b>	<b>531,374</b>	<b>98,546</b>	<b>616,283</b>	<b>7,875</b>	<b>18,746</b>	<b>1,885,356</b>
Additions	–	93	954	1,345	588	20,015	–	10,710	33,705
Transfers out of Under construction – commissioned	–	2,954	1,110	6,556	786	–	–	(11,406)	–
Disposals	–	(6,007)	(8,610)	(35,867)	(19,741)	(59,533)	–	–	(129,758)
<b>Balance as at March 31, 2021</b>	<b>44,133</b>	<b>439,667</b>	<b>119,226</b>	<b>503,408</b>	<b>80,179</b>	<b>576,765</b>	<b>7,875</b>	<b>18,050</b>	<b>1,789,303</b>
<b>Accumulated depreciation</b>									
Balance as at April 1, 2019	–	221,791	99,753	314,534	67,452	439,607	–	–	1,143,137
Depreciation for the year	–	8,817	4,510	12,444	2,705	52,401	–	–	80,877
Disposals	–	–	–	(14)	(3,601)	(32,567)	–	–	(36,182)
<b>Balance as at March 31, 2020</b>	<b>–</b>	<b>230,608</b>	<b>104,263</b>	<b>326,964</b>	<b>66,556</b>	<b>459,441</b>	<b>–</b>	<b>–</b>	<b>1,187,832</b>
Depreciation for the year	–	8,905	3,500	12,871	3,195	49,075	–	–	77,546
Disposals	–	(6,007)	(8,610)	(35,178)	(19,742)	(59,172)	–	–	(128,709)
<b>Balance as at March 31, 2021</b>	<b>–</b>	<b>233,506</b>	<b>99,153</b>	<b>304,657</b>	<b>50,009</b>	<b>449,344</b>	<b>–</b>	<b>–</b>	<b>1,136,669</b>
<b>Net carrying amounts</b>									
As at March 31, 2020	44,133	212,019	21,509	204,410	31,990	156,842	7,875	18,746	697,524
As at March 31, 2021	44,133	206,161	20,073	198,751	30,170	127,421	7,875	18,050	652,634

<sup>1</sup> The allocation of property, plant and equipment under construction by class is as follows:

	2021	2020
Buildings	1,859	3,246
Improvements to parking lots	–	1,110
Improvements to interior finishing and landscaping	14,870	13,567
Leasehold improvements	1,321	786
Equipment and other	–	37
	<b>18,050</b>	<b>18,746</b>

## 15 / INTANGIBLE ASSETS

	Acquired		Internally generated		Total
	Software and licences	Software	IT projects under development		
<b>Cost</b>					
Balance as at April 1, 2019	60,209	229,249	16,474		305,932
Additions	2,682	4,414	8,764		15,860
Transfers of commissioned IT projects	253	8,553	(8,806)		–
Disposals	(2,512)	(10,453)	–		(12,965)
<b>Balance as at March 31, 2020</b>	<b>60,632</b>	<b>231,763</b>	<b>16,432</b>		<b>308,827</b>
Additions	959	3,639	4,828		9,426
Transfers of commissioned IT projects	660	10,425	(11,085)		–
Disposals	(26,531)	(60,035)	–		(86,566)
<b>Balance as at March 31, 2021</b>	<b>35,720</b>	<b>185,792</b>	<b>10,175</b>		<b>231,687</b>
<b>Accumulated amortization</b>					
Balance as at April 1, 2019	54,406	199,182	–		253,588
Amortization for the year	2,170	16,009	–		18,179
Disposals	(2,512)	(10,183)	–		(12,695)
<b>Balance as at March 31, 2020</b>	<b>54,064</b>	<b>205,008</b>	<b>–</b>		<b>259,072</b>
Amortization for the year	2,405	12,888	–		15,293
Disposals	(26,440)	(60,035)	–		(86,475)
<b>Balance as at March 31, 2021</b>	<b>30,029</b>	<b>157,861</b>	<b>–</b>		<b>187,890</b>
<b>Net carrying amounts</b>					
As at March 31, 2020	6,568	26,755	16,432		49,755
As at March 31, 2021	5,691	27,931	10,175		43,797



## 16 / RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The table below shows the right-of-use assets for Loto-Québec's leases as at March 31, 2021:

	Improvements		Equipment and other	Total
	Buildings	Parking lots		
<b>Cost</b>				
Balance as at April 1, 2019	5,984	281	17,140	23,405
Additions	2,255	3	1,317	3,575
Lease termination	–	(73)	(223)	(296)
<b>As at March 31, 2020</b>	<b>8,239</b>	<b>211</b>	<b>18,234</b>	<b>26,684</b>
Additions	272	–	818	1,090
Lease termination	(636)	(211)	(240)	(1,087)
<b>As at March 31, 2021</b>	<b>7,875</b>	<b>–</b>	<b>18,812</b>	<b>26,687</b>
<b>Accumulated depreciation</b>				
As at April 1, 2019	–	–	–	–
Depreciation for the year	2,183	211	4,866	7,260
Lease termination	–	–	(71)	(71)
<b>As at March 31, 2020</b>	<b>2,183</b>	<b>211</b>	<b>4,795</b>	<b>7,189</b>
Depreciation for the year	1,845	–	4,815	6,660
Lease termination	(634)	(211)	(111)	(956)
<b>As at March 31, 2021</b>	<b>3,394</b>	<b>–</b>	<b>9,499</b>	<b>12,893</b>
<b>Net carrying amounts</b>				
<b>As at March 31, 2020</b>	<b>6,056</b>	<b>–</b>	<b>13,439</b>	<b>19,495</b>
<b>As at March 31, 2021</b>	<b>4,481</b>	<b>–</b>	<b>9,313</b>	<b>13,794</b>

As at March 31, 2021, the expense relating to variable lease payments (contracts for royalties on slot machines) not included in the measurement of lease liabilities amounts to \$1,328 (\$13,885 in 2020).

The table below shows the maturity analysis of undiscounted contractual cash flows relating to Loto-Québec's lease liabilities as at March 31, 2021:

Less than 1 year	5,809
From 1 to 3 years	5,951
More than 3 years	2,708
	<b>14,468</b>

The following table shows the lease liabilities recognized in the statement of financial position as at March 31, 2021:

Current portion	5,569
Non-current portion	8,195
	<b>13,764</b>

**17 /** BANK LOANS

Current bank term loans totalled \$242,788 (\$283,800 in 2020), including \$48,800 (\$283,800 in 2020) from the Caisse de dépôt et placement du Québec, a government body executing fiduciary operations excluded from the Government of Québec's reporting entity. These loans bear interest at fixed rates ranging from 0.23% to 0.75% (0.45% to 2.25% in 2020).

Loto-Québec obtained a credit facility from a financial institution for an amount of \$150,000. As at March 31, 2021, the credit facility was not used.

**18 /** ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021	2020
Trade payable and accrued liabilities <sup>1</sup>	50,738	72,411
Interprovincial Lottery Corporation	1,884	6,907
Lottery prizes payable <sup>2</sup>	74,254	63,029
Progressive jackpots payable <sup>3</sup>	34,317	31,602
Salaries payable	50,696	69,748
Employee benefits payable	7,800	16,814
Joint venture	–	2,127
GST	2,133	3,947
QST	4,522	8,137
	<b>226,344</b>	<b>274,722</b>

<sup>1</sup> Trade payable and accrued liabilities include accrued interest totalling \$861 (\$1,343 in 2020) payable to the Financing Fund of the Government of Québec and \$48 (\$42 in 2020) payable to the Caisse de dépôt et placement du Québec.

<sup>2</sup> Lottery prizes payable consist of prizes payable to winners and prizes to be awarded on instant and draw-based lottery tickets for which the rates of prizes awarded are substantially fixed, determined using a notional rate applied to the sales amount less the prizes disbursed. One year after the draw date or the date the tickets were dispensed, the liability related to unclaimed prizes expires and is used for awarding bonus prizes.

<sup>3</sup> Progressive jackpots payable comprise mainly progressive jackpots of casino slot machines. This liability increases with the gaming activities of clients.

**19 /** LONG-TERM DEBT

	2021	2020
Loans from the Financing Fund of the Government of Québec, interest payable semi-annually, repayable according to the following maturities and rates:		
December 1, 2020, fixed rate of 4.102%	–	43,375
September 1, 2023, fixed rate of 3.133%	25,000	25,000
June 1, 2028, fixed rate of 2.085%	39,709	44,730
December 1, 2023, fixed rate of 3.720%	25,000	25,000
June 1, 2035, fixed rate of 1.770%	77,367	–
December 1, 2043, fixed rate of 3.753%	25,000	25,000
	<b>192,076</b>	<b>163,105</b>
Transaction costs	(870)	(503)
	<b>191,206</b>	<b>162,602</b>
Less current portion	(9,943)	(43,375)
	<b>181,263</b>	<b>119,227</b>

## 20/ NET DEFINED BENEFIT AND OTHER LONG-TERM BENEFIT LIABILITY (ASSET)

### a) Compulsory public plans

Employees of Loto-Québec, the Société des établissements de jeux du Québec inc. and Nter Technologies, Limited Partnership are members of the RREGOP or the PPMP, both defined benefit plans that include guarantees upon retirement or death.

On January 1, 2021, the employee and employer contribution rate decreased to 10.33% (10.63% in 2020) of assessable payroll for the RREGOP, while the rate for the PPMP was 12.29% (12.29% in 2020). The employer's contributions are equivalent to employee contributions, except for a compensation amount provided for in the PPMP act of about 3% (the actual percentage will be known only in 2021) as at January 1, 2021 (3.00% as at January 1, 2019) of assessable payroll that must be paid by the employer, according to the most recent actuarial valuation of the plan.

Contributions to these compulsory public plans amounting to \$8,983 (\$11,418 in 2020) were recognized as an expense in consolidated income for the year. Loto-Québec's obligations toward these government plans are limited to its employer contributions.

### b) Defined benefit plans

#### (i) Characteristics of pension plans

The Société des casinos du Québec inc. has two defined benefit pension plans, namely the Employee Pension Plan of the Société des casinos du Québec inc. (Employee Plan) and the Executive and Professional Plan of the Société des casinos du Québec inc. (Executive and Professional Plan). Membership in these plans is compulsory for all Société des casinos du Québec inc. employees who meet the eligibility criteria. These plans provide pension benefits based on indexed yearly pensionable earnings (maximum annual indexing of 2%) for the Employee Plan and number of years of service and average salary of the best three consecutive years for the Executive and Professional Plan. Benefits paid to pensioners are increased each year by 50% of the rise in the consumer price index (maximum annual indexing of 2%). The annual contribution of the Société des casinos du Québec inc. equals that of employees unless the actuary deems that it should be higher to fund the defined benefits and amortize any plan deficit. Surplus assets are used to repay the Société des casinos du Québec inc. in the form of an annual contribution holiday up to the balance of the amortization payments. An amount of 20% of the balance of surplus assets is used to reduce the contributions of employees and the Société des casinos du Québec inc. equally.

Loto-Québec provides senior management with the Supplementary Pension Plan for Executive Officers of Loto-Québec (Supplementary Plan) to pay lifetime retirement benefits exceeding the limits provided under the *Income Tax Act*.

Plan assets are managed by pension funds legally separated from Loto-Québec. Pursuant to the articles of incorporation of the pension funds, pension committees must act in the best interest of plan members and are responsible for determining investment policies. The investment policies establish, in particular, a benchmark portfolio indicating the plans' target asset allocation between various investment classes, as well as the minimum and maximum thresholds. The manager is mandated to administer the funds entrusted to him or her by the pension committees, seeking optimal returns on their capital while adhering to the investment policies.

Actuarial valuations for funding purposes are prepared to ensure compliance with pension legislation. The most recent actuarial valuation for the Executive and Professional Plan was prepared as at December 31, 2018, and for the Employee Plan, as at December 31, 2019. The next valuations will be prepared as at December 31, 2021, and December 31, 2022, respectively. The most recent actuarial valuation for the Supplementary Plan was prepared as at March 31, 2020, and the next valuation will be prepared as at March 31, 2021.

**(ii) Risks related to pension plans**

The plans expose Loto-Québec to actuarial risks, such as interest rate risk, investment risk, longevity risk, average age at retirement risk and inflation risk as well as the risk related to the rate of compensation increase.

Interest rate risk

A decline in the market yields on high-quality corporate bonds would increase the defined benefit obligation of pension plans, but it is expected that it would be generally offset by an increase in the fair value of the plans' bond portfolio.

Investment risk

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields on high-quality corporate bonds; if the return on plan assets falls below that rate, a loss will be generated.

Plan assets as at March 31, 2021, consist primarily of public and private Canadian and international equities, bonds, mortgages, infrastructure funds and real estate funds. The fair value of plan assets is exposed to their respective markets and returns generated by their respective managers.

Longevity risk

The present value of the defined benefit obligation is determined by reference to the best estimate of the mortality of plan members both during and after employment. Loto-Québec is required to provide benefits throughout the plan member's lifetime. An increase in the life expectancy of plan members would increase the defined benefit obligation.

Average age at retirement risk

The present value of the defined benefit obligation is determined by reference to the expected age of plan members at retirement. As a result, a decline in the plan members' average age at retirement would increase the defined benefit obligation.

Inflation risk

A significant percentage of the defined benefit obligation is linked to inflation. A rise in the rate of inflation would increase the defined benefit obligation. A portion of plan assets consists of inflation-linked debt securities which mitigates certain effects of inflation.

Risk related to the rate of compensation increase

The present value of the defined benefit obligation is determined by reference to future salary increases of plan members. As a result, any rise in the rate of compensation increase of plan members would increase the defined benefit obligation.

**(iii) Explanation of amounts recognized in the financial statements**

The following amounts include the defined benefit obligation of the pension plans and the other long term benefits, and the fair value of pension plan assets at year-end:

	2021	2020
Present value of unfunded defined benefit obligation	8,069	10,737
Present value of funded defined benefit obligation	865,487	723,829
Total present value of defined benefit obligation	873,556	734,566
Fair value of plan assets	893,468	734,262
<b>Net defined benefit and other long-term benefit liability (asset)</b>	<b>(19,912)</b>	<b>304</b>

Represented by:

	2021	2020
Net defined benefit asset	(27,981)	(12,144)
Net defined benefit and other long-term benefit liability	8,069	12,448
	<b>(19,912)</b>	<b>304</b>

Changes in the discounted value of the defined benefit obligation and the fair value of plan assets are as follows:

	2021			2020
	Pension plans	Other long-term benefits	Total	Total
<b>Defined benefit obligation</b>				
Balance, beginning of year	723,830	10,737	734,567	778,962
Current service cost	14,913	–	14,913	30,430
Interest expense	28,195	–	28,195	27,045
Employee contributions	10,426	–	10,426	17,825
Benefits paid	(14,362)	–	(14,362)	(17,155)
Actuarial (gains) losses	102,485	(2,668)	99,817	(102,541)
<b>Balance, end of year</b>	<b>865,487</b>	<b>8,069</b>	<b>873,556</b>	<b>734,566</b>
<b>Fair value of plan assets</b>				
Balance, beginning of year	734,262	–	734,262	733,390
Interest income	28,074	–	28,074	24,899
Return on plan assets excluding interest income	123,618	–	123,618	(42,621)
Employer contributions	12,424	–	12,424	18,974
Employee contributions	10,427	–	10,427	17,825
Benefits paid	(14,362)	–	(14,362)	(17,155)
Plan administration expenses	(975)	–	(975)	(1,050)
<b>Balance, end of year</b>	<b>893,468</b>	<b>–</b>	<b>893,468</b>	<b>734,262</b>
<b>Net defined benefit and other long-term benefit liability (asset)</b>	<b>(27,981)</b>	<b>8,069</b>	<b>(19,912)</b>	<b>304</b>

The allocation of the fair value of pension plan assets as at March 31 was as follows:

	2021		2020	
	Allocation %	Fair value \$	Allocation %	Fair value \$
Cash	1.7	15,189	0.7	5,140
Bonds	37.8	337,731	39.0	286,362
Mortgages	9.3	83,093	10.0	73,426
Canadian equities	10.4	92,921	11.1	81,503
International equities	26.6	237,662	27.8	204,125
Real estate funds	8.3	74,158	9.5	69,755
Infrastructure	2.8	25,017	0.7	5,140
Private investments	3.1	27,697	1.2	8,811
	<b>100.0</b>	<b>893,468</b>	<b>100.0</b>	<b>734,262</b>

The fair value of all investments is derived from inputs that can be largely corroborated by observable market data for the full term of the assets.

Defined benefit expense recognized in the consolidated statement of comprehensive income under Employee benefits is detailed as follows:

	2021			2020
	Pension plans	Other long-term benefits	Total	Total
Service costs	14,913	–	14,913	30,430
Net interest expense	121	–	121	2,146
Plan administration expenses	975	–	975	1,050
Actuarial gains related to other long-term benefits	–	(2,668)	(2,668)	(572)
<b>Post-employment and other long-term benefits</b>	<b>16,009</b>	<b>(2,668)</b>	<b>13,341</b>	<b>33,054</b>

The defined benefit amounts recognized in consolidated other comprehensive income are detailed as follows:

	2021	2020
Actuarial gains arising from changes in demographic assumptions	–	10,652
Actuarial (losses) gains arising from changes in financial assumptions	(97,922)	91,886
Actuarial losses arising from plan experience	(4,563)	(570)
Return on plan assets excluding interest income	123,618	(42,620)
<b>Remeasurements of the net defined benefit liability (asset)</b>	<b>21,133</b>	<b>59,348</b>

The weighted averages of the principal actuarial assumptions used at the reporting date are:

	2021		2020	
	Pension plans	Other long-term benefits	Pension plans	Other long-term benefits
<b>Defined benefit obligation as at March 31</b>				
Discount rate	3.30%	2.65%	3.80%	3.50%
Inflation rate	1.70%	1.70%	0.90%	0.90%
Rates of compensation increase	2.70%	2.70%	2.50%	2.50%

For the defined benefit obligation as at March 31, 2021, and March 31, 2020, the mortality assumptions are based on the 2014 Public Sector Mortality Table (CPM2014Publ) and the CPM Improvement Scale B (CPM-B). As at March 31, 2021, the rates for the Employee Plan were 115%. As at March 31, 2020, the rates were 120% for male Employee Plan members, 100% for female Employee Plan members, 100% for male Executive Plan and Supplemental Plan members, and 95% for female Executive Plan and Supplemental Plan members.

Average life expectancy at age 65 as at March 31 is:

	2021		2020	
	Female	Male	Female	Male
Employee plan	23.9 years	22.1 years	23.8 years	22.0 years
Executive and Professional Plan and Supplementary Plan	24.9 years	23.1 years	24.8 years	23.0 years

**(iv) Amount, timing and degree of uncertainty regarding future cash flows**

Net defined benefit and other long-term benefit liability (asset) is exposed to uncertainties, particularly with respect to estimating discount rates, inflation rates, rates of compensation increase and mortality rates, which can vary significantly in future valuations of Loto-Québec's defined benefit obligation.

Significant actuarial assumptions used in determining the defined benefit obligation of pension plans consist of the discount rate, inflation rate, rate of compensation increase and mortality rates. The calculation of the defined benefit obligation is sensitive to these assumptions.

The table below summarizes the impact of changes in these actuarial assumptions on the pension plans' defined benefit obligation as at March 31:

	2021		2020	
	Increase to 4.30%	Decrease to 2.30%	Increase to 4.80%	Decrease to 2.80%
<b>Discount rate</b>				
(Decrease) increase in defined benefit obligation	(115,647)	133,561	(106,654)	125,058
<b>Inflation rate</b>				
Increase (decrease) in defined benefit obligation	30,709	(50,790)	50,456	(57,976)
<b>Rates of compensation increase</b>				
Increase (decrease) in defined benefit obligation	7,703	(7,556)	6,373	(6,195)
<b>Mortality rate</b>				
(Decrease) increase in defined benefit obligation	(10,155)	11,448	(9,872)	10,748

In the sensitivity analyses, the present value of the defined benefit obligation is calculated using the projected unit credit method, which is the same method that is applied in calculating the defined benefit obligation recognized in the consolidated statement of financial position. The sensitivity analyses are based on the change in a single assumption. The analysis may not be representative of the actual change in the defined benefit obligation, as it is unlikely that the change in assumptions would occur in isolation of one another, as some assumptions may be correlated.

The Employee Plan and Executive and Professional Plan are funded in accordance with applicable legislation, and their assets are held by an independent trust. The Supplementary Plan is funded as required by plan rules. The minimum contributions to the plans are determined using the plans' most recent actuarial valuations.

Based on the result of the most recent actuarial valuation of each of those pension plans, Loto-Québec expects to make contributions totalling \$18,883 during the next fiscal year.

The weighted average duration of the pension plans' defined obligation as at March 31, 2021, was 13.17 years (14.70 years in 2020).

## 21 / CAPITAL MANAGEMENT

The capital of Loto-Québec includes bank loans, long-term debt, share capital and retained earnings.

The capital structure, as defined by Loto-Québec, is as follows:

	2021	2020
Bank loans	242,788	283,800
Long-term debt	191,206	162,602
Share capital	170	170
Retained earnings	86,300	86,300
	<b>520,464</b>	<b>532,872</b>

Loto-Québec manages its capital to meet its shareholder's requirements and to ensure that its funds are protected at all times. Through a strict management framework, it ensures it effectively meets the objectives set out in its incorporating act.

Loto-Québec assumes full responsibility for financing its activities. Throughout the year, it pays a dividend to its shareholder, the Québec Minister of Finance, in the form of periodic advances. The declared dividend is deducted from shareholder's equity for the year, and corresponds to the net income for the year, from which are deducted the contributions to the Government of Québec. As a result of this distribution method, Loto-Québec must rely on external financing sources.

Loto-Québec is authorized by the Government of Québec to make short-term borrowings up to a maximum total amount outstanding of \$415,000 for the period from April 1, 2019, to March 31, 2020, and \$500,000 for the period from April 1, 2020, to March 31, 2021, from financial institutions, the Caisse de dépôt et placement du Québec or the Québec Minister of Finance, in its capacity as manager of the Financing Fund of the Government of Québec, and long-term borrowings up to a maximum total amount outstanding of \$1,100,000 from the same Fund. Notwithstanding the foregoing, the total amount of Loto-Québec's current and non-current borrowings may at no time exceed \$1,400,000 representing cumulative debt since March 19, 2008. During the year, Loto-Québec met its capital requirements.

Beginning on April 1, 2021, and until March 31, 2024, Loto-Québec is authorized by the Government of Québec to borrow an amount not exceeding \$552,000, including \$300,000 in short-term borrowings or by line of credit, from financial institutions, the Caisse de dépôt et placement du Québec or the Québec Minister of Finance, in its capacity as manager of the Financing Fund, and \$252,000 in long-term borrowings from the Minister of Finance, as manager of the Financing Fund.

Loto-Québec is not subject to any other requirement regarding external financing sources.

The capital management objectives, policies and procedures have not changed since March 31, 2020.

## 22 / CONTINGENT LIABILITIES AND COMMITMENTS

### a) Contingent liabilities

In the normal course of business, Loto-Québec is subject to claims and lawsuits. Loto-Québec's management is disputing those claims and lawsuits and is therefore refusing to make any related settlements. Loto-Québec has not recorded a provision for those contingent liabilities because management considers that any potential settlement resulting from those claims and lawsuits would not materially affect the consolidated financial statements.

### b) Commitments

#### (i) Leases

Loto-Québec's commitments are related to taxes on leases.



The maturities are as follows:

	2021	2020
Less than 1 year	14,481	22,041
From 1 to 5 years	38,193	40,754
More than 5 years	6,147	11,984
	<b>58,821</b>	<b>74,779</b>

(ii) **Contributions to the Government of Québec**

Ministère de la Santé et des Services sociaux (MSSS)

At the request and with the authorization of the Government of Québec, Loto-Québec is committed to the MSSS to make an annual contribution of \$22,000 into a specified purpose account of the Government of Québec to fund prevention measures, treatment services, research programs and awareness campaigns to counter compulsive gambling.

Since the Government of Québec has not specified a termination date for the commitment, Loto-Québec is not in a position to assess its total amount.

Ministère de la Sécurité publique (MSP)

At the request and with the authorization of the Government of Québec, Loto-Québec is committed to the MSP to make an annual contribution of \$3,000 into a specified purpose account of the Government of Québec to fund intensive control measures and activities that will be implemented by the Régie des alcools, des courses et des jeux to, among other things, ensure the management of control measures regarding access to video lottery terminals.

Since the Government of Québec has not specified a termination date for the commitment, Loto-Québec is not in a position to assess its total amount.

## 23 / FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

### Risk management policy

In the normal course of business, Loto-Québec is exposed to credit risk, liquidity risk and market risk. Loto-Québec has implemented policies and procedures that ensure proper management of the risks inherent to financial instruments.

#### a) Credit risk

Credit risk is the risk of financial loss to Loto-Québec if a counterparty to a financial instrument fails to fulfill one of its obligations. The carrying amount of financial assets represents Loto-Québec's maximum exposure to credit risk. There is no credit risk related to cash on hand in casinos as it is not held by a third party. Loto-Québec reduces the credit risk related to cash by dealing with recognized financial institutions whose credit ratings are "investment grade." Receivables arise primarily from transactions carried out with a significant number of retailers. Other financial assets consist of loans to the joint venture.

Trade and other receivables past due represented 0.4% of receivables in 2021 (2.0% in 2020). Expected credit losses, recognized on all the above-mentioned financial assets, are immaterial. Loto-Québec's management considers the credit quality of all of its assets that are not past due to be sound.

#### b) Liquidity risk

Liquidity risk is the risk that Loto-Québec will be unable to meet its financial obligations as they fall due. Loto-Québec manages liquidity risk by monitoring its operating requirements and using its credit facilities. Loto-Québec prepares budget and cash forecasts to ensure it has sufficient funds to meet its obligations.

As indicated in Note 26, several of Loto-Québec's activities were suspended temporarily during the year, which negatively affected Loto-Québec's revenues and cash flows. The negative effect on revenues is partially offset by increased lottery and online gaming sales. Loto-Québec continues to manage its liquidity through cost management and the projection and ongoing assessment of cash needs.

Contractual cash flows related to Loto-Québec's financial liabilities were as follows:

	2021					
	Carrying amount	Total contractual cash flows	Maturity			
			Less than 12 months	From 1 to 2 years	From 2 to 5 years	More than 5 years
<b>Financial liabilities</b>						
Bank loans	242,788	242,788	242,788	–	–	–
Dividend payable	97,630	97,630	97,630	–	–	–
Trade payable and accrued liabilities	50,738	50,738	50,738	–	–	–
Interprovincial Lottery Corporation	1,884	1,884	1,884	–	–	–
Lottery prizes payable	74,254	74,254	74,254	–	–	–
Progressive jackpots payable	34,317	34,317	34,317	–	–	–
Salaries payable	50,696	50,696	50,696	–	–	–
Derivatives on gaming transactions	5,524	5,524	5,524	–	–	–
Long-term debt	191,206	241,038	14,704	14,704	67,155	144,475
	<b>749,037</b>	<b>798,869</b>	<b>572,535</b>	<b>14,704</b>	<b>67,155</b>	<b>144,475</b>

	2020					
	Carrying amount	Total contractual cash flows	Maturity			
			Less than 12 months	From 1 to 2 years	From 2 to 5 years	More than 5 years
<b>Financial liabilities</b>						
Bank loans	283,800	283,800	283,800	–	–	–
Dividend payable	58,063	58,063	58,063	–	–	–
Trade payable and accrued liabilities	72,411	72,411	72,411	–	–	–
Interprovincial Lottery Corporation	6,907	6,907	6,907	–	–	–
Joint venture	2,127	2,127	2,127	–	–	–
Lottery prizes payable	63,029	63,029	63,029	–	–	–
Progressive jackpots payable	31,602	31,602	31,602	–	–	–
Salaries payable	69,748	69,748	69,748	–	–	–
Derivatives on gaming transactions	2,361	2,361	2,361	–	–	–
Long-term debt	162,602	207,160	53,712	8,558	49,498	95,392
	<b>752,650</b>	<b>797,208</b>	<b>643,760</b>	<b>8,558</b>	<b>49,498</b>	<b>95,392</b>

c) **Market risk**

Market risk is the possibility that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, foreign exchange risk and other price risk. Market risk management aims to manage and control market risk exposures within acceptable parameters. Loto-Québec is only exposed to interest rate risk and foreign exchange risk.

**(i) Interest rate risk**

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Loans, long-term debt and bank loans have fixed interest rates. Loto-Québec considers its exposure to interest rate risk from loans and the long-term debt to be minimal, given that it has no intention to call the loans or repay the debt prior to maturity.

In addition, bank loans are taken out to meet temporary liquidity needs for a period of less than 365 days from financial institutions or the Minister of Finance. Those loans are managed so as to reduce the cash flow risk related to the interest paid. A reasonably possible 100 basis point change in interest rates at the reporting date would not have had a material impact on net income or shareholder's equity.

**Fair value**

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of cash, including cash on hand at casinos, trade and other receivables, bank loans, the dividend payable and accounts payable and accrued liabilities approximates their carrying amount due to their short-term maturities.

The fair value of Loto-Québec's other financial instruments, which are all within Level 2 in the fair value hierarchy, except for derivatives on gaming transactions which are in Level 3, is detailed as follows:

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans to the joint venture	11,308	11,308	11,308	11,308
Long-term debt	192,076	205,611	163,105	179,490

**a) Non-derivative financial assets**

The fair value of loans to the joint venture is based on the value of future cash flows, discounted at the market interest rate at year-end.

**b) Non-derivative financial liabilities**

The fair value of the non-derivative financial liabilities, including the fair value of long-term debt, is based on estimated future cash flows, discounted at the market interest rate at year-end.

**c) Derivatives on gaming transactions**

The initial fair value of derivatives on draw-based lotteries and betting lotteries is the amount of consideration received on the sale of entries to these games. Any subsequent change in the probability of gains or losses with respect to the expected outcome of a draw or event would change the fair value of derivatives on gaming transactions recorded for draw-based lotteries and betting lotteries that have not yet occurred as at March 31. The probabilities of gains or losses for draw-based lotteries are based on notional rates that do not change, and there are no reasonably likely changes in the betting lottery assumptions that would result in a significant change in the fair value of derivatives on gaming transactions that were recognized at March 31, although the actual gain or loss would be determined by the outcome of the draw or event.

**24 /** CONSOLIDATED CASH FLOWS

	2021	2020
<b>Cash</b>		
Cash on hand at casinos	46,910	72,163
Cash	58,232	38,364
	<b>105,142</b>	<b>110,527</b>
<b>Net change in non-cash items</b>		
Trade and other receivables	(66,640)	41,696
Inventories	463	209
Prepaid expenses	7,579	5,489
Accounts payable and accrued liabilities	(22,049)	(9,243)
Derivatives on gaming transactions	3,163	(3,259)
Deferred revenues	607	(8,134)
	<b>(76,877)</b>	<b>26,758</b>
<b>Additional information</b>		
Additions to property, plant and equipment funded by accounts payable and accrued liabilities	6,512	21,565
Additions to intangible assets funded by accounts payable and accrued liabilities	1,641	4,603
Share of partners, holders of Class C units, in the joint venture included in accounts payable and accrued liabilities	(4,932)	2,877

Reconciliations of changes in liabilities resulting from financing activities:

	Liabilities				Shareholder's equity	
	Bank loans	Dividend payable	Long-term debt	Lease liabilities	Retained earnings	Total
<b>Balance as at March 31, 2020</b>	<b>283,800</b>	<b>58,063</b>	<b>162,602</b>	<b>20,116</b>	<b>86,300</b>	<b>610,881</b>
<b>Changes arising from cash flows related to financing activities:</b>						
Net change in bank loans	(41,012)	–	–	–	–	(41,012)
Dividend payable	–	39,567	–	–	(432,630)	(393,063)
Increase in long-term debt	–	–	80,992	–	–	80,992
Repayment of long-term debt	–	–	(52,021)	–	–	(52,021)
Change in lease liabilities during the year	–	–	–	(6,352)	–	(6,352)
Contributions to the Government of Québec	–	–	–	–	(25,000)	(25,000)
<b>Other changes related to these liabilities:</b>	<b>(41,012)</b>	<b>39,567</b>	<b>28,971</b>	<b>(6,352)</b>	<b>(457,630)</b>	<b>(436,456)</b>
Change in transaction costs	–	–	(367)	–	–	(367)
<b>Total changes related to these liabilities</b>	<b>(41,012)</b>	<b>39,567</b>	<b>28,604</b>	<b>(6,352)</b>	<b>(457,630)</b>	<b>(436,823)</b>
<b>Total other changes related to shareholder's equity</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>457,630</b>	<b>457,630</b>
<b>Balance as at March 31, 2021</b>	<b>242,788</b>	<b>97,630</b>	<b>191,206</b>	<b>13,764</b>	<b>86,300</b>	<b>631,688</b>

	Liabilities				Shareholder's equity	
	Bank loans	Dividend payable	Long-term debt	Lease liabilities	Retained earnings	Total
<b>Balance as at March 31, 2019</b>	<b>296,735</b>	<b>147,404</b>	<b>117,959</b>	<b>–</b>	<b>86,300</b>	<b>648,398</b>
<b>Changes arising from cash flows related to financing activities:</b>						
Net change in bank loans	(12,935)	–	–	–	–	(12,935)
Dividend paid	–	(89,341)	–	–	(1,328,462)	(1,417,803)
Increase in long-term debt	–	–	48,463	–	–	48,463
Repayment of long-term debt	–	–	(3,733)	–	–	(3,733)
Lease liabilities as at April 1, 2019	–	–	–	23,405	–	23,405
Change in lease liabilities during the year	–	–	–	(3,289)	–	(3,289)
Contributions to the Government of Québec	–	–	–	–	(25,000)	(25,000)
<b>Other changes related to these liabilities:</b>	<b>(12,935)</b>	<b>(89,341)</b>	<b>44,730</b>	<b>20,116</b>	<b>(1,353,462)</b>	<b>(1,390,892)</b>
Change in transaction costs	–	–	(87)	–	–	(87)
<b>Total changes related to these liabilities</b>	<b>(12,935)</b>	<b>(89,341)</b>	<b>44,643</b>	<b>20,116</b>	<b>(1,353,462)</b>	<b>(1,390,979)</b>
<b>Total other changes related to shareholder's equity</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,353,462</b>	<b>1,353,462</b>
<b>Balance as at March 31, 2020</b>	<b>283,800</b>	<b>58,063</b>	<b>162,602</b>	<b>20,116</b>	<b>86,300</b>	<b>610,881</b>

## 25 / RELATED PARTIES

Given that the Government of Québec is its sole shareholder, Loto-Québec is related to all Government of Québec departments and special funds as well as all agencies and public enterprises directly or indirectly controlled by or subject to either joint control or significant influence by the Government of Québec. Loto-Québec's other related parties comprise its subsidiaries, its joint venture and Loto-Québec's key management personnel.

### a) Related party transactions and balances

Except for transactions disclosed in the consolidated financial statements that were initially recognized at fair value, no individually or collectively significant transactions have been entered into by Loto-Québec with those related parties. Consequently, Loto-Québec has availed itself of the exemption set out in IAS 24, *Related Party Disclosures*, from the disclosure requirements for transactions and balances, including commitments, with parties related to a government which has control, joint control or significant influence over it. Loto-Québec considers that this information is not relevant in the context of its operations.

### b) Key management personnel compensation

Key management personnel include members of the Board of Directors and certain officers of Loto-Québec. In addition to their salaries, Loto-Québec typically provides other short-term benefits to officers and contributes on their behalf to post-employment benefit plans, such as pension and other long-term benefit plans.

Key management personnel received the following compensation:

	2021	2020
Short-term employee benefits	3,565	3,734
Post-employment and other long-term benefits	591	578
	<b>4,156</b>	<b>4,312</b>

## 26 / IMPACT OF THE COVID-19 PANDEMIC

In March 2020, the outbreak of the novel coronavirus (COVID-19) resulted in a major global health crisis and governments worldwide enacting emergency measures to combat the spread of the virus.

Since then, Loto-Québec has been closely monitoring the evolution of the situation. A special committee was created to implement the necessary measures and actively monitor them, while also taking into account the impacts of the pandemic on the employees and operations of Loto-Québec.

Loto-Québec's commercial activities were severely disrupted, which impacted the financial results for the year ended March 31, 2021. Below is an overview of their progression during the year:

### Lotteries:

- Suspension of sale at retailers until May 4, 2020
- Suspension of sale at kiosks from December 25, 2020, until January 10, 2021
- Sales hours adjusted to curfew

### Casinos, gaming halls and Hilton Lac-Leamy:

- Closure until July 2020 and gradual reopening at reduced capacity
- Closure in October 2020, except Casino de Mont-Tremblant, which closed in December 2020

### Video lotteries:

- Suspension until July 2020 and gradual reactivation of a portion of video lottery terminals
- Suspension of several terminals as of October 2020 based on regional alert levels

These closures and suspensions resulted in two waves of temporary layoffs in July and October 2020.

At the date of completion of the financial statements, the duration and impact of the COVID-19 pandemic are still unknown. Consequently, it is not possible to determine its impact on Loto-Québec's consolidated financial results, consolidated cash flows and consolidated financial position for future periods.

## MEASURING EFFICIENCY AND PERFORMANCE

### BENCHMARKING

As required by the *Act respecting the governance of state-owned enterprises*, Loto-Québec carries out annual efficiency and performance assessments. The Board of Directors is responsible for ensuring that the steps for measuring efficiency and performance, including benchmarking with similar organizations, are undertaken by the Corporation and that this information is included in the annual report.

The benchmarking exercise involved eight government corporations across Canada: the British Columbia Lottery Corporation; the Western Canada Lottery Corporation; Alberta Gaming, Liquor and Cannabis; the Saskatchewan Liquor and Gaming Authority; the Manitoba Liquor and Lotteries Corporation; the Ontario Lottery and Gaming Corporation; the Atlantic Lottery Corporation; the Nova Scotia Gaming Corporation.

As none of these corporations operate in exactly the same way as Loto-Québec, it's important to take into account the defining features of the gaming options that each of these corporations offers, as well as the differences between their respective business models. Nonetheless, Loto-Québec ensures continuous monitoring, in collaboration with the above-mentioned Canadian government corporations, to stay abreast of changes in Canada's gaming sector. When it came time to develop the 2020-2023 Strategic Plan, this exercise allowed the Corporation to draw inspiration from performance indicator best practices. Benchmarking made it possible to identify industry trends and new indicators in areas such as the reduction of greenhouse gas emissions and the proportion of hires from diverse backgrounds.

### LAST YEAR'S RESULTS AND FINDINGS

The 2020-2021 fiscal year marks the beginning of the 2020-2023 strategy planning cycle. During this period, Loto-Québec will focus on getting to know its customers better in order to optimize the customer experience. It will also enhance its omnichannel offer with options to promote social interaction. In addition, the Corporation will work to substantially reduce its environmental footprint and maximize the potential of its human capital.

It should be noted that the COVID-19 pandemic greatly disrupted Loto-Québec's activities and forced it to postpone a number of initiatives.





## STRATEGIC ORIENTATION 1

### PROVIDE A POSITIVE CUSTOMER EXPERIENCE ACROSS ALL DISTRIBUTION CHANNELS

- The work completed over the fiscal year allowed us to set the parameters for the rate of increase in the number of transactions tracked through our points of contact. As such, based on the 2019-2020 data, as was the case for the other indicators, we were able to calculate and set the starting value at +2%. This work also allowed us to confirm the 2022-2023 target established in the strategic plan. Over the 2020-2021 fiscal year, the number of tracked transactions fell, primarily due to the shutdown of gaming locations.
- As customers' buying habits changed when our casinos and gaming halls shut down and lottery ticket sales at retail locations were suspended, traffic on lotoquebec.com hit a record high in 2020-2021 with 27.7 million visits, up 142% from the previous year.
- Efforts aimed at improving the customer experience boosted the rate of satisfaction with the online experience to 73.8%, an increase of 2.9 percentage points compared to the previous fiscal year.

## STRATEGIC ORIENTATION 2

### OFFER GAMING AND ENTERTAINMENT OPTIONS THAT MEET CUSTOMERS' EXPECTATIONS

- Initiatives carried out by our various sectors allowed us to keep the purchase incidence among adults (for all gaming products combined) at a very good rate of 77%, down just a few points from the previous year.
- The pandemic took a heavy toll on our casinos and gaming halls. It led to their shutdown for the majority of 2020-2021 and, when they reopened, the many restrictions meant capacity was reduced. Both of these factors resulted in a considerable decrease in traffic: 0.5 million visits compared to 9.7 million the previous year.

## STRATEGIC ORIENTATION 3

### ACTIVELY CONTRIBUTE TO THE COMMUNITY—SOCIALY, ECONOMICALLY AND ENVIRONMENTALLY

- The Corporation's greenhouse gas emissions saw a decrease of 50% in 2020-2021 compared to 2009-2010. This was directly tied to the slowdown in activities due to COVID-19.
- The index of customer use of responsible commercialization tools and services rose significantly, climbing from 13.8 in 2019-2020 to 20.9 last year. This increase was primarily due to the growing use of online tools and services.

## STRATEGIC ORIENTATION 4

### INCREASE OUR AGILITY AND IMPROVE OUR PROCESSES

- As previously mentioned, the pandemic had a major impact on the Corporation's results, leading to a drop in net income, which stood at \$0.457 billion, much lower than the previous year's \$1.353 billion.
- The proportion of hires from diverse backgrounds surged in the past year, reaching 43%, compared to 28% in 2019-2020.

# FOLLOW-UP ON THE ACTIONS OUTLINED IN THE 2015–2020 RESPONSIBLE COMMERCIALIZATION PLAN

## FOR THE 2020–2021 FISCAL YEAR

As required under the *Sustainable Development Act*, this section outlines objectives and activities carried out in 2020–2021 with respect to our 2015–2020 Responsible Commercialization Plan (RCP), which was partially renewed for an additional year.

The RCP allows the organization to operationalize the Code of Responsible Commercialization. The RCP involves five horizontal objectives:

1. Provide our employees with a stimulating workplace.
2. Optimize responsible gambling measures at every step of our commercialization activities.
3. Guarantee the integrity of our games and their distribution channels.
4. Continue the drive to improve our overall performance.
5. Encourage dialogue with stakeholders based on a vision of complementary roles.

We are presenting our results to put our responsible commercialization efforts into perspective based on the objectives and expectations of the Government Sustainable Development Strategy 2015–2020.

This follow-up also links with the government terminology, which corresponds to that used in the public service.

The definitions related to the contribution to the government strategy—objectives, target outcomes, essential activities and areas of intervention—can be found at the end of this section, on page 87.

The COVID-19 pandemic had major repercussions on numerous businesses this year, including our own. Despite these circumstances, we developed a corporate social responsibility plan, which will allow us to be stakeholders in a greener, more responsible recovery. Its adoption is planned for 2021–2022.

## IMPACTS OF COVID-19 ON OUR RESPONSIBLE COMMERCIALIZATION PROCESS

Below are the indicators that were not renewed for the 2020–2021 extension of the Government Sustainable Development Strategy 2015–2020, or for which it would have been impossible to improve our overall performance due to the impacts of COVID-19.

- 1.1 Percentage of employees who connect responsible commercialization and business objectives
- 2.2 Percentage of employees who see concrete responsible commercialization actions in their company
- 2.3 Percentage of employees trained in responsible gambling
- 4.1 Percentage of bars where at least one employee took part in the *Taking Risk is no Game* training program
- 4.2 Number of contacts made with clients at the Centre du hasard information kiosks
- 5.1 Percentage of players who know the basic messages about responsible gambling
- 9.1 Percentage of events that attain the sustainability threshold
- 10.1 Dollars saved through the responsible commercialization process
- 11.1 Number of projects improved
- 13.1 Number of employees involved in the *Tous gagnants* collective

## ORGANIZATIONAL OBJECTIVE 1

### PROVIDE OUR EMPLOYEES WITH A STIMULATING WORKPLACE

#### ACTION 1: Mobilize our employees to achieve our business objectives



##### SUB-ACTION 1.2

Highlight the employees' contribution to the achievement of our results

##### INDICATOR

Number of communications related to the recognition of employees directly involved in responsible commercialization projects

##### TARGET

Twenty annual communications

##### FURTHER INFORMATION

Our employees' involvement was announced several times on our various platforms: 7 posts on the intranet and 15 in other media.

CONTRIBUTION TO GOVERNMENT STRATEGY



#### ACTION 2: Anchor responsible commercialization in our organizational culture



##### SUB-ACTION 2.1

Integrate relevant actions from the responsible commercialization plan into the strategic plans and annual action plans of the business units

##### INDICATOR

Percentage of annual action plans that include actions from the responsible commercialization plan

##### TARGET

100% of plans

##### FURTHER INFORMATION

All units concerned, i.e. the Office of the President of Operations - Lotteries, the Société des casinos du Québec and the Société des établissements de jeux du Québec, have integrated RCP actions in their 2020-2021 action plans.

CONTRIBUTION TO GOVERNMENT STRATEGY



## ORGANIZATIONAL OBJECTIVE 2

### OPTIMIZE RESPONSIBLE GAMBLING MEASURES AT EVERY STEP OF OUR COMMERCIALIZATION ACTIVITIES

#### ACTION 3: Provide a dynamic and competitive offer including the principles of responsible gambling



##### SUB-ACTION 3.1

Take the principles of responsible gambling into account in the design, approval and evaluation of our games

##### INDICATOR

Implementation of a revised process

##### TARGET

March 2020

##### FURTHER INFORMATION

- The Corporate Department of Gaming Equipment and Systems Compliance conducted a comparative study among Canadian jurisdictions to identify the best certification practices.
- We were able to introduce the new process during the 2018-2019 fiscal year, and it is still being implemented.

CONTRIBUTION TO  
GOVERNMENT STRATEGY



#### ACTION 4: Enforce the responsible commercialization framework with our retailers, raise player awareness of low-risk gaming behaviours in our gaming establishments and take action with players who show signs of gambling problems



##### SUB-ACTION 4.3

Continue our efforts to support players with problems

##### INDICATOR

Percentage of new self-excluded clients interested in at least one of our assistance services

##### TARGET

20% of self-excluded clients by 2020

##### FURTHER INFORMATION

When customers sign up for the self-exclusion program, an investigator lets them know about the support services offered by our partners at Gambling: Help and Referral. It's a free helpline that provides assistance to players and gives them information about the help available. The service has been offered since fall 2018.

CONTRIBUTION TO  
GOVERNMENT STRATEGY



## ORGANIZATIONAL OBJECTIVE 3

### GUARANTEE THE INTEGRITY OF OUR GAMES AND THEIR DISTRIBUTION CHANNELS

#### ACTION 6: Communicate the rules of all gaming activities and products



##### SUB-ACTION 6.1

Disclose the rules of all our games or products on lottery tickets, on our websites, in our gaming establishments and at our points of sale

##### INDICATOR

Percentage of games for which the rules are available to players (online, at our retailers or in our establishments)

##### TARGET

100% of games

##### FURTHER INFORMATION

The rules for games and gaming terminals launched in 2020-2021 are available at our casinos, gaming halls, gaming establishments, on our website and at lottery retailers.

CONTRIBUTION TO  
GOVERNMENT STRATEGY



**ACTION 7:** Implement oversight measures that enforce these rules



**SUB-ACTION 7.1**

Maintain information security management systems (ISMS) and apply best security and integrity practices

**INDICATOR**

World Lottery Association (WLA) Security Control Standard Certification (ISO/IEC 27001 Certification)

**TARGET**

Certification maintenance (annual follow-up and renewal every three years)

**FURTHER INFORMATION**

- Action 7 outlines the steps to take to enforce the game and product rules.
- Our WLA Security Control Standard certification was renewed in October 2020. ISO/IEC 27001 Certification is a prerequisite for WLA certification.

**CONTRIBUTION TO GOVERNMENT STRATEGY** 



**SUB-ACTION 7.2**

Maintain security measures to protect the Corporation's assets and games (surveillance, analysis, monitoring, compliance with official documents)

**INDICATOR**

Monitoring of measures

**TARGET**

100% of our facilities

**FURTHER INFORMATION**

Security monitoring measures that protect our assets and the integrity of our games are in place in all our facilities.

**CONTRIBUTION TO GOVERNMENT STRATEGY** 

**ACTION 8:** Ensure all players are treated equally



**SUB-ACTION 8.1**

Have our processes, games and random number generators certified in accordance with the rules and regulations in effect, as well as standards we have adopted, by external independent specialists

**INDICATOR**

Percentage of compliance for new games

**TARGET**

100%

**FURTHER INFORMATION**

Every single game and gaming terminal that was launched in 2020-2021 at our casinos, gaming halls, gaming establishments and online is compliant.

**CONTRIBUTION TO GOVERNMENT STRATEGY** 

**SUB-ACTION 8.2**

Maintain the minimum control standards for key lottery processes, in keeping with Interprovincial Lottery Corporation (ILC) standards

**INDICATOR**

ILC attestation

**TARGET**

Maintenance of the attestation

**FURTHER INFORMATION**

The certification process for compliance with the ILC standards was successfully completed in May 2021.

CONTRIBUTION TO GOVERNMENT STRATEGY

**ORGANIZATIONAL OBJECTIVE 4**

CONTINUE THE DRIVE TO IMPROVE OUR OVERALL PERFORMANCE

**ACTION 9:** Contribute to the vitality of communities and improve the performance of our social programs

**SUB-ACTION 9.2**

Expand our cultural involvement, especially in regions where we have establishments (according to Agenda 21 de la culture du Québec)

**INDICATOR**

Number of cultural partnerships

**TARGET**

Four partnerships among the five regions where we have establishments by 2020

**FURTHER INFORMATION**

- We exceeded our five-year target, striking partnerships in all five regions where we have establishments.
- For 2020-2021, the regions are the Capitale-Nationale and Mauricie.

CONTRIBUTION TO GOVERNMENT STRATEGY



**ACTION 11:** Optimize our acquisition, operation and infrastructure management initiatives

**SUB-ACTION 11.1**

Develop responsible commercialization criteria for projects and calls for tenders; develop synergies to reduce costs and impacts

**INDICATOR**

Percentage of calls for tenders for products and services evaluated (excluding calls for tenders for food products and consultation services) to ascertain the possibility of including responsible procurement criteria

**TARGET**

100% of calls for tenders

**FURTHER INFORMATION**

We issued 38 calls for tenders in 2020-2021 (not including calls for tenders for food products and consulting services).

CONTRIBUTION TO GOVERNMENT STRATEGY



The target of  
**10**  
improvements was met in 2018-2019.

**SUB-ACTION 11.2**

Implement an improvement process for our information and communication technologies

**INDICATOR**

Number of improvements implemented based on a known green ICT repository

**TARGET**

10 improvements by 2020

**FURTHER INFORMATION**

The Corporate IT Department created a green ICT committee to help make our IT practices more environmentally friendly. Improvements in recent years allowed us to reach our target by the end of 2018-2019. Their implementation has been maintained.

**CONTRIBUTION TO GOVERNMENT STRATEGY**

**ALL**  
our target gaming locations received BOMA BEST® Gold certification.

**SUB-ACTION 11.3**

Strengthen the global performance management system of our infrastructures

**INDICATOR**

BOMA BEST® certifications

**TARGET**

Silver certification for target buildings<sup>1</sup>

**FURTHER INFORMATION**

- In 2020-2021, two buildings were reassessed: the Casino de Montréal and the Casino de Charlevoix.
- Nine buildings identified for our five-year target achieved or exceeded the Silver certification requirements.
- All four Québec casinos, the Hilton Lac-Leamy, the Salon de jeux de Trois-Rivières and Loto-Québec mixed-use complex received BOMA BEST® Gold certification.

**CONTRIBUTION TO GOVERNMENT STRATEGY**

**ACTION 12:** Optimize the publication of our responsible commercialization performance

**15**  
communications related to responsible commercialization were released externally.

**SUB-ACTION 12.1**

Highlight our responsible commercialization actions

**INDICATOR**

Development and implementation of the communication strategy of our actions

**TARGET**

March 2019

**FURTHER INFORMATION**

- The communication strategy was developed in 2018-2019.
- Our efforts in terms of social responsibility, responsible gambling, the Loto-Québec corporate art collection, sponsorships and community relations are being highlighted in a communication strategy. This does not include our responsible gambling ad campaigns.

**CONTRIBUTION TO GOVERNMENT STRATEGY**

<sup>1</sup>Target buildings include Loto-Québec's head office, the Loto-Québec mixed-use complex, the Pierre-De Coubertin computer centre, the Salon de jeux de Trois-Rivières, the Casino de Montréal, the Casino de Charlevoix, the Casino du Lac-Leamy, the Casino de Mont-Tremblant and the Hilton Lac-Leamy.

## ORGANIZATIONAL OBJECTIVE 5

### ENCOURAGE DIALOGUE WITH STAKEHOLDERS BASED ON A VISION OF COMPLEMENTARY ROLES

#### ACTION 13: Enhance our relationships with our stakeholders



#### SUB-ACTION 13.1

Develop projects to improve our social programs with our stakeholders

#### INDICATORS

- Number of new projects carried out in partnership with the health and research fields
- Number of new projects related to causes and other stakeholders

#### TARGETS

- 5 projects by 2020
- 5 projects by 2020

#### FURTHER INFORMATION

- In partnership with players in the health and research fields, a new project was launched in 2020-2021. It focuses on assessing the impacts of the COVID-19 crisis on gaming participation and will recommend possible solutions.
- A total of eight new projects were developed from 2018 to 2021 in partnership with players in the health and research fields.
- Over the course of the five years the 2015-2020 RCP was implemented, as well as during its one-year extension in 2020-2021, nine projects were produced to meet the needs of different clienteles and to make contemporary art more accessible.

CONTRIBUTION TO GOVERNMENT STRATEGY





## DEFINITIONS RELATED TO THE CONTRIBUTION



### OBJECTIVES

- 1.1 Strengthen eco-responsible management practices in the public administration
- 1.2 Increase application of sustainability principles by government departments and agencies (GDAs)
- 2.5 Help consumers make responsible choices
- 5.1 Promote the adoption of healthy lifestyles



### TARGET OUTCOMES

- 1 Eco-responsible actions related to current material resource management and waste management operations
- 4 10% reduction in GHG (greenhouse gas) emissions for GDA buildings in relation to the level assessed in 2009-2010
- 5 Eco-responsible construction and renovation projects
- 7 Eco-responsible products, communications activities and events
- 8 The inclusion of eco-responsible considerations in the internal contract management policy or the development of an eco-responsible acquisition policy
- 9 Significant increase in eco-responsible acquisitions by GDAs
- 10 Implementation of organizational sustainable development accountability processes for GDAs
- 11 Development and use of evaluation and decision-making methods that take sustainable development principles into account
- 17 Promotion and enhancement of knowledge and initiatives conducive to sustainable development in GDAs and outside the public administration
- 30 Dissemination of information and public education about responsible consumption



### ESSENTIAL ACTIVITIES

- 1 Contribution to the achievements of the target eco-responsible management outcomes
- 2 Taking sustainable development principles into account
- 3 Contribution to the government orientation for integrating culture in sustainable development



### AREAS OF INTERVENTION

- 1 Current administrative management activities
- 3 Buildings and infrastructure
- 4 Information and communications technologies
- 6 Public markets

## ENTERPRISE RISK MANAGEMENT

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In carrying out its activities, Loto-Québec is exposed to risks that can affect its capacity to achieve its objectives and uphold its values, ethics and the laws and regulations that govern it, as well as impact its reputation, assets and key processes.

In a business, risk management is everyone's responsibility. To ensure sound management, Loto-Québec has established a structured enterprise risk management framework that allows for the preventive, reactive and systematic management of the major risks likely to affect it, in both normal times and during the COVID-19 pandemic.

More specifically, our enterprise risk management framework:

- Provides an overview of the risks Loto-Québec faces and facilitates the deployment of appropriate prevention, management and oversight strategies.
- Allows us to share our risk management and opportunity identification approach with our corporate and business units, to help them adopt a rigorous management method for their daily activities.
- Provides Loto-Québec's Executive Committee and Board of Directors with the information they need to form a considered opinion about changing situations related to the achievement of strategic and operational objectives.

Thanks to constant vigilance and frequent accountability reporting on strategic, operational and emerging risks, senior management and board members stay informed about threats that may affect the Corporation as well as opportunities available to it, so they can make informed decisions and take timely steps to mitigate risks. Here are three important types of risk:

### RISK RELATED TO GAME INTEGRITY

This risk can affect Loto-Québec's activities and mission and consequently harm its reputation and credibility. Compliance with game rules and customer confidence are the building blocks of the Corporation and require unwavering attention.

### RISK RELATED TO INFORMATION TECHNOLOGIES

This risk merits special attention, as information technologies are central to all the Corporation's activities. Due to the rapid evolution and complexity of these technologies, as well as the risks of cyberattacks and data manipulation, best practices and vigorous security measures must be in place to protect the Corporation and the personal and confidential information of its customers, suppliers, partners and employees.

### RISK RELATED TO THE DEVELOPMENT OF A NEW CUSTOMER BASE AND THE EVOLUTION OF THE CORPORATION'S GAMING OFFER

This risk affects the alignment of the gaming and entertainment offer with customer expectations as well as the balance between growth, innovation and responsible commercialization. The development of new initiatives that combine gaming and entertainment must be carefully and strategically considered to ensure Loto-Québec's future.

These monitoring activities, coupled with individual efforts, improve risk awareness and foster efficient internal control processes.

# CODE OF ETHICS AND RULES OF PROFESSIONAL CONDUCT FOR DIRECTORS AND MANAGERS OF LOTO-QUÉBEC AND ITS SUBSIDIARIES

## PREAMBLE

Whereas the members of the Board of Directors are required to have a code of ethics and rules of professional conduct that respects the principles and rules prescribed by the *Regulation respecting the ethics and professional conduct of public office holders* (hereinafter referred to as the "Regulation") adopted in accordance with the *Act Respecting the Ministère du Conseil exécutif* (R.S.Q. c. M-30, a. 3.01 and 3.02; 1997, c. 6, a. 1);

Whereas the Act and the Regulation prescribe certain ethical principles and rules of professional conduct that apply to Directors (contained in Appendix 1 of the present Code);

Whereas the members of the Board of Directors wish to provide the Corporation with its own Code of Ethics and Rules of Professional Conduct;

The members of the Board of Directors have adopted the following Code of Ethics and Rules of Professional Conduct.

## 1 / DEFINITIONS

In the present Code, unless a different meaning is indicated by context, the terms below are defined as follows:

- a) "Act": the *Act respecting the Société des loteries du Québec* (L.R.Q., c. S-13.1), as amended and modified from time to time
- b) "Association": a group of persons having a common goal other than that of generating profits for the benefit of its members
- c) "Board": the Board of Directors of the Corporation or of one of its Subsidiaries
- d) "Code": this Code of Ethics and Rules of Professional Conduct for Directors and Managers of Loto-Québec and its Subsidiaries
- e) "Committee": the Board's Governance and Ethics Committee, as prescribed by the *Act respecting the governance of state-owned enterprises*
- f) "Confidential Information": all information concerning the Corporation, trends in an industry or sector, or any and all information of a strategic nature that is not known to the public and that, if known by a person who is not a Director or a Manager, would be liable to give the person an advantage or compromise an operation in which the Corporation participates
- g) "Conflict of Interest": any real, perceived, potential or eventual situation in which Directors or Managers may be prompted to favour a person (including themselves and any Related Persons) to the detriment of another. Any situation that could be prejudicial to the loyalty, integrity or judgment of a Director or Manager is also subject to the present definition
- h) "Contract": a draft agreement
- i) "Control": direct or indirect ownership by a person of securities, including partnership shares, that confer more than 50% of voting or shareholder rights and that does not depend on a special event having occurred and allows for the election of a majority of Directors
- j) "Corporation": Loto-Québec and its Subsidiaries
- k) "Director": a member of the Board of Directors who does or does not occupy a full-time position at Loto-Québec or one of its Subsidiaries
- l) "Enterprise": any form of organization for the production of goods or services, or any other business of a commercial, industrial or financial nature, and any group intended to promote specific securities, specific interests or specific opinions or influence public authorities. However, this does not include the Corporation or Associations or non-profit groups with no financial relationship to the Corporation or no incompatibility with its objectives
- m) "Manager": with respect to the Corporation, any contract executive whose conditions of employment are subject to approval by the Board
- n) "Related Enterprise": any body corporate or company in which the Corporation directly or indirectly holds securities, including shares, conferring more than 10% voting or shareholder rights

- o) “Related Persons”: persons who are related to Directors or Managers via
  - i. blood
  - ii. marriage
  - iii. civil union
  - iv. common-law marriage
  - v. adoption

For the purposes of the present Code, the following persons are also deemed to be related:

- vi. the child of a person defined in Sections ii to iv
  - vii. any member of the immediate family living under the same roof
  - viii. any person with whom a Director or Manager is associated, or the partnership with which either may be associated
  - ix. a body corporate in which the Director or Manager directly or indirectly holds 10% or more of any category of voting shares
  - x. a body corporate controlled by a Director or Manager or a person defined in Sections i through iv and vi, or by a group of such persons acting jointly
  - xi. any person who a Director or Manager may be prompted to give preference to because of his relationship to that person or to a third party, or because of his status, title or any other reason
- p) “Spouse”: husbands and wives, as well as persons living together as a couple for more than a year
  - q) “Subsidiary”: any company wholly owned by the Corporation

## 2 / GENERAL PROVISIONS

- 2.1 The present Code is intended to maintain and strengthen public trust with respect to the integrity and impartiality of the Corporation’s administration, encourage transparency within the Corporation, and to instill a sense of responsibility in its Directors and its Managers.
- 2.2 The present Code is also intended to establish ethical principles and rules of professional conduct for the Corporation. The ethical principles take into account the Corporation’s mission, the values on which its actions are based, and its general principles of management. The rules of professional conduct relate to the duties and obligations of Directors and of Managers, clarifying and illustrating them in an indicative manner.
- 2.3 The present Code is applicable to Directors and to Managers of the Corporation and its Subsidiaries, all of whom are required to respect its provisions.
- 2.4 The present Code has been established in accordance with the Act, the Corporation’s internal governance regulation and the Regulation. It reflects and, as applicable, completes the provisions of the aforementioned.
- 2.5 The Board approves the present Code upon the recommendation of the Committee, which is responsible for its review.
- 2.6 In the context of the present Code, the prohibition of an act includes the attempt to commit the act and participation in or inducement to commit the act.
- 2.7 The Corporation shall take all necessary measures to ensure the confidentiality of information provided by Directors and Managers in conjunction with the application of the present Code.

## 3 / ETHICAL PRINCIPLES AND GENERAL RULES OF PROFESSIONAL CONDUCT

- 3.1 Directors or Managers are appointed to contribute to the fulfillment of the Corporation’s mission in the best interests of Québec. As such, they must employ their knowledge, capabilities, experience and integrity for the efficient, equitable and effective attainment of the objectives assigned to the Corporation by law and for the proper administration of the assets it possesses as a government agent.

Their contribution must be made in accordance with the law and with honesty, loyalty, prudence, diligence, efficiency, rigour and fairness.

- 3.2 In discharging their duties, Directors are required to respect the ethical principles and rules of professional conduct prescribed by the Act and the Regulation that constitute an integral part of this Code, as applicable, as well as those stipulated in the present Code. Managers are also required to respect these rules to the extent that they apply to them. In case of discrepancy, the strictest principles and rules are deemed to apply.

In case of any doubt, Directors and Managers are to act in accordance with the spirit of these principles and rules. Directors and Managers who serve as Directors or Managers or are members of another organization or Enterprise at the request of the Corporation are bound by the same obligations.

Subject to their obligations of confidentiality, honesty, loyalty and, generally speaking, to obligations of a similar nature in accordance with the Act and code of ethics of any organization or Enterprise in which Directors or Managers exercise functions at the request of the Corporation, such Directors or Managers are required to inform the Corporation of any question brought up on the agenda of a meeting of the Board of Directors of such organizations or Enterprises that may have a significant impact on the finances, reputation or operations of the Corporation. They are required to inform the Corporation within a reasonable delay and prior to any vote by Directors on such matters.

- 3.3 Directors and Managers are required to collaborate with the Chairman of the Board or the Committee on questions of ethics or professional conduct whenever asked to do so.
- 3.4 In exercising their functions, Directors and Managers are required to keep their knowledge current and employ independent professional judgment in the best interests of the Corporation.

They are required to be familiar with, promote the respect of, and conform to the present Code, applicable laws and regulations, and policies, directives and rules as set forth by the Corporation. They are also required to keep themselves informed as to the economic, social and political climate in which the Corporation acts.

- 3.5 Directors and Managers are required to maintain relations with all persons and with the Corporation based on respect, cooperation and professionalism.
- 3.6 Directors and Managers shall make decisions in a manner so as to ensure and maintain the relationship of trust with clients, suppliers and partners of the Corporation, as well as with the government.
- 3.7 In exercising their functions, Directors and Managers must respect the Corporation's mission, vision and strategic directions set out in its strategic plan.
- 3.8 Directors and Managers shall not, in the performance of their duties, be impaired by the effects of alcohol, drugs, abuse of medications or any other substance.

In addition, Directors and Managers may not use cannabis or its derivatives (unless required for medical purposes) or illicit drugs while performing their duties or when representing the Corporation, nor participate in drug trafficking or distribution.

- 3.9 Directors and Managers may not, directly or indirectly, for their personal benefit or that of a Person related to them or a third party, offer any gift, invitation to an entertainment activity, donation, service, benefit or other favour that could influence the fulfilment of their roles and responsibilities or be detrimental to the Corporation's credibility.

They must also refuse any gift, hospitality or other benefit that may be offered to them in connection with activities related to their duties. The same applies to meals and tickets to social, cultural or sporting events. If such a benefit is offered to them, the Director or Manager must decline it and return it to the donor.

- 3.10 Door prizes won by a Director or Manager must be returned to the event organizer if that Director or Manager's entry was paid for by the Corporation; guests of said Directors or Managers are subject to the same rule.
- 3.11 In carrying out their functions, Directors and Managers must seek to defend only the Corporation's interests, to the exclusion of their own or those of a third party.
- 3.12 Directors and Managers shall not undertake any obligations to third parties nor afford them any guarantees with respect to any vote that they may be called upon to participate in or any decision whatsoever that the Board may be called upon to render.
- 3.13 A vote by a Director that is in violation of the provisions of the present Code or that is lodged while the Director is in default with respect to the production of the declaration mentioned in Section 4.11 may not be considered a deciding vote.
- 3.14 Directors or Managers who assume responsibilities in other entities may occasionally find themselves in situations of Conflict of Interest. Whenever the present Code does not provide for the specific situation, they must determine whether their actions meet the behavioural standard that the Corporation may reasonably expect in such circumstances. They must also determine if a reasonably informed person would conclude that their interests in the other entity are liable to influence their decisions and affect their objectivity and impartiality when discharging their duties to the Corporation.

- 3.15 Within a reasonable delay of assuming their position, Directors and Managers are required to organize their personal affairs so as not to prejudice the exercise of their functions and avoid incompatibility or Conflict of Interest between their personal interests and the duties of their position. As applicable, they are required to take all necessary measures in order to comply with the provisions of the present Code.
- 3.16 Directors and Managers may not mix the Corporation's assets with their own. They may not utilize the Corporation's assets or Confidential Information received in the course of carrying out their functions for personal or third party profit. These obligations remain in effect even after they have ceased to occupy their functions.
- 3.17 Directors and Managers are bound by discretion with respect to all Confidential Information to which they are party in the exercise of their functions and are required to respect the confidential nature of information received at all times. Furthermore, Board deliberations, positions held by, and votes taken by its members are confidential.
- 3.18 Directors and Managers are required to respect any and all restrictions and apply protective measures with regard to Confidential Information as follows:
- They must only convey Confidential Information to authorized persons.
  - If they use a system of electronic mail, they must comply with all practices and directives issued or approved by the Corporation regarding the storage, use and transmission of information by this system. They must not forward Confidential Information received from the Corporation via this system to anyone.
  - They are responsible for taking measures to protect the confidentiality of information to which they have access. These measures include:
    - not allowing documents containing Confidential Information to be casually seen by third parties or unauthorized employees;
    - taking appropriate measures to ensure the physical protection of documents;
    - avoiding discussions in public that could reveal Confidential Information;
    - identifying documents that may circulate as containing Confidential Information that must be treated as such;
    - discarding any and all confidential documents using appropriate means (shredding, archiving, etc.) whenever they are no longer necessary for the execution of their mandate as Directors or Managers.
- 3.19 While exercising their functions, Directors and Managers may not have dealings with any persons who have ceased being a Director or Manager of the Corporation for less than one year if such persons are acting on behalf of another party with respect to a procedure, negotiation or any other operation to which the Corporation is party and about which such persons possess information that is not publicly available.
- 3.20 Once no longer exercising their functions, no Director or Manager may disclose any Confidential Information received, or provide anyone with advice based on Confidential Information unavailable to the public concerning the Corporation or any other organization or Enterprise with which they had direct and substantial relations during the year preceding the date on which their functions were terminated. During the course of the 12 months following this date, they are prohibited from acting on or on behalf of others relative to any procedure, negotiation or other operation to which the Corporation is party and about which they possess Confidential Information not available to the public.
- 3.21 Directors or Managers who intend to become electoral candidates are required to inform the Chairman of the Board of their intention.
- If the Chairman of the Board or the President and Chief Executive Officer has such intentions, they must so inform the Secretary General of the Executive Committee.
- 3.22 In exercising their functions, Directors and Managers must make decisions independently of all partisan considerations.

## 4 / DUTIES AND OBLIGATIONS OF DIRECTORS AND OF MANAGERS WITH RESPECT TO CONFLICTS OF INTEREST

### Prevention of conflicts of interest

- 4.1 Directors and Managers must avoid placing themselves in situations of conflict between their personal interests and their official duties, or in situations that may cast reasonable doubt as to their ability to discharge their duties with uncompromised loyalty.

Directors and Managers must avoid situations in which they or Related Persons could profit directly or indirectly from a contract signed by the Corporation or by influencing decisions taken by them in accordance with their official functions within the Corporation.

Full-time Directors or Managers of the Corporation or of any of its Subsidiaries are also required to avoid taking positions or being bound by engagements that may prevent them from fully giving their duties the time and attention that would normally be required.

Other Directors are required to ensure that they are able to devote the appropriate time and attention to the exercise of their functions reasonably required in the circumstances.

- 4.2 Directors and Managers with full-time duties within the Corporation may not possess direct or indirect interests in an organization, Enterprise or Association that create a conflict between their personal interests and the interests of the Corporation. If they do, they may be subject to dismissal. However, such dismissal shall not take place if the interest accrues through an inheritance or gift that is diligently renounced or disposed of. In the interval, Sections 4.5, 4.6, 4.8 and 4.11 shall apply.

All other Directors holding interests in an Enterprise must comply with Sections 4.5, 4.6, 4.8 and 4.11. Failure to do so may make them subject to dismissal.

- 4.3 In order to be deemed independent, Directors may not:

- be or have been (during the three years preceding the date of their nomination) employed by the Corporation or be related to a person described in Section 1.o) that has been so employed;
- be employed by the government or a government agency within the meaning of Section 4 of the *Auditor General Act* (R.S.Q., c. V-5.01);
- have any relations as determined by the government under Section 5 of the *Act respecting the governance of state-owned enterprises*.

Upon assuming their position, and annually thereafter, Directors must declare to the Committee the existence or absence of relations described in the preceding first and second paragraphs. They are also required to declare any changes to their declaration as soon as they become aware of such changes.

- 4.4 Directors and Managers of the Corporation who are also Directors or Managers of a Related Enterprise are required to be specifically authorized by the controlling shareholder or shareholders of the Enterprise to:

- hold shares, partnership equity, any other share or any other security issued by the Related Enterprise that confers voting rights or interest with respect to the Related Enterprise, or any and all options for subscription or purchase rights concerning such shares, partnership equity, securities or interests;
- benefit from any profit-sharing plan, unless the Directors or Managers are engaged full-time within the Related Enterprise and the profit-sharing plan is directly related to the individual performance of the Directors or Managers within the Related Enterprise;
- benefit from a retirement plan offered by the Related Enterprise if they are not full-time Directors or Managers of the Related Enterprise; or
- benefit from any and all advantages extended in advance in case of a change in Control of the Related Enterprise.

### Renunciation and abstention

- 4.5 Directors or Managers who:

- a) are party to a contract with the Corporation or a Subsidiary; or
- b) possess a direct or indirect interest in an Enterprise that is party to a contract with the Corporation or a Subsidiary, or are Directors, Managers or employees of this Enterprise;

are required to disclose the nature and scope of their interest in writing to the Chairman of the Board.

The same applies for Directors or Managers who have a direct or indirect interest in matters taken up by the Board.

Directors or Managers must abstain at all times from communicating any information whatsoever regarding such contract or interest to any and all employees, Managers or Directors of the Corporation.

Directors must abstain from deliberating and voting on any matter related to such interest and avoid any attempts to influence decisions relating thereto. They must also excuse themselves from meetings for the duration of deliberations and voting on such matters. Any such exclusion must appear in the minutes of the Board meeting.

- 4.6 In the case of a Director, disclosure required under Section 4.5 must occur during the first meeting:
- a) at which the contract or matter of concern is being discussed;
  - b) subsequent to when Directors with no previous interest in the contract or matter acquire such interest;
  - c) subsequent to when Directors acquire an interest in an already concluded contract;
  - d) subsequent to when any and all persons with an interest in the contract or matter under study become Directors.

4.7 Managers who are not also Directors must offer the required disclosure under Section 4.5 immediately after:

- having learned that the contract or matter of interest was or will be discussed during a meeting;
- having acquired an interest, if subsequent to the conclusion of the contract or decision involved; or
- having become a Manager, if subsequent to the acquisition of such interest.

Managers may not attempt to influence decisions made by Directors in any way.

4.8 Directors and Managers must make the disclosure required under Section 4.5 as soon as they have any knowledge of a contract that falls within the bounds of this section and that, in the normal course of the Corporation's business, does not require Director approval.

4.9 Sections 4.5 through 4.8 also apply to cases where such interest is held by a Person related to a Director or Manager.

4.10 Directors and Managers shall denounce all rights they may possess against the Corporation or any of its Subsidiaries in writing to the Chairman of the Board, indicating their nature and value, as soon as such rights come into existence or as soon as they become aware of them.

4.10.1 The Manager shall disclose any Contract for personal purposes he intends to make with an Enterprise he knows to be a supplier of the Corporation, in each of the following cases:

- a) If the Manager or the department to which he is attached within the Corporation has been or is in a business relationship with this supplier;
- b) If he could derive any benefit from his status as a Manager in the context of the negotiation of the Contract with this supplier;
- c) If the making of the Contract could place him in a Conflict of Interest situation; or
- d) If, in the exercise of his functions, he is in contact with representatives of this supplier.

Excluded from this disclosure obligation are the usual Contracts made with a utility company, such as electricity service or communications services (residential telephony, television or Internet), and Contracts seeking to obtain professional services.

The Manager shall make the disclosure required above in writing to the President and Chief Executive Officer before concluding the Contract with the supplier, specifying the name of the supplier concerned, the nature of the Contract and its value. However, if the Manager concerned is the President and Chief Executive Officer, the disclosure shall be made to the Chairman of the Board.

4.11 Within 30 days of their nomination, and on March 31 of each year in which they remain in service, Directors and Managers must forward a declaration in the form prescribed in Appendix 2 to the Chairman of the Board containing the following information:

- a) The name of any and all Enterprises in which he or a Related Person living under the same roof:
  - holds, directly or indirectly, securities or assets, including shares, specifying the nature and quantity in number and in proportion of the securities held and the value of the assets, but excluding publicly traded Enterprises for which they or a Related Person living under the same roof holds less than five percent of the securities;
  - assumes or holds a position as employee, director, manager or any analogous position; or
  - has a direct or indirect interest, in the form of a claim, right, priority, mortgage or significant financial or commercial benefit.
- b) To his knowledge, the name of any and all Enterprises in which any Related Person:
  - holds, directly or indirectly, securities or assets, including shares, specifying the nature and quantity in number and in proportion of the securities held and the value of the assets, but excluding publicly traded Enterprises for which the Related Person holds less than five percent of the securities;



- assumes or holds a position as employee, director, manager or any analogous position; or
  - has a direct or indirect interest, in the form of a claim, right, priority, mortgage or significant financial or commercial benefit.
- c) To his knowledge, the nature of any relationship between the Enterprises contemplated in the foregoing paragraphs and the Corporation; and
- d) The name of any and all Associations in which they exercise functions or of which they are members, stipulating their functions, as applicable, as well as the purposes of the Association.

Directors or Managers to whom the provisions of Sections a) through d) do not apply are required to sign a declaration to that effect and remit it to the Chairman of the Board.

Directors or Managers are also required to produce a similar declaration within 30 days of any significant change occurring to its contents.

Declarations made subject to this section shall be treated as confidential.

- 4.12 The Chairman of the Board shall remit declarations received pursuant to the application of Sections 4.5 to 4.11 to the Secretary of the Corporation, who shall make them available to the members of the Board and of the Governance and Ethics Committee.

In addition, the Secretary of the Corporation shall notify the Chairman of the Board and the Governance and Ethics Committee of any breach of obligations under Sections 4.5 to 4.11 immediately upon becoming aware of such a breach.

- 4.13 Directors and Managers may notify the Corporation in advance of Board of Directors discussions pertaining to specific corporations or other entities from which they wish to be excluded.
- 4.14 In all cases where a matter may engender a Conflict of Interest related to the function of a Director or Manager, or in the case of a corporation or entity declared by Directors or Managers under Section 4.13, the Secretary shall apply the deliberative procedures concerning conflicts of interest as prescribed in Appendix 3 of this Code.
- 4.15 Directors may not accept fees from the Corporation or from any of its Subsidiaries for consulting or any other similar services.

#### Dispensations

- 4.16 The present Code is not applicable to:
- a) interests held through the intermediary of mutual investment funds in whose management the Directors or Managers do not participate either directly or indirectly;
  - b) interests held through the intermediary of a blind trust with no beneficiary right of review or right to know the composition of;
  - c) holding the minimum number of shares required to be eligible to become a Director of a body corporate;
  - d) an interest which, due to its nature and scope, is common to the population at large or to a particular sector in which Directors who do not exercise full-time functions within the Corporation or its Subsidiaries work;
  - e) a liability insurance contract for Directors;
  - f) shares issued or guaranteed by a government or municipality on terms that are identical for all.

## 5 / APPLICATION OF THE CODE

- 5.1 The present Code is an integral part of the professional duties of Directors and Managers.
- Directors and Managers undertake to become familiar and comply with it, as well as with any directive or particular instruction that may be supplied as to its application. In addition, they must confirm their adherence to the Code each year.
- In case of any doubt as to the scope or application of a provision, Directors and Managers are required to consult the Committee.
- 5.2 Within 30 days of the adoption of a substantive amendment of the present Code by the Board, all Directors and Managers must submit the attestation described in Appendix 4 to the Chairman of the Board and the Secretary of the Corporation.
- 5.3 New Directors and Managers must each do the same within 30 days of their taking office.
- 5.4 The Associate Secretary General responsible for senior positions at the Ministère du Conseil exécutif is the competent authority for the application of the present Code with respect to the Chairman of the Board and other Directors appointed by the government.
- 5.5 The Chairman of the Board is the competent authority with respect to all Directors and Managers of subsidiaries in which the Corporation holds 100% of the shares.

- 5.6 The Committee may, as it sees fit, provide dispensation to a Director or Manager from one or more of the provisions of the present Code if it is of the opinion that such dispensation does not prejudice the objectives of the present Code as described in Section 2.1 and that the provisions of the Act and the Regulation have been met.

The Committee designates the Secretary to assist it in this function.

- 5.7 The Committee may advise Directors and Managers as to the interpretation of the provisions of the present Code and their application to particular or even hypothetical cases. It is not required to limit an opinion to the terms of the request.

- 5.8 The Committee must:

- review the present Code on an annual basis and submit any changes for approval to the Board;
- engage and oversee the process of preparing and assessing the Code of Ethics and Rules of Professional Conduct;
- ensure that the Directors and the Managers are provided with information and training about the contents and application procedures of the present Code;
- give its opinion and offer its support to the Board (Corporation) and to any and all Directors or Managers confronted with a problem;
- handle any requests for information related to the present Code;
- investigate any irregularity with respect to the present Code on its own initiative or upon receipt of an allegation.

- 5.9 The Committee may consult with and receive opinions from outside advisors or experts on any matter it deems relevant.

- 5.10 The Committee and the competent authority concerned shall preserve the anonymity of complainants, petitioners and informers except when there exists manifest intention to the contrary. They cannot be bound to reveal information likely to identify such persons except if required by law or by a court of law.

- 5.11 The Secretary shall assist the Committee and the Chairman of the Board in matters concerning the application of the present Code.

The Secretary shall maintain archives containing declarations, disclosures and attestations required to be submitted under the provisions of the present Code, as well as reports, decisions and advisory opinions with respect to ethics and professional conduct. Moreover, the Secretary is required to take all necessary measures to ensure the confidentiality of information supplied by Directors and Managers pursuant to the application of the present Code.

- 5.12 Directors or Managers who are aware of or suspect the existence of a violation of the present Code, including the use of or irregular communication of Confidential Information or an undisclosed Conflict of Interest, are required to report this to the Committee.

Such disclosure is to be made confidentially and must include the following information:

- The identity of the perpetrator or perpetrators of the violation
- A description of the violation
- The date or period of time over which the violation took place
- A copy of any documents that support the claim

- 5.13 Directors and Managers of the Corporation may, on their own initiative, submit a complaint against any Director or Manager to the competent authority.

- 5.14 In order for an appropriate decision to be taken in an emergency situation requiring rapid intervention, or in case of presumed gross negligence, the competent authority may provisionally remove Directors or Managers accused of breaches of ethics or professional conduct from their functions with remuneration.

- 5.15 Whenever a Director or Manager is accused of a breach of ethics or professional conduct, the Committee is responsible for gathering all pertinent information. The Committee shall report its conclusions to the appropriate competent authority and recommend any appropriate action that may be required.

- 5.16 Directors and Managers are not deemed to have violated the provisions of the present Code if prior favourable opinion has been obtained from the Committee under the following conditions:

- a) Notification is received prior to the occurrence of events on which it is based.
- b) The Board has been notified.
- c) All pertinent facts have been fully revealed to the Committee in an exact and complete manner.
- d) Directors or Managers have complied with all the requirements of the notification.

## 6 / DISCIPLINARY PROCESS

6.1 If it concludes that a violation of the Act, the Regulation, or the present Code has occurred, the competent authority may impose one of the following penalties:

- a) In the case of a Manager, any appropriate penalty up to and including dismissal
- b) In the case of a Director, reprimand, suspension without remuneration for a maximum of three months, or dismissal

Notwithstanding the preceding, when the competent authority is the Associate Secretary General as defined in Section 5.4, the penalty shall be imposed by the Secretary General of the Executive Committee. In addition, if the proposed penalty is the dismissal of a Public Administrator named or designated by the government, it may only be imposed by the latter. In that case, the Secretary General of the Executive Committee may immediately suspend the Public Administrator for a period not exceeding 30 days without remuneration.

6.2 The competent authority shall inform Directors or Managers of any breach of conduct with which they have been charged, as well as of the penalty that may be imposed.

Within seven days of being informed about a breach of conduct accusation, Directors or Managers may submit comments to the Committee. They may also request a Committee hearing on the matter.

6.3 In case of a violation as described in Section 4.2, the dismissal of the offender shall be placed on the record by competent authorities.

6.4 Directors and Managers are required to account for any and all profits made or benefits received due to or on the occasion of any violation of the provisions of the present Code, and they must reimburse the Corporation.

6.5 Any vote by Directors provided in violation of the provisions of the present Code or related to any such violation, or while the Directors are in default with respect to the production of the declaration mentioned in Section 4.11, shall not be a deciding vote.

## 7 / EFFECTIVE DATE

7.1 The present Code came into effect as of the session following its adoption by the Board.

## POLICIES AND LAWS

### LANGAGE POLICY

#### MAKING LANGAGE QUALITY A TOP PRIORITY

In accordance with the Government's policy on the use of French in public administration, on November 24, 2000, the Corporation adopted a language policy that reflects its business mission and covers the use and quality of French within each of its activity sectors.

During the past fiscal year, Loto-Québec continued to collaborate actively with the Office québécois de la langue française to ensure the consistent application of this policy throughout the organization and its subsidiaries.

### AWARDING OF CONTRACTS

The procurement policy of Loto-Québec and its subsidiaries reflects the transparency and integrity that govern the awarding of contracts to suppliers. This policy can be consulted on the Loto-Québec website.

### ACT TO FACILITATE THE DISCLOSURE OF WRONGDOINGS RELATING TO PUBLIC BODIES

In keeping with the *Act to facilitate the disclosure of wrongdoings relating to public bodies*, Loto-Québec has a policy to facilitate the disclosure of wrongdoings. This policy is in addition to the mechanisms already in place in this regard within the Corporation, such as the codes of ethics and the reporting line. Under section 25 of the Act, Loto-Québec must report the number of disclosures received every year.

Disclosures received by the officer responsible for dealing with disclosures	0
Disclosures the processing or examination of which was ended under paragraph 3 of section 22 of the Act	-
Well-founded disclosures	-
Disclosures broken down according to the categories of wrongdoings set out in section 4 of the Act:	
<ul style="list-style-type: none"> <li>• Contravention of a Québec law, of a federal law applicable in Québec or of a regulation made under such a law</li> <li>• Serious breach of the standards of ethics and professional conduct</li> <li>• Misuse of funds or property belonging to a public body, including the funds or property it manages or holds for others</li> <li>• Gross mismanagement within a public body, including an abuse of authority</li> <li>• Any act or omission that seriously compromises or may seriously compromise a person's health or safety or the environment</li> <li>• Directing or counselling a person to commit any of the wrongdoings described above</li> </ul>	-
Information forwarded under the first paragraph of section 23 of the Act	-

## ACT RESPECTING WORKFORCE MANAGEMENT AND CONTROL WITHIN GOVERNMENT DEPARTMENTS, PUBLIC SECTOR BODIES AND NETWORKS AND STATE-OWNED ENTERPRISES

On December 5, 2014, the Government of Québec adopted the *Act respecting workforce management and control within government departments, public sector bodies and networks and state-owned enterprises*.

As the title suggests, the Act seeks to strengthen the mechanisms for managing and controlling the staff of public bodies, particularly by means of workforce planning, as well as the control of staffing and service contracts.

In 2014-2015, in keeping with the Act, Loto-Québec adopted a directive on service contracts and submitted it to the Conseil du trésor. Under this directive, in 2020-2021, the President and Chief Executive Officer of Loto-Québec authorized 48 service contracts for over \$25,000, with a total value of \$13,062,656. Four of these contracts were concluded with a natural person.

### LOTO-QUÉBEC WORKFORCE<sup>1</sup> AS OF MARCH 31, 2021

	Paid hours			Number of employees
	Hours worked	Overtime	Total	
<b>Category</b>				
Management staff	180,626	435	181,061	94
Professional staff	842,053	11,032	853,085	490
Office, technical and similar staff	534,348	9,092	543,440	304
Labourers, maintenance and service staff	34,502	131	34,633	20
Students and interns	7,406	6	7,412	12
<b>Total</b>	<b>1,598,935</b>	<b>20,696</b>	<b>1,619,631</b>	<b>920</b>

<sup>1</sup> Excluding subsidiaries

For the period from April 1, 2020, to March 31, 2021, the staffing level did not exceed the target set by the government.

# ACCESS TO INFORMATION AND PROTECTION OF PERSONAL INFORMATION

## ACCESS TO INFORMATION

**Total number of requests received from April 1, 2020, to March 31, 2021**

**66**

### NUMBER OF REQUESTS PROCESSED<sup>1</sup> BY TYPE AND PROCESSING TIME

	Requests for access			
	Administrative documents	Personal information	Correction	
<b>Processing time</b>				
0 to 20 days	1	22	0	
21 to 30 days	17	7	0	
31 days or more <sup>2</sup>	12	9	0	
<b>Total</b>	<b>30</b>	<b>38</b>	<b>0</b>	<b>68</b>

### NUMBER OF REQUESTS PROCESSED, BY TYPE AND DECISION RENDERED

	Requests for access			Provisions of the Law invoked
	Administrative documents	Personal information	Correction	
<b>Decision rendered</b>				
Accepted	8	29	0	
Partially accepted	10	4	0	9, 14, 15, 16, 19, 21 to 24, 27, 28, 28.1, 29, 31, 32, 35, 37, 39, 41, 53, 54, 59, 137.1, art. 9 of the Charter of Rights and Freedoms
Rejected	7	2	0	
Other	5	3	0	

**Number of notices of review received from the Commission d'accès à l'information**

**3**

**Number of requests for access subject to reasonable accommodation measures**

**0**

The statistics presented above relate only to requests made under the *Act respecting Access to documents held by public bodies and the Protection of personal information*. Requests for information by summons, ordinance or by virtue of a power conferred by a law are not included.

## PROTECTION OF PERSONAL INFORMATION

Under the stewardship of the Information Management Committee, the principles of the protection of personal information were communicated through training courses, memos to employees and in relation to specific cases. The related guidelines were also reviewed.

<sup>1</sup> Requests processed are those for which a response was provided during the fiscal year.

<sup>2</sup> Due to constraints related to the COVID-19 pandemic, which resulted in the closure of the Corporation's gaming locations, Loto-Québec was unable to process certain requests within the 30-day time limit as required by the legislation.

## BOARD OF DIRECTORS AND CORPORATE SECRETARIAT

AS OF MARCH 31



**HÉLÈNE F. FORTIN, MONTRÉAL**  
FCPA, FCA, ICD.D

Chairwoman of Loto-Québec's Board of Directors  
Partner  
LF&B CPA Inc.

**Reappointment: June 27, 2017**  
**End of term: June 26, 2021**

The recipient of an honours graduate degree in public accounting from McGill University, Hélène F. Fortin also graduated magna cum laude from Concordia University with a Bachelor of Business Administration in accounting and finance. She became a chartered accountant in 1982 and earned the title of ICD.D from the Institute of Corporate Directors in 2006 after completing the Directors Education Program. As the managing partner of a firm that she co-founded, Ms. Fortin has been practising public accounting for over 40 years. A member of the Ordre des comptables professionnels agréés du Québec (OCPAQ), she sat on the Auditing and Assurance Standards Board of the Canadian Institute of Chartered Accountants from 2006 to 2009, and has assisted the association's Interprovincial Board of Evaluators for more than 30 years, all the while teaching accounting and certification in several Québec universities. Since 2003, she has served on numerous boards of directors of major corporations and organizations, including Justice Canada's Departmental Audit Committee, the Québec Chapter of the Institute of Corporate Directors, UBS Bank (Canada), VoiceAge, and several other foundations as Chair of the Audit, Governance, Human Resources, Finance and Pension Fund Management committees. She is also actively involved in corporate governance training and board governance training as an author, guest speaker and workshop leader. Ms. Fortin earned the title of Fellow of the OCPAQ in February 2010.



**LYNNE ROITER, MONTRÉAL**

President and CEO  
Loto-Québec

**Reappointment: February 27, 2019**  
**End of term: May 30, 2021**

A graduate of Université Laval's Law Faculty and member of the Québec Bar since 1972, Lynne Roiter joined Loto-Québec in 1985 as Director of Legal Affairs. She previously worked as a lawyer at the Commission des droits de la personne, the Régie de l'assurance automobile du Québec and in private practice. From November 1996 to May 2017, she served as Loto-Québec's Corporate Secretary and Vice-President of Legal Affairs. Ms. Roiter has been President and Chief Executive Officer since May 31, 2017, a position she had been filling temporarily since August 2016. She is a member of the Board of Directors and President of the Executive Committee of the Interprovincial Lottery Corporation. She is also Secretary General and a member of the Executive Committee of the World Lottery Association, an organization that counts more than 140 public lottery corporations from some 80 countries.

**ALAIN ALBERT, MAGOG**

Corporate Director

**Reappointment: June 7, 2017**  
**End of term: June 6, 2021**

Alain Albert holds a master's degree in counselling from the University of Maine, a bachelor in educational and career counselling from the Université du Québec à Montréal, and a Bachelor of Arts degree from the Université de Montréal. A retired senior executive turned corporate director, Mr. Albert has over 30 years of experience in the Québec civil service. From 1981 to 2005, he worked at the Commission de la santé et de la sécurité du travail (now the Commission des normes, de l'équité, de la santé et de la sécurité du travail), notably as Vice-President of Partner Relations and Expertise during his last 11 years there. From 2007 to 2017, he was a member of the Board of the Société de l'assurance automobile du Québec, where he chaired the Human Resources and Customer Service committees and sat on the Governance and Ethics Committee.

**JEAN-FRANÇOIS BLAIS, MONTRÉAL**

Corporate Director

**Appointment: March 13, 2019**  
**End of term: March 12, 2023**

Jean-François Blais graduated with a bachelor's degree in actuarial science from Université Laval in 1988. He has been a Fellow of the Canadian Institute of Actuaries (FCIA) and Fellow of the Casualty Actuarial Society (FCAS) since 1991. Now retired, Mr. Blais spent close to 30 years in the insurance field and has sat on several boards. He was President and CEO of AXA Canada from 2004 to 2011, and President of Intact Insurance from 2011 to 2017. During his career, he served on the boards of the Insurance Bureau of Canada and the Insurance Institute of Canada. He has served on the Board of Optimum Réassurance since 2018, and on the Board of the Caisse de dépôt et placement du Québec since 2020.





**SARINE CHITILIAN, MONTRÉAL**

Senior Manager, Business Strategy and Management  
National Bank of Canada

**Appointment: March 31, 2021**

**End of term: March 30, 2025**

Sarine Chitilian graduated from McGill University in 2006 with a bachelor's degree in electrical engineering. She then worked in finance at Société Générale Group, as both Vice-President of Operational Risk and Chief of Staff. In 2014, Ms. Chitilian joined the National Bank of Canada and rose through the ranks. As Senior Manager of Business Strategy and Management, a position she has held since 2018, she oversees strategies related to risk management, organizational performance and governance. Over the years, Ms. Chitilian has volunteered with many organizations. Currently, she is actively involved in the Association of Québec Women in Finance and National Bank's Women's Leadership Network.



**MAUD COHEN, MONTRÉAL**  
ENG., ASC

President and CEO  
CHU Sainte-Justine Foundation

**Appointment: April 8, 2020**

**End of term: April 7, 2024**

Maud Cohen earned her bachelor's degree in industrial engineering from Polytechnique Montréal in 1996. She went on to work in project management before taking up management positions at several tech firms, most notably CGI. In 2004, Ms. Cohen received an MBA from HEC Montréal. From 2009 to 2012, she was the President and official spokesperson of the Ordre des ingénieurs du Québec. Ms. Cohen also received the title of Administratrice de sociétés certifiée (ASC) (certified corporate director) from Université Laval's Collège des administrateurs de sociétés in 2012. She has been the President and Chief Executive Officer of the CHU Sainte-Justine Foundation since 2014.



**MARIE CÔTÉ, FRELIGHSBURG**  
ASC

Advisor, Business Development

**Appointment: March 14, 2018**  
**End of term: March 13, 2022**

Marie Côté holds a bachelor's degree in film studies from the Université de Montréal, where she also completed the coursework related to its master's degree in communication sciences with a specialization in human-computer interaction (UX design). An Administratrice de sociétés certifiée (ASC) (certified corporate director) from Université Laval's Collège des administrateurs de sociétés, Ms. Côté has over 30 years of corporate governance experience. She chairs the Board of Directors of Jalon, and sits on the boards of Xn Québec, the Computer Research Institute of Montréal, the Mount Pinnacle Land Trust and the Agence de mobilité durable. Her professional experience includes more than 20 years of management in the entertainment sector (ARTV, Cirque du Soleil, Productions J, Radio-Canada). She was also the director of marketing at National Bank from 1987 to 1993. Since 2015, Ms. Côté has been acting as an international business development consultant for several companies in the creative industries sector, including HUB Montreal, Dpt. (design agency), Finzi Pasca, L4 Studio, Normal (retail chain), Ombrages Group and Rodeo FX.



**HUGO DELORME, MONTRÉAL**  
ICD.D

President  
MERCURE Conseil

**Appointment: March 14, 2018**  
**End of term: March 13, 2022**

Hugo Delorme completed a master's degree in management science at HEC Montréal in 2010 and received a diploma from the EMBA McGill-HEC program in 2016. He was both Partner and Director at NATIONAL Public Relations where he worked for over 10 years. Mr. Delorme then moved on to the Canadian National Railway (CN) where he worked as Senior Director of Corporate Services. In 2018, he founded his own consulting firm, MERCURE Conseil, which he chairs. He sits on the boards of the Société de la Place des Arts and LaSalle College. In 2020, he earned the ICD.D designation from the Institute of Corporate Directors.



**DOMINIQUE GAUTHIER, QUÉBEC**  
ASC

Corporate Director

**Appointment: March 14, 2018**  
**End of term: March 13, 2022**

Dominique Gauthier holds a master's degree in industrial relations from Université Laval. A retired senior executive turned corporate director, she began her career as a manager in the fisheries sector. She has nearly 30 years of experience in Québec's public sector. From 1988 to 2016, she worked for the Secrétariat du Conseil du trésor where she rose to become Associate Secretary for intersectoral negotiations coordination in the public, parapublic and quasi-public sectors. In 2014, Ms. Gauthier received the title of Administratrice de sociétés certifiée (ASC) (certified corporate director) from Université Laval's Collège des administrateurs de sociétés. Lauded by the Government of Québec, she is sometimes called upon to sit on boards to settle disputes in the municipal sector and to provide strategic advice on labour-management relations.



**NATHALIE GOODWIN, MONTRÉAL**  
LL. B., ASC

Attorney and Partner  
Agence Goodwin

**Reappointment: June 7, 2017**  
**End of term: June 6, 2021**

A Université de Montréal law graduate and member of the Québec Bar since 1990, Nathalie Goodwin is a partner at Agence Goodwin, a company that she founded with two associates and that specializes in representing artists around the world who work in various fields. The company also launches projects internationally in a wide range of artistic endeavours. Ms. Goodwin provides legal advice on representation, development and negotiations. She is also a shareholder and director of Goodwin Management. She was a member of the Board of Directors of the Association Littéraire et Artistique Internationale Canada (ALAI Canada) from 1995 to 1998, and the Board of Directors of the Société générale de financement from 2009 to 2010. From 2008 to 2012, she has served on the Board of Directors of Alliance Films Inc. and has chaired the company's Human Resources Committee. In 2013, she received the title of Administratrice de sociétés certifiée (ASC) (certified corporate director) from Université Laval's Collège des administrateurs de sociétés. She has been serving on the Board of Directors of Théâtre Outremont since July 2017.



**ANN MACDONALD, MONTRÉAL**  
ASC, PMP

Chief Operating Officer  
BONE Structure

**Appointment: March 13, 2019**  
**End of term: March 12, 2023**

In addition to having a bachelor's degree in business administration from HEC Montréal, Ann MacDonald is a certified PMP from the Project Management Institute of Pennsylvania and an Administratrice de sociétés certifiée (ASC) (certified corporate director) from Université Laval's Collège des administrateurs de sociétés. Ms. MacDonald spent 17 years at Bombardier Transportation, where she successively held the positions of director and senior director in fields such as project management, sales, business development, communications and public affairs. In her seven years as Vice-President of Business Development and Sales, she used her solid negotiating skills to oversee all activities in Canada and across America. In 2018, she was the senior advisor for VIA Rail's fleet replacement program. Ms. MacDonald has been a member of numerous associations and forums, including the Conference Board of Canada and the Canadian Urban Transit Association. From 2010 to 2018, she was a member of both the Board of Directors and the Executive Committee of the CHU Sainte-Justine Foundation. She currently chairs the Board of Directors of the CHU Sainte-Justine and sits on the Board of Aéroports de Montréal, where she also chairs the Development and Innovation Committee. Since 2019, Ms. MacDonald has been bringing her extensive experience in strategic operational growth management and business development to BONE Structure as Chief Operating Officer.



**KATY YAM, MONTRÉAL**

General Manager of FounderFuel  
Real Ventures

**Appointment: December 16, 2020**  
**End of term: December 15, 2024**

Katy Yam earned a Bachelor of Commerce with honours from McGill University in 2001. A multilingual manager, she has more than 20 years of experience leading high-performance product, business intelligence and marketing teams in both the public and private sectors, in fields such as telecommunications (Bell Canada), consumer packaged goods (Maple Leaf Foods), gaming (Loto-Québec) and artificial intelligence (Element AI). In 2020, she was appointed General Manager of FounderFuel, a venture accelerator for startups founded and supported by Real Ventures. Since 2013, she has been heading TEDxMontréal, a licensed TED event run by volunteers that aims to share Montreal-born ideas worth spreading with the world.



**MARIE-CHRISTINE TREMBLAY, MONTRÉAL**  
LL. L.

Corporate Secretary and  
Vice-President of Legal Affairs  
Loto-Québec

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After earning a bachelor's degree in mathematics from McGill University, Marie-Christine Tremblay chose to pursue a law degree. She was hired by the Ministère de la Justice, where she practised law for a few years. Ms. Tremblay joined Loto-Québec in 1988 as Legal Counsel in the Corporate Legal Affairs Department. She was named Head of the Corporate Secretariat Department in 1998, and of the Legal Affairs Department in 2006. In 2017, she was appointed Corporate Secretary and Vice-President of Legal Affairs.

## BOARD OF DIRECTORS AND COMMITTEE REPORTS

### MANDATE

The Loto-Québec Board of Directors (the “Board”) is responsible for overseeing Loto-Québec’s operations in compliance with the provisions of its act of incorporation and the regulations pertaining to it, as well as those of the other laws and regulations that govern the Corporation. The Board ensures that Loto-Québec takes the necessary measures to achieve the objectives arising from its mission. To do so, it adopts gaming regulations and approves Loto-Québec’s principal policies, orientations and annual business plan and also monitors the progress of the organization’s corporate responsibility actions and establishes the risk management oversight policies related to its operations.

The Board is supported by three permanent committees: the Audit Committee, the Governance and Ethics Committee, and the Human Resources Committee, and it is empowered to form other committees, as needed. As such, it created the Commercial Affairs Committee in 2008–2009. During the fiscal year, an ad hoc committee focused on hiring the new President and Chief Executive Officer was also formed. Each of these committees makes recommendations to the Board in its area of expertise.

The permanent committees are mandated to conduct an annual review of the Corporation’s operational policies in their respective areas of governance and, where warranted,

to recommend required policy amendments for approval by the Board.

### COMPOSITION

As of March 31, 2021, the Board had 12 members—9 women and 3 men—appointed by the Government of Québec. All are independent members, except for the President and Chief Executive Officer.

### ATTENDANCE

Regular meetings of the Board are scheduled at the beginning of the fiscal year, while special meetings are held as needed over the course of the year. The manner in which advance notice is given to members for committee meetings varies according to individual committee requirements.

The exceptional measures that were put in place as a result of the pandemic required the addition of several special meetings.

During the 2020–2021 fiscal year, the Board held 22 meetings, via teleconference. A closed session without management present was held at the end of each Board and committee meeting.

### DIRECTOR ATTENDANCE REPORT AS OF MARCH 31, 2021

Members	Board of Directors		Audit Committee	Governance and Ethics Committee		Human Resources Committee		Commercial Affairs Committee	Ad hoc hiring committee	
	Regular 10	Special 12	Regular 4	Regular 2	Special 1	Regular 4	Special 2	Regular 2	Regular 24	Special 11
Hélène F. Fortin	10/10	12/12	4/4	2/2	1/1	4/4	2/2	2/2	24/24	11/11
Alain Albert	10/10	12/12	–	–	–	4/4	2/2	2/2	24/24	11/11
Donald M. Bastien <sup>1</sup>	7/7	11/11	1/1	2/2	–	–	–	1/1	–	–
Jean-François Blais	8/10	12/12	4/4	–	–	–	–	2/2	24/24	11/11
Maud Cohen	7/10	9/11	2/3	–	–	–	–	2/2	–	–
Marie Côté	10/10	12/12	4/4	–	–	–	–	2/2	–	–
Hugo Delorme	10/10	12/12	–	2/2	1/1	–	–	2/2	–	–
Dominique Gauthier	10/10	12/12	–	–	–	4/4	2/2	2/2	–	–
Nathalie Goodwin	8/10	11/12	4/4	2/2	1/1	–	–	2/2	24/24	11/11
Ann MacDonald	10/10	11/12	–	–	–	4/4	2/2	2/2	24/24	11/11
Anie Perrault <sup>2</sup>	8/10	11/12	–	2/2	1/1	4/4	2/2	2/2	–	–
Katy Yam <sup>1</sup>	3/3	1/1	–	–	–	–	–	1/1	–	–

Excused absences.

<sup>1</sup> Donald M. Bastien’s term ended on December 15, 2020. Katy Yam joined the Board on December 16, 2020.

<sup>2</sup> Anie Perrault’s term ended on March 31, 2021. Sarine Chitilian joined the Board on the same date.

## REMUNERATION

Independent directors of Loto-Québec are remunerated pursuant to the Order in Council 610-2006, which was adopted by the Government of Québec on June 28, 2006. Remuneration is also indexed in accordance with this order.

### REMUNERATION OF THE INDEPENDENT DIRECTORS

Directors	Total remuneration
Hélène F. Fortin <sup>1, 2, 3, 4, 5 and 6</sup>	\$93,470.50
Alain Albert <sup>3, 4 and 5</sup>	\$46,475.00
Donald M. Bastien <sup>1,2 and 4</sup>	\$20,148.86
Jean-François Blais <sup>1, 4 and 5</sup>	\$40,863.00
Maud Cohen <sup>1 and 4</sup>	\$19,427.77
Marie Côté <sup>1 and 4</sup>	\$23,703.00
Hugo Delorme <sup>2 and 4</sup>	\$22,767.00
Dominique Gauthier <sup>3 and 4</sup>	\$24,327.00
Nathalie Goodwin <sup>1, 2, 4 and 5</sup>	\$41,487.00
Ann MacDonald <sup>3, 4 and 5</sup>	\$42,423.00
Anie Perrault <sup>2, 3 and 4</sup>	\$24,327.00
Katy Yam <sup>4</sup>	\$5,735.51
	<b>\$405,154.64</b>

## ACTIVITES

### STRATEGIC PLANNING AND BUSINESS PLAN

At each meeting of the Board, Loto-Québec management reported on the progress of the Corporation's business in relation to the 2020-2021 business plan and principal current projects. The Board approved the 2019-2020 Annual Report<sup>7</sup> and ensured a follow-up on the 2020-2021 action plans. It also approved the 2020-2023 Strategic Plan.

Here are some of the topics addressed last year:

- Taking all the necessary measures to deal with the COVID-19 pandemic
- The appointment of a new President and Chief Executive Officer
- Resource optimization
- The Salon de jeux de Québec's move to a new location
- The appointment of three senior executives
- Ensuring budget targets are met
- Monitoring developments in information technology (IT)
- The external audit of Québec casino and gaming hall practices
- Monitoring the FINTRAC compliance program

In addition, over the fiscal year, the Board approved game rules for the lottery, casino and gaming establishment sectors, including online gaming, and certain internal operational policies.

For the 2020-2021 fiscal year:

<sup>1</sup> Audit Committee

<sup>2</sup> Governance and Ethics Committee

<sup>3</sup> Human Resources Committee

<sup>4</sup> Commercial Affairs Committee

<sup>5</sup> Ad doc hiring committee

<sup>6</sup> Pension plan committees for employees and for executive and professional staff of the Société des casinos du Québec (SCQ)

<sup>7</sup> The Board approved the 2020-2021 Annual Report at its meeting on May 28, 2021.

## FINANCIAL RESULTS AND INTERNAL CONTROLS

At each of its meetings, the Board reviewed a presentation on the financial results and their highlights. On the recommendation of the Audit Committee, the Board approved the financial statements for the year ended March 31, 2020<sup>1</sup>.

Once again on the recommendation of the Audit Committee, the Board approved the changes to the internal operating policies related to the committee's areas of competency.

After every Audit Committee meeting, the Board received a verbal report on the committee's activities.

## CORPORATE GOVERNANCE

During the 2020–2021 fiscal year, the Board ensured the Corporation's compliance with its governance regulations and policies.

On the recommendation of the Governance and Ethics Committee, the Board did the following:

- Approve the changes to the Code of Ethics and Rules of Professional Conduct for Directors and Managers of Loto-Québec and its Subsidiaries
- Approve the changes to the new director introduction program
- Review of its composition and that of its committees
- Conducted the annual review of its operations

After every Governance and Ethics Committee meeting, the Board received a verbal report on the committee's activities.

## HUMAN RESOURCE MANAGEMENT

Throughout the 2020–2021 fiscal year, the Board monitored various policies relating to personnel management, in cooperation with the Human Resources Committee.

On the recommendation of the Human Resources Committee, the Board approved the following:

- The remuneration parameters considered for the supervisory managers and non-unionized personnel of Loto-Québec and its subsidiaries for 2020–2021
- The results of the incentive program for 2019–2020 and the non-payment of incentive wages for 2020–2021, for all targeted employees
- The appointment of the Corporate Vice-President of Internal Auditing and Enterprise Risk Management, of the Corporate Vice-President – Talent and culture, and of the Corporate Vice-President of Finance and Administration
- The President and Chief Executive Officer's 2020–2021 objectives
- The required changes to the job description and skills requirements for the position of President and Chief Executive Officer
- A new operational policy geared towards diversity and inclusion
- The remuneration parameters considered for management and non-unionized personnel of Loto-Québec and its subsidiaries for 2021–2022

For the 2020–2021 fiscal year, as part of the collective effort during the pandemic, the Board endorsed a freeze on managers' salaries and Board members' remuneration. It also approved a reduction in work hours for some employees, as well as temporary layoffs.

A member of the Board continued to sit on the SCQ's employee and executive and professional pension plan committees to represent the Board.

After every Human Resources Committee meeting, the Board received a verbal report on the committee's activities.

<sup>1</sup> At its meeting on May 28, 2021, the Board approved, on the recommendation of the Audit Committee, the financial statements for the year ended March 31, 2021.



# AUDIT COMMITTEE REPORT

## MANDATE AND COMPOSITION

The Audit Committee supports the Board in monitoring the integrity of financial reporting and the Corporation's internal controls. It monitors the integrated risk management practices, oversees the establishment of effective and adequate internal control mechanisms and supervises the Internal Auditing activities. It acts as a communications link between the independent external co-auditors, Internal Auditing and the Board. Every year, it reviews its charter to recommend any appropriate changes to the Board.

As of March 31, 2021, the Audit Committee was composed of five independent members.

**Chairwoman:** Hélène F. Fortin, FCPA, FCA

**Members:** Jean-François Blais, Maud Cohen, Marie Côté and Nathalie Goodwin

All the members have the requisite experience and skills in accounting or finance. The Chairwoman holds the title of Fellow of the Ordre des comptables professionnels agréés du Québec.

## ACTIVITIES

Over the fiscal year, the Audit Committee met four times, via teleconference, and held a closed session without management present at the end of each meeting. At these meetings, the committee achieved the following:

- Approved Loto-Québec's semi-annual financial statements and monitored the budget
- Reviewed the Corporation's 2019-2020 financial statements with the co-auditors, namely the Auditor General of Québec and KPMG LLP, and recommended their approval to the Board<sup>1</sup> and <sup>2</sup>
- Conducted a follow-up on the application of the International Financial Reporting Standards (IFRS)
- Recommended that the Board authorize the payment of bonuses for 2019-2020
- Took note of any changes in the cost of the SCQ pension plans
- Approved the resource optimization audit approach and ensured that resource optimization was incorporated into the auditing mandates
- Ensured that the Internal Auditing Department was able to perform its role independently of Loto-Québec management
- Approved and monitored Internal Auditing's 2020-2021 annual work plan
- Monitored:
  - The internal control certification programs
  - The integrated business risk management program and the crisis management plan
  - The FINTRAC compliance program
  - The Corporation's insurance coverage
- Monitored the activities of the groups responsible for IT and security
- Reviewed the operational policies it is responsible for and recommended that the Board approve the required changes
- Carried out the annual review of its mandate
- Reported its accomplishments to the Board

After each of its meetings, the committee made a verbal report on its activities to the Board.

<sup>1</sup> The proposal to retain KPMG LLP was made after a call for tenders for the audit of the financial statements for the years ending on March 31, 2018, March 31, 2019, and March 31, 2020. The firm's term was extended another two years. The firm's audit fees for the 2020-2021 financial statements came to \$408,000, in compliance with its proposal.

<sup>2</sup> At its meeting on May 28, 2021, the Audit Committee reviewed the 2020-2021 financial statements with the independent external co-auditors and recommended their approval to the Board.

# GOVERNANCE AND ETHICS COMMITTEE REPORT

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## MANDATE AND COMPOSITION

The Governance and Ethics Committee assists the Board in developing and applying the best ethics and corporate governance practices. It also proposes the rules of governance and the codes of ethics that apply to the Corporation's directors, executives and personnel. The committee ensures that Loto-Québec's policies are reviewed on an annual basis by the appropriate Board committees. It also develops expertise and experience profiles for the appointment of Board members, with the exception of the President and Chief Executive Officer, and recommends them to the Board. Every year, it reviews its charter to recommend any appropriate changes to the Board.

As of March 31, 2021, the Governance and Ethics Committee was composed of four independent members.

**Chairwoman:** Hélène F. Fortin, FCPA, FCA

**Members:** Hugo Delorme, Nathalie Goodwin and Anie Perrault

## ACTIVITIES

Over the fiscal year, the Governance and Ethics Committee met three times, via teleconference, and held a closed session without management present at the end of each meeting. At these meetings, the committee achieved the following:

- Found the Corporation's governance regulations to be compliant
- Reviewed the Code of Ethics for Employees of Loto-Québec and its Subsidiaries, and the Code of Ethics and Rules of Professional Conduct for Directors and Managers of Loto-Québec and its Subsidiaries, and recommended that the Board approve the required changes for the latter
- At each of its meetings, reviewed complaints received by the Corporate Secretary and the measures put in place for the reporting line, as well as investigating and making any required recommendations
- Reviewed:
  - The declaration of interest of the directors and senior management, and followed up on this
  - The new director introduction program, and recommended that the Board approve the required changes
  - The members' professional development program
  - The members' expertise and experience profiles
  - The composition of the Board and its committees, and recommended that the Board appoint members for each committee
- Conducted the annual review of the Board's operation, its committees and its members, the procedure used and the evaluation form
- Reviewed the operational policies under its governance and ensured that all other committees did so as well
- Carried out the annual review of its mandate
- Reported its accomplishments to the Board

After each of its meetings, the committee made a verbal report on its activities to the Board.

# HUMAN RESOURCES COMMITTEE REPORT

## MANDATE AND COMPOSITION

The Human Resources Committee is charged with examining the human resources policies and strategic orientations and making the required recommendations to the Board, as well as monitoring the implementation of the related actions. It also sees to the implementation of remuneration norms and scales for Loto-Québec managers and employees and helps with succession planning for the management personnel. The committee is also tasked with developing the expertise and experience profile and assessment criteria for the President and Chief Executive Officer, as well as recommending the remuneration for the position, within the parameters established by the government. Every year, it reviews its charter to recommend any appropriate changes to the Board.

As of March 31, 2021, the Human Resources Committee was composed of five independent members.

**Chairman:** Alain Albert

**Members:** Hélène F. Fortin, FCPA, FCA, Dominique Gauthier, Ann MacDonald and Anie Perrault

## ACTIVITIES

Over the fiscal year, the Human Resources Committee met six times, via teleconference, and held a closed session without management present at the end of each meeting. At these meetings, the committee achieved the following:

- Recommended that the Board approve:
  - The remuneration parameters considered for the supervisory managers and non-unionized personnel of Loto-Québec and its subsidiaries for 2020-2021
  - The results of the incentive program for 2019-2020 and the non-payment of incentive wages for 2020-2021, for all targeted employees
  - The appointment of the Corporate Vice-President of Internal Auditing and Enterprise Risk Management, of the Corporate Vice-President - Talent and culture, and of the Corporate Vice-President of Finance and Administration
  - The President and Chief Executive Officer's 2020-2021 objectives
  - The required changes to the job description and skills requirement for the position of President and Chief Executive Officer
  - A new operational policy geared towards diversity and inclusion
  - The remuneration parameters considered for the management and non-unionized personnel of Loto-Québec and its subsidiaries for 2021-2022
- Took note of any changes in the cost of the SCQ pension plans
- Monitored:
  - The pay equity program
  - Achievements, orientations, priorities and performance indicators in terms of occupational health and safety
  - The succession planning program
  - The talent development plan
  - Senior Management's 2020-2021 objectives
- Reviewed the operational policies it is responsible for
- Carried out the annual review of its mandate
- Reported its accomplishments to the Board

After each of its meetings, the committee made a verbal report on its activities to the Board.

**REMUNERATION AND BENEFITS OF THE FIVE HIGHEST-PAID EXECUTIVES OF THE CORPORATION  
FOR THE FISCAL YEAR ENDED MARCH 31, 2021**

Name and title	Salary received	Incentive remuneration	Vehicle <sup>1</sup>	Additional benefits <sup>2</sup>	Group insurance plan
<b>Lynne Roiter</b> President and Chief Executive Officer	\$435,908	\$0	\$13,393	\$2,500	\$3,047
<b>Kevin G. Taylor</b> President of Operations Société des casinos du Québec	\$328,455	\$0	\$14,906	\$2,500	\$6,835
<b>Isabelle Jean</b> President of Operations - Lotteries Vice-President of Public Affairs	\$267,593	\$0	\$13,470	\$2,500	\$5,352
<b>Denis Daly</b> Corporate Vice-President Information Technologies	\$262,826	\$0	\$15,050	\$2,500	\$6,077
<b>Marie-Christine Tremblay</b> Corporate Secretary and Vice-President of Legal Affairs	\$254,563	\$0	\$13,101	\$2,500	\$1,990

**Basic pension plan**

Lynne Roiter and Isabelle Jean are both members of the Government of Québec's Retirement Plan for Senior Officials (RPSO), but Lynne Roiter no longer accrues a pension. The other executives are enrolled in the Government of Québec's Pension Plan of Management Personnel (PPMP). The contribution and pension are calculated based on the usual provisions of their membership plans.

**Supplementary pension plan**

These managers are also members of the Supplementary Pension Plan for Executive Officers of Loto-Québec, which provides a pension based on their average salary during their three (for the RPSO members) or five (for the PPMP members) best years of service, with an accumulation rate of 2.5% a year. This pension is reduced by the benefit offered under the basic plan.

<sup>1</sup> These amounts constitute a taxable benefit.

<sup>2</sup> The additional benefits may include amounts paid for the following: medical check-up, financial and estate planning, sports club and business group.

## COMMERCIAL AFFAIRS COMMITTEE REPORT

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### MANDATE AND COMPOSITION

The Commercial Affairs Committee was formed in 2008-2009, on the recommendation of the Governance and Ethics Committee. All members of the Board initially sat on this committee, which had a dual mandate: discuss the Corporation's commercial activities and better equip directors in their respective roles with customized training on matters concerning Loto-Québec's activities. At the end of the 2011-2012 fiscal year, again on the recommendation of the Governance and Ethics Committee, the Board reviewed the composition and mandate of the Commercial Affairs Committee. It must now be made up of at least three independent members. Its actual mandate consists of handling the Corporation's main strategic affairs, conducting in-depth discussions on matters related to commercial practices or important operational issues and handling any other business that the Board may refer to it.

As of March 31, 2021, the Commercial Affairs Committee was composed of 11 independent members.

**Chairwoman:** Hélène F. Fortin, FCPA, FCA

**Members:** Alain Albert, Jean-François Blais, Maud Cohen, Marie Côté, Hugo Delorme, Dominique Gauthier, Nathalie Goodwin, Ann MacDonald, Anie Perrault and Katy Yam

### ACTIVITIES

Over the fiscal year, the Commercial Affairs Committee met two times, via teleconference. At these meetings, the directors attended presentations on the close monitoring of the COVID-19 pandemic and the results of FINTRAC's review of the anti-money laundering compliance program.

## REPORT FROM THE AD HOC COMMITTEE FOR HIRING OF THE NEW PRESIDENT AND CHIEF EXECUTIVE OFFICER

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### MANDATE AND COMPOSITION

The ad hoc committee for hiring of the new President and Chief Executive Officer was tasked with ensuring that the selection process for the position in question was conducted efficiently and diligently, and was tasked with making recommendations to the Board.

As of March 31, 2021, the ad hoc committee for hiring of the new President and Chief Executive Officer was made up of five independent members.

**Chairwoman:** Hélène F. Fortin, FCPA, FCA

**Members:** Alain Albert, Jean-François Blais, Nathalie Goodwin and Ann MacDonald

### ACTIVITIES

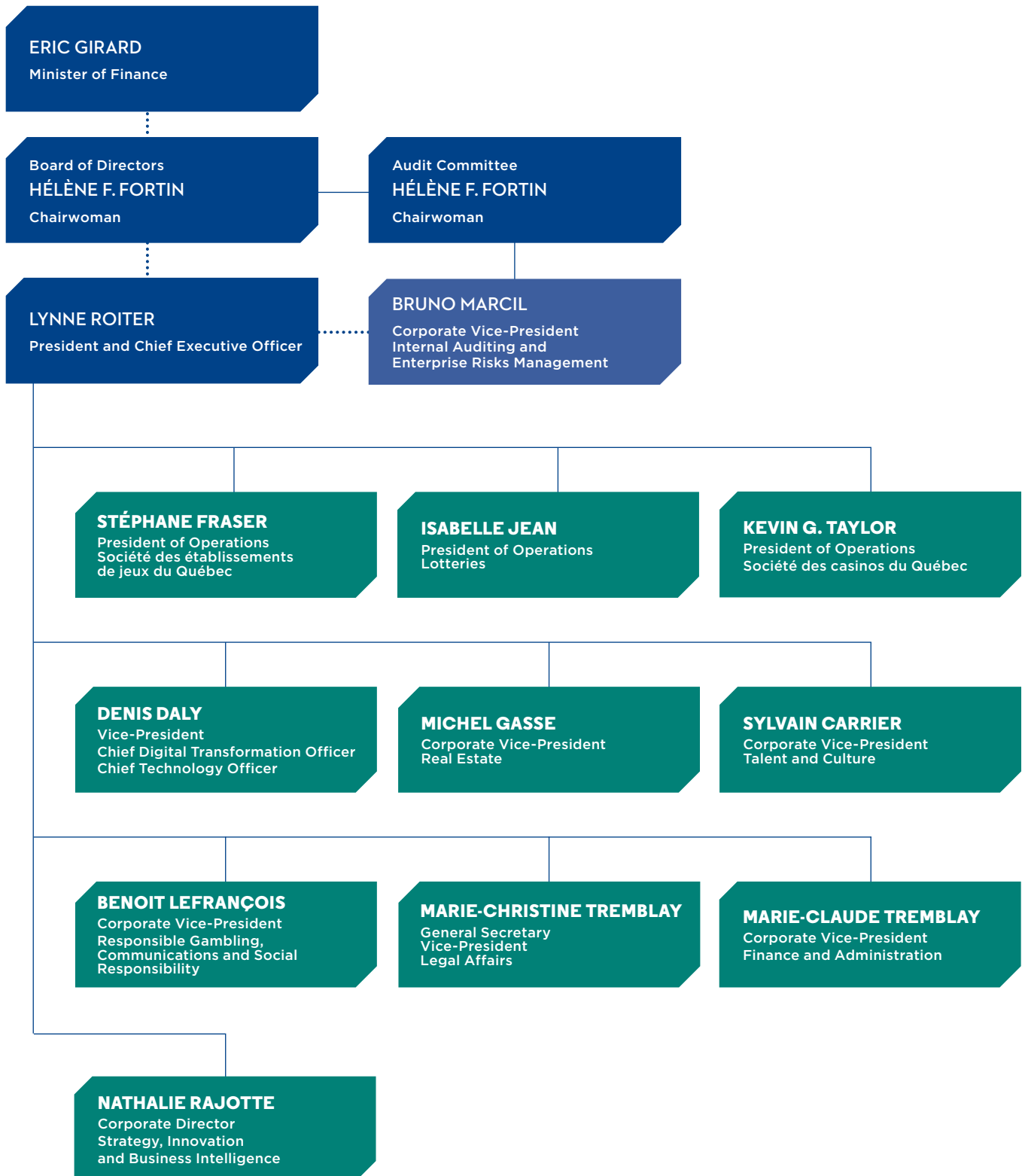
Over the fiscal year, the ad hoc committee for hiring of the new President and Chief Executive Officer met 35 times, via teleconference. At these meetings, the committee:

- Selected, following a call for tenders, an executive search firm
- Revised the job description, as well as the requirements regarding skills and work experience for the position of President and Chief Executive Officer, and recommended that the Board approve the required changes
- Targeted potential candidates
- Oversaw the candidate due diligence process
- Met with the chosen candidates

After each of its meetings, the committee made a verbal report on its activities to the Board.

# ORGANIZATIONAL STRUCTURE

AS OF APRIL 30, 2021



**Loto-Québec's 2020–2021 Annual Report**

**Coordination, writing and editing**

Internal Communications and Editorial Department

**Graphic Design**

Graphic Design Department

*Une version française de ce document  
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**Legal Deposit**

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CERTIFIED - LEVEL 4  
RESPONSIBLE GAMING FRAMEWORK  
2019 - 2022

CERTIFIED  
SECURITY CONTROL STANDARD  
VALID UNTIL JUNE, 2023