ANNUAL REPORT

2019-2020

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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

Integrity guarantees that the chances of winning are the same for everyone, and that the reliability and thoroughness of all processes are ensured. **Agility** allows us to adjust more quickly to market realities, particularly in terms of method, so we can remain competitive in the gaming and entertainment industry.

OVERALL PERFORMANCE AND INNOVATION

Overall performance covers economic, social and environmental issues. It requires efficient and responsible management of the gaming and entertainment offering. **Innovation** means staying ahead of the curve to foster competitiveness. Developing partnerships also helps us expand our capacity for innovation.

CLIENT-CENTRED AND CREATOR OF EMOTIONS

Being **client-centred** means we are able to provide our clients with an unparalleled and satisfying entertainment experience, by applying high standards, listening to their concerns and demonstrating total respect in every interaction. Being a **creator of emotions** in the gaming and entertainment offering means using passion to engage the imagination of clients and generate moments of exhilaration.

SYNERGY AND PLEASURE

Synergy leverages the varied skill sets of all our employees to deliver an integrated offer to clients. It is a matter of fostering teamwork by setting shared and consistent objectives. The **pleasure** derived from our work creates an environment that nurtures respect, appreciation and recognition. It kindles both personal and collective pride.

KEY FIGURES

AS AT MARCH 31

(In thousands of Canadian dollars)	2020	2019	$ Variation	% Variation
Total revenues	**2,740,816**	**2,827,087**	**(86,271)**	**(3.1)**
Lotteries	**929,426**	955,737	(26,311)	(2.8)
Casinos	**963,665**	917,893	45,772	5.0
Gaming establishments	**872,577**	979,488	(106,911)	(10.9)
Intragroup transactions	**(24,852)**	(26,031)	1,179	4.5
Gross margin	**2,257,038**	2,326,527	(69,489)	(3.0)
Total expenses	**903,576**	918,321	(14,745)	(1.6)
Net income	**1,353,462**	1,408,206	(54,744)	(3.9)
Dividend	**1,328,462**	1,383,206	(54,744)	(4.0)
Other amounts contributed to the Québec and Canadian governments	**190,376**	181,565	8,811	4.9
Total assets	**986,469**	1,009,511	(23,042)	(2.3)
Shareholders' equity	**170,235**	110,887	59,348	53.5

Total revenues

(In millions of Canadian dollars)	2020	2019	2018	2017	2016
	2,740.8	2,827.1	2,742.2	2,623.3	2,599.4

Net income

(In millions of Canadian dollars)	2020	2019	2018	2017	2016
	1,353.5	1,408.2	1,335.5	1,230.6	1,227.0

ECONOMIC AND SOCIAL CONTRIBUTIONS

$1,328.5M
Dividend to the Government of Québec

$1,128.9M
Prizes awarded to lottery and gaming establishment winners (bingo and Kinzo)

$445.8M
Employee benefits

$337.6M
Commissions to lottery and gaming establishment network partners

$419.1M
Purchases from companies conducting business in Québec

$147.7M
Taxes to governments

$17.6M
Contribution to the Government of Canada

$32.8M
Problem gambling prevention

$17.7M
Contributions to non-profit organizations

$9.8M
Sponsorships

MESSAGE FROM THE CHAIRWOMAN OF THE BOARD OF DIRECTORS

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

Loto-Québec's activities in 2019–2020 resulted in a dividend payment of $1.328 billion to the Government of Québec. Though lower than the previous year's dividend due to the repercussions of COVID-19, it exceeds the budgetary target and will represent a major contribution to the financing of public services. The Board of Directors is very pleased with the hard work of every sector of the organization.

The end of 2019 marked Loto-Québec's 50th anniversary. This major milestone was an opportunity to highlight the organization's progress over the years and recognize the contributions of those who helped build the organization. Quebecers can be proud of their state-owned enterprise, which offers first-rate entertainment in a safe environment, for the benefit of the community.

The projects carried out during the last year of the 2017–2020 strategic plan further exemplify Loto-Québec's dedication to providing an entertainment experience that fully meets customers' expectations, while maintaining a balance between the social and economic aspects of its mission and ensuring efficient management.

The renewal of Loto-Québec's Level 4 Certification from the World Lottery Association, the highest international recognition for responsible gambling, which the Corporation has held since 2009, is a testament to the quality of the organization's programs and measures in this area. The continuous improvement process in place enables Loto-Québec to remain a global leader in responsible commercialization.

This focus on continuous improvement is also evident in the processes, projects and programs implemented across the organization. The Board witnessed first-hand the diligent management carried out by every sector over the course of the year.

The Board also closely monitored the development of the 2020–2023 strategic plan. Some of the findings that came out of it were the prominent presence of mobile technology in consumer habits and the growing importance of environmental and social considerations. Loto-Québec has all the means at its disposal to adopt the drivers necessary to tackle any issues in the coming years.

The Board is also satisfied with Loto-Québec's response to the COVID-19 pandemic. The organization quickly implemented measures to protect the health of its customers and employees, in addition to generously contributing to community efforts and supporting society's most vulnerable.

LOTO-QUÉBEC HAS ALL THE MEANS AT ITS DISPOSAL TO ADOPT THE DRIVERS NECESSARY TO TACKLE ANY ISSUES IN THE COMING YEARS.

APPOINTMENT AND ACKNOWLEDGMENTS

In April, the Government of Québec's Cabinet appointed Maud Cohen to the Board of Directors. We're delighted to be able to benefit from her skills and expertise, and we wish her a warm welcome.

I also wish to thank the entire Board for its commitment to maintaining the highest governance standards.

My fellow directors and I would like to extend our appreciation to the members of the Executive Committee as well. They skillfully managed the Corporation's affairs this past year, which ended on a particularly challenging note.

My special thanks to Lynne Roiter, President and Chief Executive Officer, for her invaluable leadership skills, which are recognized by everyone she works with.

We also wish to acknowledge the hard work of all Loto-Québec employees. Their professionalism and dedication under any circumstances inspire confidence in us all.

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

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

LYNNE ROITER
PRESIDENT AND CHIEF EXECUTIVE OFFICER

The 2019–2020 fiscal year ended under very unusual circumstances. The COVID-19 pandemic left society reeling on a global scale, bringing with it both challenges and opportunities.

At Loto-Québec, we gradually suspended many of our commercial activities as of mid-March. Clearly, this had an impact on last year's financial results, and this year's results will be impacted even more significantly.

OUR OVERALL RESULTS

Our total revenues were $86.3 million, or 3.1%, lower than those of the 2018–2019 fiscal year. Our consolidated net income saw a decline of $54.7 million, or 3.9%, from the previous year, but it exceeded our budgetary target by $58.1 million, or 4.5%. It's important to note that in late February, our revenues and net income were roughly at the same level as on the same date in 2019. In addition, thanks to our efficient management, we were once again able to reduce our total expenses, which saw a $14.7 million, or 1.6%, decrease from the previous fiscal year.

OUR RESULTS BY SECTOR

The lottery sector had an excellent 2018–2019 year due to an exceptionally high number of major jackpots offered by Lotto 6/49 and Lotto Max, which explains the drop in sales for the last year.

The casino sector, which now includes gaming halls, delivered strong results. Our teams worked hard to deliver a unique and varied entertainment experience, which satisfied our customers.

Total revenues generated by our online gaming site, lotoquebec.com, grew 28.9%.

As for gaming establishments, the bar network posted a decrease in revenues compared to the previous year, while bingo and Kinzo halls posted stable revenues.

PUTTING CUSTOMERS FIRST IN ALL OUR DECISIONS

This past year, which marked Loto-Québec's 50th anniversary, we continued to focus on meeting customer expectations in all of our initiatives.

For example, we redesigned our poker and network bingo platforms to adapt them to customer tastes.

We were thrilled to award the largest jackpot in our history, $70 million, won through Lotto Max by a family in the Capitale-Nationale and Chaudière-Appalaches regions. A festive event was held in honour of the occasion with media in attendance.

WE WERE THRILLED TO AWARD THE LARGEST JACKPOT IN OUR HISTORY.

COMBINING GAMING AND ENTERTAINMENT

We continued to focus on entertainment by organizing a host of activities in our casinos, gaming halls, and bingo and Kinzo halls.

In addition, our ad announcing the return of the monthly lottery, our first-ever lottery game, which featured a young Bernard Derome from 1970, drew plenty of smiles.

We enhanced our offering with fun new options, such as instant lotteries with original themes, video game-inspired VDO slot machines and virtual sports on lotoquebec.com.

CORPORATE RESPONSIBILITY: A CONSTANT PRIORITY

We are very proud that our World Lottery Association Level 4 Certification—the highest level awarded for responsible gambling—was renewed for the third time. This is a testament to the quality of our responsible gambling measures.

WE ARE VERY PROUD THAT OUR WORLD LOTTERY ASSOCIATION LEVEL 4 CERTIFICATION WAS RENEWED.

We demonstrated our corporate responsibility in many ways, including through sponsorships of festivals and events across Québec, which were maintained despite the cancellations caused by COVID-19.

In response to the pandemic, we put forth a number of measures to demonstrate our solidarity with Quebecers, including donating $1 million to the Moisson Québec food bank, donating disinfectants and masks to the Ministère de la Santé et des Services sociaux, and preparing over 50,000 meals per week in the Montréal and Lac-Leamy casino kitchens for those in need as part of a project with La Tablée des Chefs.

AGILITY IN THE NAME OF EFFICIENCY

We continued to control our expenses as well as review our procedures to ensure maximum efficiency in all our sectors.

Transferring the responsibility for gaming halls to the Société des casinos du Québec was aimed at optimizing the management of our establishments and creating synergy among them while enabling them to retain their unique characteristics.

Amid the pandemic, we have demonstrated our agility and innovation while efficiently adjusting to this unprecedented and fluid situation.

OUR RESPONSE TO THE PUBLIC HEALTH CRISIS

We acted quickly to address the challenges posed by the public health emergency while prioritizing the health and well-being of our customers and employees.

We closed our casinos and gaming halls on March 13, and suspended video lottery, network bingo and Kinzo activities on March 14, lottery prize claim centre activities on March 18, lottery ticket sales at retailers and kiosks on March 20, and operations at the Hilton Lac-Leamy and the Fairmont Le Manoir Richelieu on March 23.

We also assessed tasks that were deemed essential in order to maintain certain activities and assets. We equipped the majority of our office employees to work from home in a technologically secure environment. Furthermore, we put the means in place to communicate with all employees, regardless of whether they are connected to the Corporation's network.

Our customer service teams have been particularly busy due to a higher volume of registrations on lotoquebec.com, which has generated a large number of calls and emails. Employees in various sectors of the organization have lent a hand, and the service has been made available 24 hours a day, 7 days a week.

In preparation for the gradual resumption of our operations, we are working closely with public health officials and the Commission des normes, de l'équité, de la santé et de la sécurité du travail to implement measures to ensure a safe return at each stage of the customer and employee experience.

LOOKING AHEAD

This past fiscal year marked the end of our 2017–2020 cycle. This has given us a chance to take stock of the last three years and prepare our 2020–2023 strategic plan. Our future orientations will enable us to adapt to new consumer habits while remaining a global leader in responsible commercialization.

ACKNOWLEDGMENTS

I would like to thank the Board of Directors for its invaluable cooperation throughout the year, particularly since the onset of the current crisis. I also wish to welcome Maud Cohen, who joined the Board in April.

Many thanks to my colleagues on the Executive Committee as well, for their priceless contribution to the Corporation's continued operations.

Best wishes to Johanne Rock, Corporate Vice-President of Finance and Administration, who is retiring after 30 years of loyal service. I want to thank her for her dedication and significant contribution to the Corporation.

I would also like to acknowledge all of our employees, who have shown an unwavering commitment to our organization despite these extraordinary circumstances.

Furthermore, my thanks go to our retailers, who have had to make numerous adjustments to adapt to the situation.

And last but certainly not least, I would like to thank our customers for their trust, patience and understanding during this time of great change.

Lynne Roiter
President and Chief Executive Officer

REVIEW OF
ACTIVITIES

ORIENTATION 1

PLACE THE CUSTOMER AT THE CENTRE OF OUR DECISION-MAKING PROCESS

Placing the customer at the centre of all our decisions is an invaluable source of competitive differentiation. Our offer, our commercialization methods, our marketing strategies and our customer service must reflect consumer gaming and entertainment expectations and habits.

BIGGEST LOTTERY PRIZES WON IN QUÉBEC THROUGHOUT THE YEAR

PRIZE	LOTTERY GAME	DRAW DATE	WINNERS' PLACE OF RESIDENCE
$70,000,000	Lotto Max	February 25, 2020	Capitale-Nationale, Chaudière-Appalaches
$65,000,000	Lotto Max	June 11, 2019	Montérégie, Montréal
$50,000,000	Lotto Max	May 3, 2019	Laval, Montérégie
$50,000,000	Lotto Max	November 26, 2019	Montérégie
$32,000,000	Lotto Max	October 18, 2019	Montérégie
$9,053,760	Lotto 6/49	February 8, 2020	Montérégie
$9,000,000	Lotto 6/49	December 14, 2019	Bas-Saint-Laurent, Capitale-Nationale, Chaudière-Appalaches
$9,000,000	Lotto 6/49	January 29, 2020	Montérégie
$7,000,000	Lotto 6/49	July 10, 2019	Outaouais
$3,500,000	Lotto 6/49	August 7, 2019	Saguenay–Lac-Saint-Jean
$3,500,000	Lotto 6/49	February 19, 2020	Centre-du-Québec

NEW MILLIONAIRES

The lottery turned 105 Quebecers into millionaires in 2019–2020. Since our first draw on March 14, 1970, we've awarded 1,930 prizes of $1 million or more, including 102 just this year.

BIGGEST PRIZES WON AT QUÉBEC CASINOS THIS YEAR

PRIZE	GAME	DRAW DATE	CASINO
$1,341,770	Grand Prix	October 6, 2019	Casino de Montréal
$1,196,769	Powerbucks™ progressive jackpot	October 25, 2019	Casino de Charlevoix
$1,032,791	Powerbucks™ progressive jackpot	July 25, 2019	Casino du Lac-Leamy
$1,004,723	Powerbucks™ progressive jackpot	July 27, 2019	lotoquebec.com
$1,000,000	Powerbucks™ progressive jackpot	October 4, 2019	lotoquebec.com
$1,000,000	Powerbucks™ progressive jackpot	December 14, 2019	Casino du Lac-Leamy
$1,000,000	Gagnant à vie	April 8, 2019	Casino de Montréal

MAJOR JACKPOTS AT THE CASINOS

The slot machines at our four land-based casinos paid 14 jackpots of $100,000 or more this year.

BAD BEAT JACKPOT

The progressive bad beat jackpot was won for the first time at the Casino du Lac-Leamy on October 27. The players at the table shared a total of $676,443.

ONLINE WINNERS

Lotoquebec.com players won 20 prizes of $100,000 or more on casino games.

KINZO WINNERS

Kinzo paid out prizes of $5,000 or more to 55 lucky winners this year.

BINGO WINNERS

Network bingo awarded prizes of $10,000 or more to 40 people.

LOTTERY PRIZES OF $1,000 OR MORE

This year, our lottery games saw customers win close to 19,500 prizes of $1,000 or more. That's 77 prizes paid every business day. Event betting awarded 1,991 prizes of $1,000 or more.

PAYMENT CENTRES

Our payment centres at our casinos and gaming halls are still very popular. Of the lottery prizes won this year, they paid out 7,341—nearly one quarter.

RETAILER NETWORK

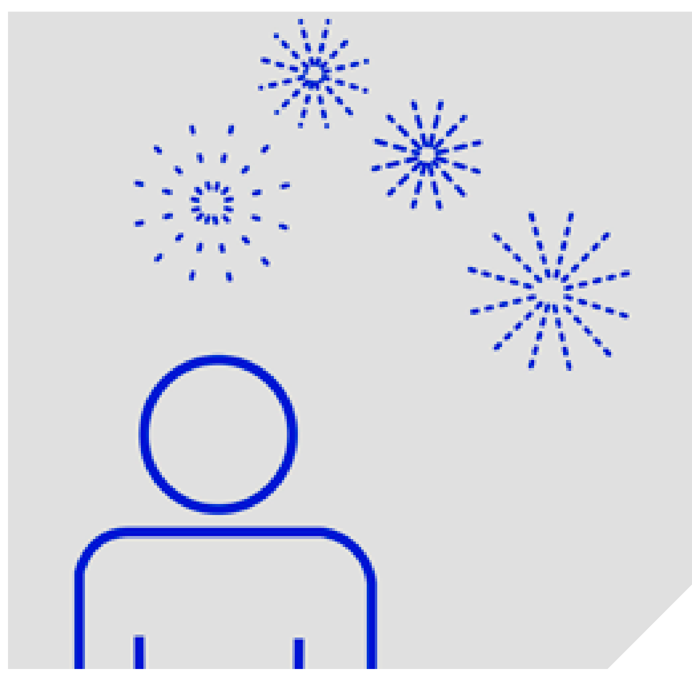
In 2019–2020, we were able to count on a network of 8,279 lottery retailers and 112 kiosks.

TOURNEVENT OF CHAMPIONS

Once again we held a big slot machine tournament to let our customers win the opportunity to take part in the TournEvent of Champions. Ten individuals won a place in this slot machine tournament—the biggest in North America—which was held in Las Vegas in October with a grand prize of US$1 million.

WINNERS WANTED

We appealed to the general public six times in an effort to find the holders of sizeable unclaimed prizes. When prizes are not claimed by the deadline, they are offered as bonus prizes in new draws.



NEW PROGRESSIVE JACKPOT FOR POKER

Since July 2019, our four casinos have been offering a new progressive jackpot at poker tables: it starts at $50,000 and can go as high as $1 million. This prize really appeals to our customers, who like placing side bets and the idea of increasing their chances to win.

LOTTO MAX

Lotto Max offered 33 jackpots of $50 million or more, and a total of 249 Maxmillions were drawn. Of the 16 jackpots awarded this year, 5 were won in Québec. The 5 prizes amounted to $267 million.

LOTTO 6/49

Lotto 6/49 had nine jackpot winners in Québec. The guaranteed $1 million prize was awarded 30 times in the province, representing a rate of 27.8%, even though our market share among Canadian jurisdictions is 21.9%.

ONLINE LOTTERIES

- We continued to harmonize our lottery website and mobile app for the purpose of improving the customer experience. More and more customers are making their purchases online, as proven by a 37.8% increase in revenues compared to the previous year.

- Some of our most popular scratch tickets are now offered online in versions identical to those sold in-store: Jeu de mots, Scrabble, Mots cachés and Gagnant à vie.

- In March, when we stopped selling lottery tickets at retailers due to the COVID-19 pandemic, online lottery sales increased by 159.6% compared to the preceding weeks.

SPORTS BETTING

- Sports betting sales for the Super Bowl increase every year. For the 2020 finale, in which a Québec player took part, sales increased by 15.9% compared to the previous year, beating all previous records.

- The excitement around the NBA playoffs and the Toronto Raptors' winning streak generated sales 9.0% higher than the previous year.

MORE QUESTIONS

We offered 390,293 questions to bet on this year, 3.3% more than in 2018–2019.

OVERHAUL OF NETWORK BINGO

Network bingo was updated and redesigned to improve the gaming experience and maintain customer interest as well as revenues, which benefit non-profit organizations. The new network bingo was launched on April 1, 2019. A survey of customers showed a very high satisfaction rate.

ANNIVERSARIES

- December 23, 2019, marked Loto-Québec's 50th anniversary. We had planned to hold lots of activities for our employees and launch a number of commercial initiatives throughout the year, and although we kicked off the festivities, some of them had to be cancelled or postponed due to the COVID-19 pandemic.

- In the last weekend of June 2019, the Casino de Charlevoix welcomed customers to celebrate its 25th anniversary.

- To wrap up the festivities surrounding the Casino de Montréal's 25th anniversary, a massive four-week slot machine tournament was held, offering total prizes of $250,000.

- The Casino de Mont-Tremblant celebrated its 10th anniversary on June 24, 2019. The festivities lasted 10 days, for customers and employees alike, and especially those who have worked at the casino since it opened.

ORIENTATION 2

DEVELOP NEW GROWTH OPPORTUNITIES COMBINING GAMING AND ENTERTAINMENT

We're stepping up the renewal of our overall offer to create an unparalleled entertainment experience, relying on the extensive expertise we've acquired over the years and establishing relevant partnerships to strengthen our entertainment positioning.

CHANGES TO LOTTO MAX

Since May 14, 2019, Lotto Max has been holding two draws a week, every Tuesday and Friday, with a jackpot that can reach $70 million. Two prize categories have also been added. Consumers have met these changes with a lot of enthusiasm.

MONTHLY LOTTERY

For our 50th anniversary, we released an ad featuring a young Bernard Derome from 1970, to call to mind the launch of our very first lottery game, the monthly lottery. On social networks, the ad and its "making of" were watched by two million people, an extraordinary achievement. This is the best-ever performance of our pages.

NEW SCRATCH TICKETS

A number of new scratch tickets have generated excellent sales, thanks to their success among 25-to-34-year-olds: 100 000 $/h, Animo, À la piscine and Go-Van.

VDO SLOT MACHINES

In February, we launched a new generation of slot machines at our casinos in Montréal and Lac-Leamy: VDO slot machines. Inspired by video games, they promise an interactive experience that combines entertainment, performance and the joy of the game. With VDO slot machines, the player can use their skills to improve their gaming experience, even though the outcome rest at all time on randomness.

VIRTUAL SPORTS ON LOTOQUEBEC.COM

Virtual sports have arrived on lotoquebec.com. They offer a variety of games that allow players to bet on fictional races and games, with the outcome determined by chance.

LA POULE AUX ŒUFS D'OR

The weekly game show *La Poule aux œufs d'or*, which counts some 800,000 viewers, was moved to Thursdays at 7:30 p.m. for the 2019–2020 season. The show, still just as popular after 27 years, was once more entrusted to hosts Sébastien Benoit and Julie Houle. The season was interrupted on March 12, due to the COVID-19 pandemic, after 30 episodes. The schedule called for a total of 45 episodes.

CÉLÉBRATION 2020

On January 12, about 1.32 million viewers watched the 31st *Célébration* gala, broadcast live from the Théâtre du Casino du Lac-Leamy. A woman from Charlevoix won the $1 million grand prize on TV. The other 40 finalists shared prizes ranging from $10,000 to $100,000.

ROUE DE FORTUNE CHEZ VOUS!

The 2019 season of *Roue de fortune chez vous!* awarded over $3.3 million to 59 winners. In 31 years, the popular program has paid out $157 million in prizes.

EVENT SERIES

For years now, fun event series have followed the rhythm of the seasons at our casinos. These are the ones we held this year:

- *Garden Party*
- *Futuristik*
- *Let's Get Lucky*
- *Vegas Nights*
- *Pop Casino*
- *Now Boarding for Cayo Casino!*

NEW GAMES AREA

Thanks to our slot machine renewal strategy, we can now offer more new products and services to our customers. We've even created "new games" areas at our casinos to help customers discover them.

LA BASE ARRIVES AT THE CASINO DU LAC-LEAMY

La Base is a space where customers can identify slot machines that give them the experience they're looking for. Already up and running at the Casino de Montréal, La Base opened at the Casino du Lac-Leamy in June 2019. Every Friday, Saturday and Sunday, hosts are on hand to present the games.

COMBINED PROGRESSIVE JACKPOTS

The progressive jackpots launched at the blackjack tables in May 2018 at the casinos in Montréal and Lac-Leamy are now combined. This shared prize offers an even more appealing jackpot. The change allows us to keep up with the competition, which is offering similar progressive jackpots at its establishments.

NEW MULTI-GAMING STATIONS

The Casino de Mont-Tremblant inaugurated its new multi-gaming station area in May 2019. The multimedia screens, the hosts and the inclusion of live games enhance the casino entertainment experience.

OCCUPATION DOUBLE

The Casino de Montréal hosted the *Occupation Double Afrique du Sud* contestants for the final episodes of the season. The grand finale took place at the Cabaret du Casino, where we held a party for the occasion. *L'heure de vérité* was filmed at one of the casino restaurants, and several other moments were filmed inside and outside the establishment.

INCREASED VISIBILITY IN OTTAWA

The Casino du Lac-Leamy renewed the partnership giving it greater visibility in Ottawa. A site in Lansdowne Park, in the heart of the Canadian capital, is now called Casino du Lac-Leamy Plaza.

EVENT SPONSORSHIPS

We launched several initiatives to promote our lottery products at big public events. Here are some of them:

- A Mise-o-jeu+ kiosk at sporting events
- A pop-up Célébration shop at Christmas markets
- A Grande Vie kiosk at an outdoor recreation show

GAMING HALLS

- From April to June 2019, the Salon de jeux de Trois-Rivières was transformed to give customers a full 1950s experience with the *Rock'n'roll* promotion. Customers could take part in weekly games to reach the monthly finals, where over $54,000 in prizes were paid out. The promotion then moved to the Salon de jeux de Québec, where it stayed from September to November.

- Other promotions held at the gaming halls this year were:
  - *Prédictions*
  - *L'étoile du match*
  - *Quiz*
  - *Jeu de dés*

KINZO

- The Kinzo hall promotions are more successful every year. In 2019–2020, the *Vendredi fou* and *Nouvel An* promotions attracted big crowds.

- A Kinzo hall opened in Lachine in December. It's been more than five years since the last Kinzo hall opened. The new hall is next to Bingo Lachine, which has been in operation for over 25 years.

- Special events were held for the *Kinzo à la rescousse – Le retour* and *Partez dans le Sud* promotions. A squad hosted evenings where customers could take part in special draws and receive promotional items.

PROMOTING OUR BRANDS THROUGH SPONSORSHIPS

We hold activities at the sites of events we sponsor, to promote our brands in playful, entertaining ways. Some examples:

- Lotto 6/49 lost and found kiosk
- The Casino de Charlevoix Festif! bus
- The Casino de Montréal float in the Montréal pride parade
- The ComediHa! Club tour at our casinos and gaming halls
- The mosaic created by six emerging artists at six separate festivals

PUBLIC RELATIONS PLAN

In summer 2019, to breathe some new life into the promotion of some 60 events we were sponsoring, our teams developed a public relations plan. The plan, which won an award from the Société québécoise des professionnels en relations publiques, included several initiatives, such as #momentschanceux, #jeuxdi, and promotions and collaborations with online influencers.

SPECTACULAR FINALE

The Casino de Montréal celebrated its 25th anniversary during the finale of L'International des Feux Loto-Québec, with a fireworks extravaganza called *25 ans à vous divertir en grand*. The soundtrack for the show comprised 25 hits released by francophone performers from Québec over the last 25 years.


Photo: JP Labrie

Photo: André-Olivier Lyra

ORIENTATION 3

FOSTER GOODWILL TOWARDS OUR ORGANIZATION AND OFFERINGS

We're continuing to do everything we can to contribute positively to the Québec community. We're constantly striving to maintain a balance between the economic and social dimensions of our mission. This balance depends on the responsible commercialization of our offer.

INTERNATIONAL CERTIFICATION

In November, the World Lottery Association renewed our Level 4 responsible gambling certification, the highest level for this international accreditation. In 2009, we were the first lottery corporation in the world to reach this level. The certification acknowledges our commitment to continually improving our responsible gambling practices.

RESPECTING YOUR LIMITS, THE RIGHT CALL

Our *Respecting Your Limits, The Right Call* responsible gambling awareness campaign featured the following:

- Two videos released online presenting situations where someone has to make the right decision
- Five new videos posted on Facebook and Instagram on how to set a time limit and budget
- Targeted posters in bars with video lottery terminals and on-screens at casinos and gaming halls

IT'S ALL UP TO CHANCE

New interactive *It's All Up to Chance* content was launched on agameshouldremainagame.com. Using heads or tails, this content playfully demonstrates how each coin toss is independent and explains how games of chance work.

NEW AWARENESS CONTENT

We released two short videos on social media on the themes of online gaming and superstitions to explain the features of certain games and counter misperceptions. Two more videos will be released in 2020–2021.

HOLIDAY CAMPAIGNS

We once again took part in McGill University's annual responsible gambling awareness campaign. Launched as the holidays approach, the campaign reminds people that lottery tickets are a gift for adults only. The video we produced and posted on Facebook for the occasion was viewed nearly 70,000 times.

CENTRE DU HASARD INFORMATION KIOSKS

At our casinos and gaming halls, the Centre du hasard hosts took part in themed activities to raise visitor and player awareness in a fun way. The hosts at the casinos in Montréal and Lac-Leamy also presented customers with a new awareness tool featuring questions about chance.

RESPONSIBLE COMMERCIALIZATION OF VIDEO LOTTERY

Every year, we invest in a mystery shopper program with video lottery retailers, to verify their compliance with the Code of Responsible Commercialization for video lottery terminals. The compliance rate reported by the mystery shoppers for 2019–2020 was 99.5%, and the number of visits they made was up from 2018–2019.

TAKING RISKS IS NO GAME TRAINING PROGRAM

Beginning in April 2019, we've been offering a new version of our online training for video lottery retailers. The *Taking Risks Is No Game* training program now comprises three videos, followed by an assessment. To pass the course, participants must get a grade of 80%. By March 31, 2020, a total of 6,095 retailers and bar employees had completed and passed the program.

PROMOTING WINNERS

We've stepped up the number of initiatives to publicize winners of big prizes:

- 1,419 photos taken
- 8 meetings with the media, in 4 regions
- 44 filmed interviews
- About 620 press releases

BINGO PROCEEDS

Network bingo allowed us to pay out nearly $6.3 million to over 600 non-profit organizations.

LOTO-QUÉBEC ART COLLECTION

2019 brought a number of projects involving Loto-Québec's art collection, which was celebrating its 40th anniversary. For the occasion, we created partnerships and cultural projects with the following events or organizations:

- Biennale internationale d'estampe contemporaine de Trois-Rivières
- Rencontres internationales de la photographie en Gaspésie
- Missions photographiques des Laurentides
- Musée d'art contemporain de Baie-Saint-Paul
- Symposium international d'art contemporain de Baie-Saint-Paul
- Artch – Emerging Contemporary Art, in Montréal
- Papier 19, in Montréal
- Adélard, in Frelighsburg, in Montérégie

We also presented an exhibition called *La nature nous habite* at the Bishop Stewart Memorial Church of the Holy Trinity in Frelighsburg. Created with guest curator Laure Waridel, the exhibition will travel across Québec.

RENDEZ-VOUS LOTO-QUÉBEC

We developed a brand-new image for our sponsorship program, *Les rendez-vous Loto-Québec*. The modern, more dynamic visual continues to make the Loto-Québec brand visible all across the province.

SUPPORT DURING THE PANDEMIC

Right away in March, we performed gestures of solidarity in response to the COVID-19 pandemic:

- $1 million donation to Food Banks of Québec
- Payment of agreed-on amounts to festivals and events, despite their cancellation
- Food donations from our casino kitchens to food assistance organizations
- Delivery of our inventory of N95 masks and disinfectants to the Ministère de la Santé et des Services sociaux
- Opening of the Casino de Montréal and Casino du Lac-Leamy kitchens to prepare meals for the La Tablée des Chefs Cuisines Solidaires project

BIG-HEARTED EMPLOYEES

Our employees were also very generous all year long:

- Over $350,000 given to the partnership organizations of our *Tous gagnants* campaign, including Entraide
- 575 new books collected for the Literacy Foundation
- 315 backpacks filled with school supplies distributed to children in need
- 101 children sponsored during Opération Père Noël

4 CASINOS, 4 MOISSONS PARTNERSHIP

Our casino employees continue to support the Moissons. They held several activities this year, raising more than $150,000.

PROMOTING EMERGING TALENT

We kept working with independent video game developers. Their creations were featured in the Loto-Québec indie game zone at DreamHack and Comiccon, two events held in Montréal. These developers enjoyed excellent visibility with visitors.

PETITS ROIS

Les Petits Rois, adults with moderate to severe intellectual disabilities, continued to take part in student work placements at our headquarters and the Casino de Montréal until the buildings were closed in March due to the pandemic. Since 2017, they have carried out many simple but essential tasks there, allowing them to develop social and professional skills.

LES VIVATS

We awarded two prizes at the Les Vivats competition, which hails eco-friendly events:

- Le Grand Vivat – budget under $500,000, to the Écomarché de l'île
- Le Grand Vivat – budget over $500,000, to the International Federation of Medical Students' Associations August Meeting

2019 PRIX EXCELLENCE TOURISME

Baie-Saint-Paul's Le Festif! won the Prix de la commandite Loto-Québec at the 2019 Prix excellence tourisme gala, which celebrates the know-how, expertise and creativity of the tourism industry.

THE MOUVEMENT CONTEST

TriCycle won the $10,000 Loto-Québec prize in the Mouvement 2020 competition. Launched by Novae and Loto-Québec, Mouvement encourages the creation of business projects that have a positive economic, social and environmental effect.

HONOURS

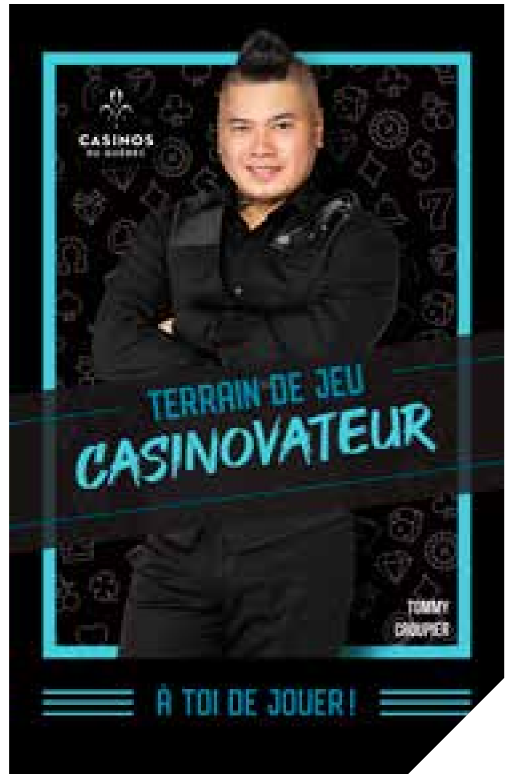
Here are some of the prizes and awards that our various sectors received this year:

INITIATIVE	SECTOR	AWARD	EVENT OR ORGANIZATION
Roue de fortune chez vous! – *Le retour de Dany Fiset*	Lotteries	Grand prize, video brand content	Créa 2019
Voyage de pêche – *The Singing Fish*	Lotteries	Grand prize, point-of-sale advertising	Créa 2019
You should buy a 6/49 campaign	Lotteries	Prix Média, best non-standard use – non-media approach – stunt	Prix Média 2019
Lotto Max – *Prince du désert*	Lotteries	Grand prize, best radio ad of the year	C'est dans' Cannes
Lotto 6/49 campaign	Lotteries	Grand Effie	Effie Canada
Ici, on carte! awareness tool	Video lotteries	Batchy prize, print communications – responsible gambling	Annual competition of the North American Association of State and Provincial Lotteries
Human resource management	Casino du Lac-Leamy	One of the top employers in the National Capital region	National Capital Region's Top Employers 2020
–	Casino de Montréal	One of the five best casinos	Tourism Review's Top 5 Biggest and Best Casinos Around the World
Le Baccara	Casino du Lac-Leamy	Five Diamond Rating	CAA/AAA
–	Hilton Lac-Leamy	Added to the Hall of Fame	Tripadvisor
Environmental management	Casino du Lac-Leamy and Hilton Lac-Leamy	Gold Certification	BOMA BEST
Environmental management	Salon de jeux de Trois-Rivières	Gold Certification	BOMA BEST
Governance	Loto-Québec	Parity Certification, Gold level	La Gouvernance au féminin
Les Petits Rois – 2019–2020 diversity plan	Loto-Québec	Honourable Mention	Office des personnes handicapées du Québec
Public relations plan	Social Commitment	Silver Award, external public relations program	Société québécoise des professionnels en relations publiques

ORIENTATION 4

IMPROVE OUR AGILITY AND WORK PROCESSES

Improving our agility and work processes makes us ever more flexible and efficient. These are essential assets in the rapidly changing gaming and entertainment markets. The skill, versatility and commitment of our staff contribute to the success of this optimization process.



COMPLETELY CUSTOMER-CENTRED APPROACH

The Société des casinos du Québec (SCQ) reviewed its processes to ensure its customers and employees enjoy an improved, harmonized experience. The members of senior management were combined into a single management committee. The teams were redefined based on expertise, services delivered and experience created, rather than based on workplace.

TRANSFER OF GAMING HALLS

We transferred the gaming halls, formerly managed by the Société des établissements de jeux du Québec, to the SCQ. This administrative change allows us to embrace a shared vision and create synergy between the casinos and gaming halls while still maintaining their respective characters.

WINNERS' EXPERIENCE

Our customer service team continued to develop the winners' experience program to make sure that all lottery winners are treated to a similar experience and personal service, no matter which payment centre they visit to claim their prize.

ATTRACTING TALENT

To consolidate our status as a top employer and optimize our power of attraction on the labour market, we've updated our recruitment tools' image. Our new signature, *Un terrain de jeu unique*, is unifying and distinctive. It emphasizes the uniqueness of our field.

CRÉATEURS D'ÉMOTIONS

The *Créateurs d'émotions* series was released on Loto-Québec's YouTube channel and features employees who work behind the scenes in our various sectors.

OVATION

In April 2019, we launched a new platform, *Ovation*, which allows our employees to recognize the work of their colleagues. Every quarter, based on all the successes identified, we feature employees who have set themselves apart through their exceptional contributions.

50TH ANNIVERSARY

For our 50th anniversary, we unveiled murals at our headquarters and at each of our establishments. These murals acknowledge the invaluable contributions of our staff to the major milestones in our history. Thanks were also extended to our employees in a variety of ways, including on our intranet.

SPONSORSHIP TICKETS

We reviewed the distribution policy for the approximately 6,000 tickets we receive for the events we sponsor, to give out more tickets to the community. For every ticket we give to our business partners, we now give one to the community.

INFORMATION TECHNOLOGY SHIFT

We completed the final step of our information technology transformation program. One of our main efforts has been to update our work tools, by moving to cloud computing and deploying Office 365, which facilitates collaboration and mobility. Many resources were made available to employees to help them become familiar with this collaborative environment, which made their transition to working from home when the COVID-19 pandemic began easier.

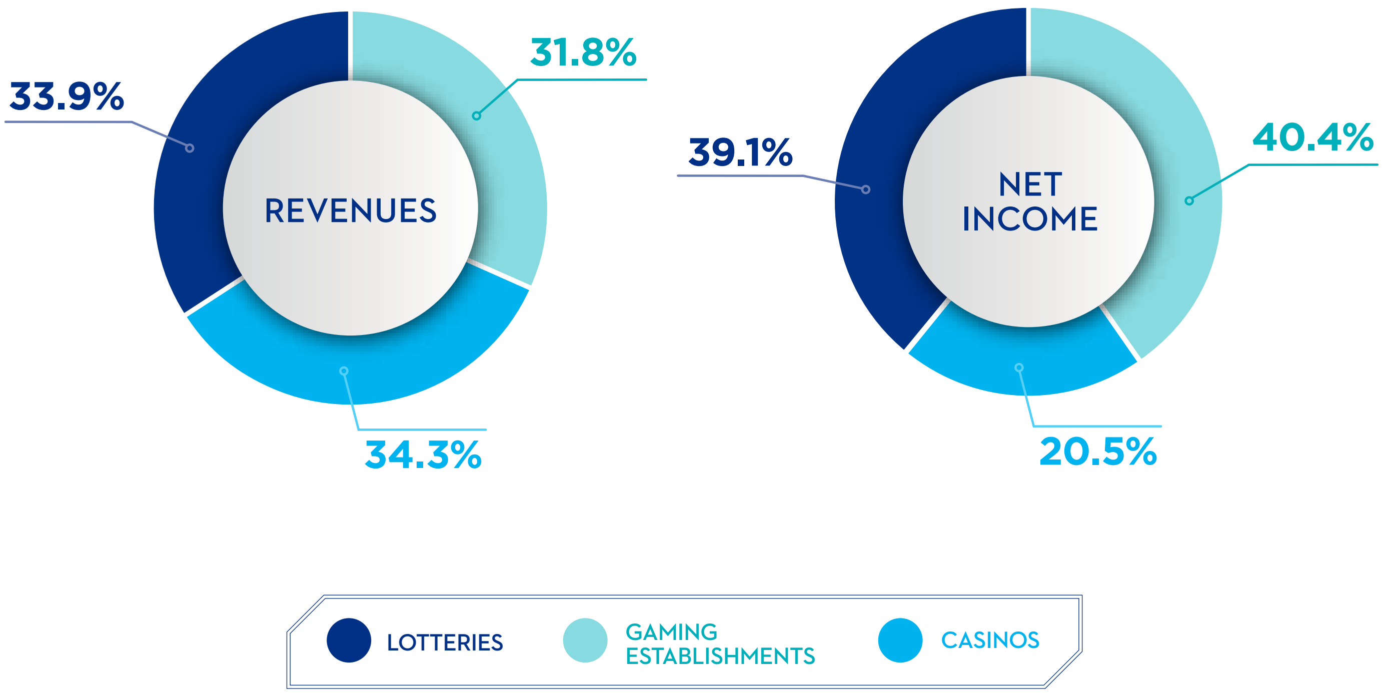
ONBOARDING VIDEOS

Three interactive videos were created to improve the onboarding of new hires and facilitate their integration. Each video presents a different aspect of the Corporation.

FINANCIAL REVIEW

FINANCIAL REVIEW

AS AT MARCH 31, 2020



At the end of the 2019–2020 fiscal year, Loto-Québec posted total revenues of $2.741 billion. This is a decrease of $86.3 million (–3.1%) from the previous fiscal year.

In March 2020, due to the COVID-19 pandemic, Loto-Québec suspended most of its activities (lottery retail sales, land-based casinos, gaming halls, video lottery terminals, bingo and Kinzo), which affected revenues and net income.

The consolidated gross margin amounted to nearly $2.257 billion, a decrease of $69.5 million (–3.0%) compared to 2018–2019. Total expenses were $903.6 million, down $14.7 million (–1.6%).

The consolidated net income was $1.353 billion, down $54.7 million (–3.9%) from the previous fiscal year.

LOTTERIES

With revenues of $929.4 million, the lottery sector posted a decrease of $26.3 million (–2.8%) compared to the previous fiscal year.

This decrease stems primarily from draw-based lotteries. 2018–2019 was an exceptional year in terms of the number of major jackpots offered by Lotto 6/49 and Lotto Max.

The closure of points of sale on March 20 also impacted revenues.

These two factors affected the sector's net income, which amounted to $528.8 million, down $18.8 million (–3.4%) compared to 2018–2019.

REVENUES

AS AT MARCH 31

(In thousands of Canadian dollars)	2020	2019	$ Variation	% Variation
Draw-based lotteries	**735,665**	752,348	(16,683)	(2.2)
Instant lotteries	**163,434**	172,329	(8,895)	(5.2)
Event betting	**30,327**	31,060	(733)	(2.4)
Total	**929,426**	**955,737**	**(26,311)**	**(2.8)**
Online gaming (Included in the table above)	**39,419**	**28,603**	**10,816**	**37.8**

CASINOS

In the casino sector, revenues reached $963.7 million, up $45.8 million (+5.0%) from the previous fiscal year. This uptick is partly explained by the transfer of the gaming halls to the Société des casinos du Québec (SCQ). The increase was also impacted by the closure of land-based casinos and gaming halls on March 13.

The casino sector's net income for 2019–2020 was $277.1 million, up 14.0% compared to 2018–2019. Excluding gaming halls, the casino sector's net income was up 4.6%.

REVENUES

AS AT MARCH 31

(In thousands of Canadian dollars)	2020	2019	$ Variation	% Variation
Land-based casinos	**800,759**	841,134	(40,375)	(4.8)
Online casino	**96,449**	76,759	19,690	25.7
Gaming halls	**66,457**	–	66,457	–
Total	**963,665**	**917,893**	**45,772**	**5.0**

GAMING ESTABLISHMENTS

The gaming establishment sector, which includes the bar network and bingo and Kinzo halls, reported revenues of $872.6 million in 2019–2020. Compared to the previous year, this is a decrease of $106.9 million (–10.9%), largely attributable to the transfer of our gaming halls to the SCQ and the closure of the establishments on March 14. Excluding these factors, revenues for this sector are stable, although there has been a decline in areas where video lottery terminals have been removed.

For 2019–2020, the gaming establishment sector's net income amounts to $547.6 million, down $70.0 million (–11.3%) compared to 2018, due to the aforementioned factors.

A total of $6.3 million was distributed to non-profit organizations that hold a bingo licence.

REVENUES

AS AT MARCH 31

(In thousands of Canadian dollars)	2020	2019	$ Variation	% Variation
Bars	**853,476**	895,136	(41,660)	(4.7)
Gaming halls	–	65,236	(65,236)	(100.0)
Bingo and Kinzo	**19,101**	19,116	(15)	(0.1)
Total	**872,577**	**979,488**	**(106,911)**	**(10.9)**

ONLINE GAMING

For the 2019–2020 fiscal year, our gaming website, lotoquebec.com, generated total revenues (lottery games and casino games) of $135.9 million ($39.4 million for lottery games and $96.4 million for casino games), up $30.5 million (+28.9%) compared to 2018–2019 (+$10.8 million for lottery games and +$19.7 million for casino games).

OPERATING EXPENSES

Expenses, including the cost of sales, total $1.387 billion, a decrease of $31.5 million (–2.2%) compared to the previous year, and an increase of 2.1% compared to 2014–2015.

Our daily management efforts continue to focus on reviewing our processes, projects and programs to ensure maximum efficiency in the entire organization. In relation to 2014–2015, the increase in expenses is primarily due to the increase in revenues. The other operating expenses were stable, and the annual increase generated by collective agreements was 2%.

NET FINANCIAL EXPENSES

Net financial expenses stood at $6.2 million, an increase of $0.2 million compared to the previous year. This difference is due mainly to higher borrowing rates, which were offset by a lower borrowing volume in 2019–2020.

ADDITIONAL INFORMATION

Since 2014–2015, Loto-Québec's total revenues have risen by $291.1 million (+11.9%), increasing the consolidated net income by $237.7 million (+21.3%). For this same period, total expenses, including the cost of sales, increased by only 2.1%.

CONTRIBUTION TO GOVERNMENTS

The dividend Loto-Québec paid to the Minister of Finance was $1.329 billion, down $54.7 million (–4.0%) from the amount paid the previous fiscal year. An additional $25.0 million was paid into the Government of Québec's various designated funds, along with $98.4 million to the Ministère du Revenu in Québec Sales Tax. Loto-Québec's total contributions to the Government of Québec amounted to $1.452 billion (2019: $1.501 billion). The Corporation also paid $17.6 million to the Government of Canada as compensation for the federal government's withdrawal from the lottery sector and $49.3 million in Goods and Services Tax, for a total of $66.9 million (2019: $63.8 million).

CONTRIBUTION TO GOVERNMENTS

AS AT MARCH 31

(In millions of Canadian dollars)	2020	2019
Government of Québec		
Dividend	**1,328.5**	1,383.2
Designated funds	**25.0**	25.0
Québec Sales Tax	**98.4**	92.7
Total to Government of Québec	**1,451.9**	**1,500.9**
Government of Canada		
Compensation – withdrawal from the lottery sector	**17.6**	17.4
Goods and Services Tax	**49.3**	46.4
Total to Government of Canada	**66.9**	**63.8**
Total	**1,518.8**	**1,564.7**

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED MARCH 31

(In thousands of Canadian dollars)	2020				
Business segments	**Lotteries**	**Casinos**	**Gaming establishments**	**Elimination of intragroup transactions**	**Consolidated figures**
Revenues					
Games	929,426	857,702	872,577	–	**2,659,705**
Restaurants	–	86,979	–	(24,852)	**62,127**
Accommodation	–	18,984	–	–	**18,984**
	929,426	**963,665**	**872,577**	**(24,852)**	**2,740,816**
Cost of sales					
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**
	193,846	**65,112**	**224,820**	**–**	**483,778**
Gross margin	**735,580**	**898,553**	**647,757**	**(24,852)**	**2,257,038**
Expenses					
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**
	205,112	**614,038**	**97,824**	**(24,852)**	**892,122**
Income from operating activities	**530,468**	**284,515**	**549,933**	**–**	**1,364,916**
Financial income	(1,235)	(1,074)	(300)	–	**(2,609)**
Financial expenses	2,910	3,219	2,639	–	**8,768**
Net financial expenses	**1,675**	**2,145**	**2,339**	**–**	**6,159**
Share of net loss in the joint venture and payments to partners	–	5,295	–	–	**5,295**
Net income and comprehensive income for the period	**528,793**	**277,075**	**547,594**	**–**	**1,353,462**

(In thousands of Canadian dollars)	2019				
Business segments	**Lotteries**	**Casinos**	**Gaming establishments**	**Elimination of intragroup transactions**	**Consolidated figures**
Revenues					
Games	955,737	809,107	979,488	–	**2,744,332**
Restaurants	–	88,555	–	(26,031)	**62,524**
Accommodation	–	20,231	–	–	**20,231**
	955,737	**917,893**	**979,488**	**(26,031)**	**2,827,087**
Cost of sales					
Commissions	146,980	–	202,791	–	**349,771**
Royalties	934	29,345	1,227	–	**31,506**
Printing	29,374	–	1,292	–	**30,666**
Food and beverages	–	28,231	–	–	**28,231**
Goods and Services Tax	8,727	1,188	10,247	–	**20,162**
Québec Sales Tax	17,410	2,371	20,443	–	**40,224**
	203,425	**61,135**	**236,000**	**–**	**500,560**
Gross margin	**752,312**	**856,758**	**743,488**	**(26,031)**	**2,326,527**
Expenses					
Employee benefits	69,879	349,702	36,093	(7,302)	**448,372**
Depreciation, amortization and net impairment losses	14,412	70,991	34,515	–	**119,918**
Special payments	17,360	–	4,400	–	**21,760**
Goods and Services Tax	3,408	5,818	2,360	–	**11,586**
Québec Sales Tax	6,804	11,630	4,709	–	**23,143**
General operating, administrative and other expenses	91,298	169,510	41,211	(18,729)	**283,290**
	203,161	**607,651**	**123,288**	**(26,031)**	**908,069**
Income from operating activities	**549,151**	**249,107**	**620,200**	**–**	**1,418,458**
Financial income	(1,370)	(1,016)	(318)	–	**(2,704)**
Financial expenses	2,957	2,815	2,948	–	**8,720**
Net financial expenses	**1,587**	**1,799**	**2,630**	**–**	**6,016**
Share of net loss in the joint venture and payments to partners	–	4,236	–	–	**4,236**
Net income and comprehensive income for the period	**547,564**	**243,072**	**617,570**	**–**	**1,408,206**

COMPARATIVE RESULTS

FOR THE YEAR ENDED MARCH 31

(In thousands of Canadian dollars)	2020	2019	2018	2017	2016
Consolidated results					
Revenues	**2,740,816**	**2,827,087**	**2,742,167**	**2,623,275**	**2,599,440**
Cost of sales					
Lotteries					
Commissions	**144,002**	146,980	138,784	127,694	123,993
Royalties	**879**	934	860	604	771
Printing	**24,825**	29,374	22,862	20,721	20,825
Goods and Services Tax	**8,060**	8,727	7,435	7,312	7,139
Québec Sales Tax	**16,080**	17,410	14,833	14,588	14,242
	193,846	**203,425**	**184,774**	**170,919**	**166,970**
Casinos					
Royalties	**33,290**	29,345	15,975	8,867	6,589
Food and beverages	**27,480**	28,231	27,627	25,580	23,324
Goods and Services Tax	**1,450**	1,188	609	322	237
Québec Sales Tax	**2,892**	2,371	1,215	643	473
	65,112	**61,135**	**45,426**	**35,412**	**30,623**
Gaming establishments					
Commissions	**193,632**	202,791	203,939	202,603	200,888
Royalties	**597**	1,227	192	109	–
Printing	**1,339**	1,292	1,354	1,448	1,607
Goods and Services Tax	**9,767**	10,247	10,261	10,194	10,111
Québec Sales Tax	**19,485**	20,443	20,471	20,338	20,171
	224,820	**236,000**	**236,217**	**234,692**	**232,777**
Total	**483,778**	**500,560**	**466,417**	**441,023**	**430,370**
Gross margin	**2,257,038**	**2,326,527**	**2,275,750**	**2,182,252**	**2,169,070**
Operating expenses					
Lotteries	**177,001**	178,537	172,985	168,555	177,213
Casinos	**505,768**	493,181	495,969	466,413	455,638
Gaming establishments	**61,959**	81,704	88,684	119,159	94,579
Depreciation, amortization and net impairment losses	**99,056**	119,918	126,564	132,618	136,499
Depreciation of right-of-use assets	**7,260**	–	–	–	–
Goods and Services Tax	**13,701**	11,586	14,294	17,173	15,415
Québec Sales Tax	**27,377**	23,143	29,055	34,289	30,799
	892,122	**908,069**	**927,551**	**938,207**	**910,143**
Income from operating activities	**1,364,916**	**1,418,458**	**1,348,199**	**1,244,045**	**1,258,927**
Net financial expenses	**6,159**	**6,016**	**7,942**	**8,515**	**12,372**
Share of net loss in the joint venture and payments to partners	**5,295**	4,236	4,790	4,979	5,075
Writedown – other receivables	**–**	–	–	–	14,486
Net income and comprehensive income	**1,353,462**	**1,408,206**	**1,335,467**	**1,230,551**	**1,226,994**

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S REPORT

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 Audit 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 Audit 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

LYNNE ROITER

Corporate Vice-President
Finance and Administration, Loto-Québec

Johanne Rock

JOHANNE ROCK, CPA, CA

MONTRÉAL, QUÉBEC
JUNE 26, 2020

INDEPENDENT AUDITORS' REPORTS

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, 2020 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, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 audit 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, except for the changes in the accounting policy related to leases as explained in Note 3 to the consolidated financial statements, these standards have been applied on a basis consistent with that of the preceding year.

Auditor General of Québec,

Guylaine Leclerc FCPA Auditor, FCA

KPMG LLP

GUYLAINE LECLERC, FCPA AUDITOR, FCA
MONTRÉAL, QUÉBEC
JUNE 26, 2020

KPMG LLP[1]
MONTRÉAL, QUÉBEC
JUNE 26, 2020

[1] FCPA Auditor, FCA, public accountancy permit No.A110618

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2020

(In thousands of Canadian dollars)	2020	2019
Revenues (Note 5)	**2,740,816**	2,827,087
Cost of sales (Note 6)	**483,778**	500,560
Gross margin	**2,257,038**	**2,326,527**
Expenses		
Employee benefits (Note 7)	**445,782**	448,372
Depreciation and amortization (Notes 14 and 15)	**99,056**	119,918
Depreciation of right-of-use assets (Note 16)	**7,260**	–
Special payments (Note 8)	**22,139**	21,760
Goods and Services Tax	**13,701**	11,586
Québec Sales Tax	**27,377**	23,143
General operating, administrative and other expenses	**276,807**	283,290
	892,122	**908,069**
Income from operating activities	**1,364,916**	**1,418,458**
Financial income (Note 9)	**(2,609)**	(2,704)
Financial expenses (Note 9)	**8,768**	8,720
Net financial expenses (Note 9)	**6,159**	**6,016**
Share of net loss in the joint venture and payments to partners (Note 13)	**5,295**	4,236
Net income	**1,353,462**	**1,408,206**
Other comprehensive income (loss)		
Items that will not be reclassified subsequently to net income:		
Remeasurements of the net defined benefit liability (asset) (Note 20)	**59,348**	(10,686)
Comprehensive income	**1,412,810**	**1,397,520**

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, 2020

(In thousands of Canadian dollars)	Share capital	Retained earnings	Accumulated other comprehensive income	Total
Balance as at April 1, 2018	**170**	**86,300**	**35,103**	**121,573**
Dividend	–	(1,383,206)	–	(1,383,206)
Contributions to the Government of Québec (Note 10)	–	(25,000)	–	(25,000)
Transactions with the shareholder	–	(1,408,206)	–	(1,408,206)
Net income	–	1,408,206	–	1,408,206
Other comprehensive loss				
Remeasurements of the net defined benefit liability (asset) (Note 20)	–	–	(10,686)	(10,686)
Comprehensive income	–	1,408,206	(10,686)	1,397,520
Balance as at March 31, 2019	**170**	**86,300**	**24,417**	**110,887**
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**
Balance as at March 31, 2020	**170**	**86,300**	**83,765**	**170,235**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2020

(In thousands of Canadian dollars)	2020	2019
ASSETS		
Cash (Note 24)	**110,527**	100,997
Trade and other receivables (Note 11)	**32,621**	74,317
Current portion of the advance to Manoir Richelieu Limited Partnership (Note 13)	**–**	5,000
Inventories (Note 12)	**4,604**	4,813
Prepaid expenses	**21,843**	27,332
Total current assets	**169,595**	**212,459**
Interests in the joint venture, loans and advance (Note 13)	**37,956**	35,082
Property, plant and equipment (Note 14)	**697,524**	708,373
Intangible assets (Note 15)	**49,755**	52,344
Right-of-use assets (Note 16)	**19,495**	–
Net defined benefit asset (Note 20)	**12,144**	–
Total non-current assets	**816,874**	**795,799**
Total assets	**986,469**	**1,008,258**
LIABILITIES		
Bank loans (Note 17)	**283,800**	296,735
Dividend payable	**58,063**	147,404
Accounts payable and accrued liabilities (Note 18)	**274,722**	273,825
Derivatives on gaming transactions	**2,361**	5,620
Deferred revenues	**2,122**	10,256
Current portion of lease liabilities (Note 16)	**6,555**	–
Current portion of long-term debt (Note 19)	**43,375**	–
Total current liabilities	**670,998**	**733,840**
Long-term debt (Note 19)	**119,227**	117,959
Lease liabilities (Note 16)	**13,561**	–
Net defined benefit and other long-term benefit liability (Note 20)	**12,448**	45,572
Total non-current liabilities	**145,236**	**163,531**
Total liabilities	**816,234**	**897,371**
SHAREHOLDER'S EQUITY		
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	**83,765**	24,417
Total shareholder's equity	**170,235**	**110,887**
Total liabilities and shareholder's equity	**986,469**	**1,008,258**

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, 2020

(In thousands of Canadian dollars)	2020	2019
OPERATING ACTIVITIES		
Net income	**1,353,462**	1,408,206
Items not affecting cash:		
Depreciation, amortization and net impairment losses of property, plant and equipment and intangible assets	**99,056**	119,918
Depreciation of right-of-use assets	**7,260**	–
Loss on disposal of property, plant and equipment, intangible assets and lease liabilities	**773**	860
Foreign exchange loss on lease liabilities	**433**	–
Defined benefit and other long-term benefit expense	**33,054**	32,324
Share of net loss in the joint venture	**5,295**	4,236
Other net financial expenses	**6,159**	6,016
Net change in non-cash items (Note 24)	**26,758**	30,339
Capitalization of defined benefit obligation	**(18,974)**	(16,442)
Interest on leases	**(410)**	–
Interest paid	**(8,243)**	(9,111)
Interest received	**2,609**	2,704
Cash flows provided by operating activities	**1,507,231**	**1,579,050**
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(62,955)**	(53,554)
Additions to intangible assets	**(13,449)**	(15,026)
Proceeds from disposal of property, plant and equipment	**29**	197
Receipt of non-interest bearing advance made to Manoir Richelieu Limited Partnership	**5,000**	–
Investment, net of distributions, in Manoir Richelieu Limited Partnership and payments to partners	**(8,084)**	(9,563)
Cash flows used in investing activities	**(79,458)**	**(77,946)**
FINANCING ACTIVITIES		
Dividend paid	**(1,417,803)**	(1,404,769)
Net change in bank loans	**(12,935)**	7,441
Increase in long-term debt	**48,298**	–
Repayment of long-term debt	**(3,732)**	(100,000)
Repayment of lease liabilities	**(7,071)**	–
Contributions to the Government of Québec (Note 10)	**(25,000)**	(25,000)
Cash flows used in financing activities	**(1,418,243)**	**(1,522,328)**
Increase (decrease) in cash	**9,530**	**(21,224)**
Cash, beginning of year	**100,997**	**122,221**
Cash, end of year (Note 24)	**110,527**	**100,997**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020
(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 June 26, 2020.

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)

3 / CHANGES IN ACCOUNTING POLICIES

Information on new standards, amendments and interpretations that are likely to be relevant for Loto-Québec's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued, but are not expected to have a significant impact on Loto-Québec's consolidated financial statements.

New and amended IFRS effective for the current year

a) IFRS 16, *Leases*

On April 1, 2019, Loto-Québec adopted IFRS 16, *Leases*, which replaces the provisions of IAS 17, *Leases*, IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, SIC-15, *Operating Leases — Incentives*, and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 sets out the principles for the recognition, measurement and presentation and disclosure of leases from the respective perspectives of the lessee and the lessor.

For lessee accounting, there is now a single model, which requires the recognition of all assets and liabilities arising from leases.

For lessees, the main features of the new standard are as follows:

- The entity identifies as a lease any contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exemptions are permitted for short-term leases and leases of low-value assets.
- The asset is initially measured at cost and subsequently depreciated similarly to property, plant and equipment. The liability is initially measured at the present value of outstanding lease payments.
- In the statement of income and other comprehensive income, the lessee presents the interest expense on the lease liability separately from the depreciation charge for the right-of-use asset.

The lessor continues to classify leases as either operating leases or finance leases and accounts for them accordingly. However, the lessor is required to provide enhanced disclosures about risk exposure, particularly exposure to residual-value risk.

As at the date of initial application of IFRS 16, Loto-Québec elected to use the modified retrospective method whereby the fiscal 2019 comparative figures were not restated. Under this method, the standard is applied retrospectively and the cumulative effect of initially applying it is recognized at the date of initial application.

(i) Impact of the new definition of a lease

As at the date of initial application, Loto-Québec elected to apply the practical expedient of maintaining the measurement of transactions that constituted leases at the date of initial application, in accordance with previous measurements made under the application of IAS 17 and IFRIC 4. Accordingly, Loto-Québec will continue to apply the definition of a lease within the meaning of IAS 17 and IFRIC 4 to contracts entered into or modified before April 1, 2019.

Moreover, Loto-Québec elected to apply the recognition exemptions provided for in the standard for short-term leases as well as leases for which the underlying asset is of low value.

IFRS 16 changes the way Loto-Québec recognizes leases previously classified as operating leases under IAS 17 and therefore recognized off the balance sheet.

Loto-Québec applied the following practical expedients to leases previously classified as operating leases under IAS 17:

- Use a single discount rate to a portfolio of leases with similar characteristics;
- Exclude initial direct costs from the measurement of the right-of-use asset as at April 1, 2019;
- Use hindsight in determining the lease term if the contract contains purchase, extension, or termination options;
- Exclude leases for which the lease term ends within 12 months of the date of initial application.

(ii) Financial impact of adopting IFRS 16, *Leases*

As at April 1, 2019, Loto-Québec recognized $23,405 of lease liabilities and $23,405 of right-of-use assets, with no net impact on opening retained earnings.

In measuring its lease liabilities arising from leases previously classified as operating leases under IAS 17, Loto-Québec discounted future lease payments using its incremental borrowing rate as at April 1, 2019. The weighted average rate applied stood at 1.89%.

The following table provides a reconciliation of Loto-Québec's commitments as at March 31, 2019, to the lease liabilities recognized upon initial application of IFRS 16 as at April 1, 2019, and as at March 31, 2020.

Commitments as at March 31, 2019	**97,113**
Adjustments for non-refundable taxes	**(88,202)**
Effect of discounting	**(726)**
Variable payments not included in IFRS 16	**(2,116)**
Short-term leases recognized in the consolidated statement of comprehensive income	**(312)**
New contracts related to IFRS 16 not included in commitments	**17,648**
Lease liabilities as at April 1, 2019	**23,405**
New lease liabilities	**3,575**
Payment of lease liabilities	**(7,481)**
Interest	**410**
Other	**207**
Balance as at March 31, 2020	**20,116**
Less current portion	**(6,555)**
	13,561

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 Mundial 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.

<u>Lotteries</u>

- 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

Certain 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.

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.

These point programs are related to games for which the rates of prizes awarded depend on the outcome of each game.

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 a 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. 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-derivatives financial assets comprise cash, trade and other receivables, and loans and advance 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, prizes payable, progressive jackpots payable, salaries payable, the due to MRLP 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 beverages, 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 any accumulated depreciation and any accumulated impairment losses of financial and non-financial assets.

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

Depreciation 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. Amortization 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.

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.

Loto-Québec considers a financial asset to be in default 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:

	2020				
Business segments	**Lotteries**	**Casinos**	**Gaming establishments**	**Elimination of intragroup transactions**	**Total**
Gaming revenues					
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
Total gaming revenues	929,426	857,702	872,577	–	2,659,705
Non-gaming revenues					
Restaurants	–	86,979	–	(24,852)	62,127
Accommodation	–	18,984	–	–	18,984
Total non-gaming revenues	–	105,963	–	(24,852)	81,111
	929,426	963,665	872,577	(24,852)	2,740,816

Gaming revenues	
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
	2,659,705

	2019				
Business segments	**Lotteries**	**Casinos**	**Gaming establishments**	**Elimination of intragroup transactions**	**Total**
Gaming revenues					
Draw-based lotteries	730,990	–	–	–	730,990
Instant lotteries	170,594	–	–	–	170,594
Betting lotteries	25,550	–	–	–	25,550
Casino gaming	–	732,348	–	–	732,348
Online gaming	28,603	76,759	–	–	105,362
Gaming halls	–	–	895,136	–	895,136
Bars	–	–	65,236	–	65,236
Bingo	–	–	12,637	–	12,637
Kinzo	–	–	6,479	–	6,479
Total gaming revenues	**955,737**	**809,107**	**979,488**	**–**	**2,744,332**
Non-gaming revenues					
Restaurants	–	88,555	–	(26,031)	62,524
Accommodation	–	20,231	–	–	20,231
Total non-gaming revenues	**–**	**108,786**	**–**	**(26,031)**	**82,755**
	955,737	**917,893**	**979,488**	**(26,031)**	**2,827,087**

Gaming revenues	
Revenues from gaming transactions for which the rates of prizes awarded are substantially fixed	637,762
Revenues from gaming transactions for which the rates of prizes awarded depend on the outcome of each game	2,106,570
	2,744,332

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:

	2020	2019
Lotteries		
Commissions	**144,002**	146,980
Royalties	**879**	934
Printing	**24,825**	29,374
GST	**8,060**	8,727
QST	**16,080**	17,410
	193,846	**203,425**
Casinos		
Royalties	**33,290**	29,345
Food and beverages	**27,480**	28,231
GST	**1,450**	1,188
QST	**2,892**	2,371
	65,112	**61,135**
Gaming establishments		
Commissions	**193,632**	202,791
Royalties	**597**	1,227
Printing	**1,339**	1,292
GST	**9,767**	10,247
QST	**19,485**	20,443
	224,820	**236,000**
Total		
Commissions	**337,634**	349,771
Royalties	**34,766**	31,506
Printing	**26,164**	30,666
Food and beverages	**27,480**	28,231
GST	**19,277**	20,162
QST	**38,457**	40,224
	483,778	**500,560**

7 / EMPLOYEE BENEFITS

	2020	2019
Short-term employee benefits	**401,310**	407,248
Post-employment benefits	**45,044**	40,883
Other long-term benefits	**(572)**	241
	445,782	**448,372**

8 / SPECIAL PAYMENTS

	2020	2019
Payment to the Government of Canada	**17,631**	17,360
Payments to non-profit organizations (NPOs)	**4,508**	4,400
	22,139	**21,760**

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 $77,698 in today's dollars for the year ended March 31, 2020 ($75,784 in 2019).

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

	2020	2019
Interest income	**2,609**	2,704
Total financial income	**2,609**	**2,704**
Interest expense on bank loans[1]	**3,066**	2,846
Interest expense on long-term debt	**5,292**	5,874
Interest expense on leases	**410**	–
Total financial expenses	**8,768**	**8,720**
Net financial expenses	**6,159**	**6,016**

[1] Interest expense includes $1,112 ($1,770 in 2019) on bank loans with the Caisse de dépôt et placement du Québec.

10 / CONTRIBUTIONS TO THE GOVERNMENT OF QUÉBEC

	2020	2019
Ministère de la Santé et des Services sociaux	**22,000**	22,000
Ministère de la Sécurité publique	**3,000**	3,000
	25,000	**25,000**

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

11 / TRADE AND OTHER RECEIVABLES

	2020	2019
Retailers[1]	**21,858**	58,890
Interprovincial Lottery Corporation	**–**	3,424
Other	**10,763**	12,003
	32,621	**74,317**

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

[1] 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, 2020, gross trade receivables and accrued liabilities offset amounted to $24,644 ($71,984 in 2019) and $2,786 ($13,094 in 2019), respectively, representing the net amounts of the settlement of $21,858 ($58,890 in 2019).

12 / INVENTORIES

	2020	2019
Food and beverages	**3,858**	3,936
Lottery tickets and paper stock	**746**	877
	4,604	**4,813**

For the fiscal year, the cost of inventories recognized as an expense amounted to $52,305 ($57,605 in 2019).

13/ INTERESTS IN THE JOINT VENTURE, LOANS AND ADVANCE

	2020	2019
Interests	**26,648**	27,774
Loans and advance[1]	**11,308**	12,308
	37,956	**40,082**

[1] The $5,000 advance is presented under current assets in the consolidated statement of financial position as at March 31, 2019.

INTERESTS

Interest and share of the joint venture, and payments to partners

		Interest %		Carrying amount	
	Units	**2020**	**2019**	**2020**	**2019**
Partnership units in MRLP				**26,648**	27,774
With voting and participating rights	**A**	**50%**	50%		
With participating rights	**B**	**33%**	33%		

Pursuant to a guarantee agreement between Loto-Québec and MRLP, and according to the distribution terms and conditions specified in the partnership agreement whereby Class A, B and C units of MRLP carry a participatory interest in the income generated by the different types of operations of MRLP, the net contribution represents the portion of net income generated by the operations of the Casino de Charlevoix payable to MRLP 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.

	2020	2019
Share of Loto-Québec based on its proportion of Class A and B units	**(1,482)**	(456)
Payments to partners, holders of Class C units	**(3,813)**	(3,780)
Share of net loss in the joint venture and payments to partners	**(5,295)**	(4,236)

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

	2020	2019
Total current assets	**6,868**	13,705
Total non-current assets	**88,320**	89,019
Total assets	**95,188**	102,724
Total current liabilities	**4,610**	10,798
Total non-current liabilities	**9,865**	6,387
Total liabilities	**14,475**	17,185
Revenues	**28,333**	35,220
Net and comprehensive income – loss generated by Manoir Richelieu	**(4,585)**	(1,449)
Income – Class A units	**118**	113
Loss – Class B units	**(4,703)**	(1,562)
Payments to partners, holders of Class C units	**3,813**	3,780
Net and comprehensive income – loss	**(772)**	**2,331**

LOANS AND ADVANCE

	2020	2019
MRLP		
Loan, fixed rate of 5%, interest payable annually, without terms of repayment	**2,508**	2,508
Loan, variable rate of 2.25% as at March 31, 2020 (2.36% in 2019), interest payable annually, maturing on May 5, 2021	**1,300**	1,300
Loan, variable rate of 2.45% as at March 31, 2020 (3.30% in 2019), interest payable annually, maturing on January 9, 2024	**3,500**	3,500
Loan, variable rate of 2.50% as at March 31, 2020, interest payable annually, maturing on January 9, 2025	**4,000**	–
Non-interest bearing advance, repaid on April 12, 2019[1]	**–**	5,000
	11,308	**12,308**

[1] This advance is presented under current assets in the consolidated statement of financial position as at March 31, 2019.

14 / PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Improvements to parking lots	Interior finishing and landscaping	Leasehold improvements	Equipment and other	Works of art	Under construction[1]	Total
Cost									
Balance as at April 1, 2018	44,133	432,573	122,263	522,411	86,889	621,988	7,875	1,753	1,839,885
Additions	–	4,320	353	1,569	1,143	34,183	–	12,434	54,002
Transfers out of In progress – commissioned	–	95	17	40	760	–	–	(912)	–
Disposals	–	(1,623)	–	–	(1,345)	(39,409)	–	–	(42,377)
Balance as at March 31, 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 In progress – commissioned	**–**	**–**	**1,412**	**3,331**	**5,242**	**–**	**–**	**(9,985)**	**–**
Disposals	**–**	**–**	**–**	**(14)**	**(3,692)**	**(33,009)**	**–**	**–**	**(36,715)**
Balance as at March 31, 2020	**44,133**	**442,627**	**125,772**	**531,374**	**98,546**	**616,283**	**7,875**	**18,746**	**1,885,356**
Accumulated depreciation									
Balance as at April 1, 2018	–	210,745	95,129	289,152	64,284	423,716	–	–	1,083,026
Depreciation for the year	–	12,280	4,624	25,382	4,384	55,198	–	–	101,868
Disposals	–	(1,234)	–	–	(1,216)	(39,307)	–	–	(41,757)
Balance as at March 31, 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)**
Balance as at March 31, 2020	**–**	**230,608**	**104,263**	**326,964**	**66,556**	**459,441**	**–**	**–**	**1,187,832**
Net carrying amounts									
As at March 31, 2019	**44,133**	**213,574**	**22,880**	**209,486**	**19,995**	**177,155**	**7,875**	**13,275**	**708,373**
As at March 31, 2020	**44,133**	**212,019**	**21,509**	**204,410**	**31,990**	**156,842**	**7,875**	**18,746**	**697,524**

[1] The allocation of property, plant and equipment under construction by class is as follows:

	2020	2019
Buildings	**3,246**	1,337
Improvements to parking lots	**1,110**	1,862
Interior finishing and landscaping	**13,567**	4,200
Leasehold improvements	**786**	5,876
Equipment and other	**37**	–
	18,746	**13,275**

15 / INTANGIBLE ASSETS

	Acquired	Internally generated		
	Software and licences	Software	IT projects under development	Total
Cost				
Balance as at April 1, 2018	57,253	226,659	6,291	290,203
Additions	2,850	2,126	11,190	16,166
Transfers of commissioned IT projects	106	901	(1,007)	–
Disposals	–	(437)	–	(437)
Balance as at March 31, 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)**
Balance as at March 31, 2020	**60,632**	**231,763**	**16,432**	**308,827**
Accumulated amortization				
Balance as at April 1, 2018	52,505	183,033	–	235,538
Amortization for the year	1,901	16,149	–	18,050
Disposals	–	–	–	–
Balance as at March 31, 2019	**54,406**	**199,182**	**–**	**253,588**
Amortization for the year	**2,170**	**16,009**	**–**	**18,179**
Disposals	**(2,512)**	**(10,183)**	**–**	**(12,695)**
Balance as at March 31, 2020	**54,064**	**205,008**	**–**	**259,072**
Net carrying amounts				
As at March 31, 2019	**5,803**	**30,067**	**16,474**	**52,344**
As at March 31, 2020	**6,568**	**26,755**	**16,432**	**49,755**

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, 2020:

	Buildings	Improvements to parking lots	Equipment and other	Total
Cost				
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)
As at March 31, 2020	**8,239**	**211**	**18,234**	**26,684**
Accumulated depreciation				
As at April 1, 2019	–	–	–	–
Depreciation for the year	2,183	211	4,866	7,260
Lease termination	–	–	(71)	(71)
As at March 31, 2020	**2,183**	**211**	**4,795**	**7,189**
Carrying amount				
As at March 31, 2020	**6,056**	**–**	**13,439**	**19,495**

The expense relating to variable lease payments (contracts for royalties on slot machines) not included in the measurement of lease liabilities amounts to $13,885.

The table below shows the maturity analysis of undiscounted contractual cash flows relating to Loto-Québec's lease liabilities as at March 31, 2020:

Less than 1 year	6,753
From 1 to 3 years	9,024
More than 3 years	4,886
	20,663

The following table shows the lease liabilities recognized in the statement of financial position as at March 31, 2020:

Current portion	6,555
Non-current portion	13,561
	20,116

17 / BANK LOANS

Current bank term loans totalled $283,800 ($296,735 in 2019), including $283,800 ($133,800 in 2019) 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 carry interest at fixed rates ranging from 0.45% to 2.25% (1.92% to 3.05% in 2019).

18 / ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
Trade payable and accrued liabilities[1]	**72,411**	67,837
Interprovincial Lottery Corporation	**6,907**	–
Lottery prizes payable[2]	**63,029**	62,868
Progressive jackpots payable[3]	**31,602**	28,701
Salaries payable	**69,748**	92,320
Employee benefits payable	**16,814**	7,568
MRLP	**2,127**	2,340
GST	**3,947**	3,988
QST	**8,137**	8,203
	274,722	**273,825**

[1] Trade payable and accrued liabilities include accrued interest totalling $1,343 ($1,257 in 2019) payable to the Financing Fund of the Government of Québec and $42 ($40 in 2019) payable to the Caisse de dépôt et placement du Québec.

[2] 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.

[3] Progressive jackpots payable comprise mainly progressive jackpots of casino slot machines. This liability increases with the gaming activities of clients.

19 / LONG-TERM DEBT

	2020	2019
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**	43,375
September 1, 2023, fixed rate of 3.133%	**25,000**	25,000
June 1, 2028, fixed rate of 2.085%	**44,730**	–
December 1, 2033, fixed rate of 3.720%	**25,000**	25,000
December 1, 2043, fixed rate of 3.753%	**25,000**	25,000
	163,105	**118,375**
Transaction costs	**(503)**	(416)
	162,602	**117,959**
Less current portion	**(43,375)**	–
	119,227	**117,959**

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, 2020, the employee and employer contribution rate decreased to 10.63% (10.88% in 2019) of assessable payroll for the RREGOP, while the rate for the PPMP was 12.29% (12.82% in 2019). 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, 2020 (2.97% 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 $11,418 ($8,799 in 2019) 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 valuations for the Employee Plan and the Executive and Professional Plan were prepared as at December 31, 2018. The next valuations will be prepared as at December 31, 2021, at the latest. The most recent actuarial valuation for the Supplementary Plan was prepared as at March 31, 2019, and the next valuation will be prepared as at March 31, 2020.

(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, 2020, 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:

	2020	2019
Present value of unfunded defined benefit obligation	10,737	11,309
Present value of funded defined benefit obligation	723,829	767,653
Total present value of defined benefit obligation	734,566	778,962
Fair value of plan assets	734,262	733,390
Net defined benefit and other long-term benefit liability (asset)	304	45,572

Represented by:

	2020	2019
Net defined benefit asset	(12,144)	(1,253)
Net defined benefit and other long-term benefit liability	12,448	46,825
	304	45,572

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

	2020			2019
	Pension plans	Other long-term benefits	Total	Total
Defined benefit obligation				
Balance, beginning of year	767,653	11,309	778,962	691,751
Current service cost	30,430	–	30,430	29,664
Interest expense	27,045	–	27,045	25,973
Employee contributions	17,825	–	17,825	17,576
Benefits paid	(17,155)	–	(17,155)	(12,889)
Actuarial (gains) losses	(101,969)	(572)	(102,541)	26,887
Balance, end of year	723,829	10,737	734,566	778,962
Fair value of plan assets				
Balance, beginning of year	733,390	–	733,390	672,747
Interest income	24,899	–	24,899	24,604
Return on plan assets excluding interest income	(42,621)	–	(42,621)	15,960
Employer contributions	18,974	–	18,974	16,442
Employee contributions	17,825	–	17,825	17,576
Benefits paid	(17,155)	–	(17,155)	(12,889)
Plan administration expenses	(1,050)	–	(1,050)	(1,050)
Balance, end of year	734,262	–	734,262	733,390
Net defined benefit and other long-term benefit liability (asset)	(10,433)	10,737	304	45,572

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

	2020		2019	
	Allocation %	Fair value $	Allocation %	Fair value $
Cash	0.7	5,140	1.2	8,801
Bonds	39.0	286,362	49.5	363,028
Mortgages	10.0	73,426	–	–
Canadian equities	11.1	81,503	11.2	82,140
International equities	27.8	204,125	29.5	216,350
Real estate funds	9.5	69,755	8.1	59,404
Infrastructure	0.7	5,140	0.2	1,467
Private investments	1.2	8,811	0.3	2,200
	100.0	734,262	100.0	733,390

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:

	2020			2019
	Pension plans	Other long-term benefits	Total	Total
Service costs	**30,430**	**–**	**30,430**	29,664
Net interest expense	**2,146**	**–**	**2,146**	1,369
Plan administration expenses	**1,050**	**–**	**1,050**	1,050
Actuarial (gains) losses related to other long-term benefits	**–**	**(572)**	**(572)**	241
Post-employment and other long-term benefits	**33,626**	**(572)**	**33,054**	**32,324**

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

	2020	2019
Actuarial gains arising from changes in demographic assumptions	**10,652**	339
Actuarial gains (losses) arising from changes in financial assumptions	**91,886**	(21,166)
Actuarial losses arising from plan experience	**(570)**	(5,819)
Return on plan assets excluding interest income	**(42,620)**	15,960
Remeasurements of the net defined benefit liability (asset)	**59,348**	**(10,686)**

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

	2020		2019	
	Pension plans	Other long-term benefits	Pension plans	Other long-term benefits
Defined benefit obligation as at March 31				
Discount rate	**3.80%**	**3.50%**	3.35%	3.15%
Inflation rate	**0.90%**	**0.90%**	1.45%	1.45%
Rates of compensation increase	**2.50%**	**2.50%**	2.45%	2.45%

For the defined benefit obligation as at March 31, 2020, and March 31, 2019, 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, 2019, these rates were 115% for male and female Employee Plan members and 100% for male and female Executive Plan and Supplemental Plan members. As at March 31, 2020, these rates are 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:

	2020		2019	
	Female	Male	Female	Male
Employee Plan	**23.8 years**	**22.0 years**	24.8 years	21.6 years
Executive and Professional Plan and Supplementary Plan	**24.8 years**	**23.0 years**	25.2 years	22.9 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:

	2020		2019	
Discount rate	**Increase to 4.80%**	**Decrease to 2.80%**	Increase to 4.35%	Decrease to 2.15%
(Decrease) increase in defined benefit obligation	**(106,654)**	**125,058**	(115,437)	135,771
Inflation rate	**Increase to 1.90%**	**Decrease to 0.10%**	Increase to 2.45%	Increase to 0.45%
Increase (decrease) in defined benefit obligation	**50,456**	**(57,976)**	36,089	(62,771)
Rates of compensation increase	**Increase to 3.50%**	**Decrease to 1.50%**	Increase to 3.45%	Decrease to 1.45%
Increase (decrease) in defined benefit obligation	**6,373**	**(6,195)**	7,258	(6,993)
Mortality rate	**Increase to 110% of rates**	**Diminution to 90% of rates**	Increase to 110% of rates	Diminution to 90% of rates
(Decrease) increase in defined benefit obligation	**(9,872)**	**10,748**	(9,043)	9,825

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 benefit obligation as at March 31, 2020, was 14.70 years (15.01 years in 2019).

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:

	2020	2019
Bank loans	**283,800**	296,735
Long-term debt	**162,602**	117,959
Share capital	**170**	170
Retained earnings	**86,300**	86,300
	532,872	**501,164**

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 $450,000 for the period from April 1, 2018, to March 31, 2019, $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. During the year, Loto-Québec met its capital requirements.

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, 2019.

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 mainly related to taxes on leases. In addition to the commitments related to taxes on leases, Loto-Québec is committed under leases expiring on various dates through May 2035 for the rental of administrative offices and land. In certain cases, those leases carry an implied two-to-five-year renewal option.

The maturities are as follows:

	2020	2019
Less than 1 year	**22,041**	25,155
From 1 to 5 years	**40,754**	52,930
More than 5 years	**11,984**	19,028
	74,779	**97,113**

(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 arising from exchange rate, interest rate and market price fluctuations. 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 and with the Interprovincial Lottery Corporation, which is equally owned by each of the Canadian provinces and is mandated by them to conduct and administer the countrywide lotteries. Other financial assets consist of loans and the advance in a joint venture.

Trade and other receivables past due represented 2% of receivables in 2020 (1% in 2019). 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.

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

	2020					
			Maturity			
	Carrying amount	Total contractual cash flows	Less than 12 months	From 1 to 2 years	From 2 to 5 years	More than 5 years
Financial liabilities						
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**	–	–	–
MRLP	**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**
	752,650	**797,208**	**643,760**	**8,558**	**49,498**	**95,392**

	2019					
			Maturity			
	Carrying amount	Total contractual cash flows	Less than 12 months	From 1 to 2 years	From 2 to 5 years	More than 5 years
Financial liabilities						
Bank loans	296,735	296,735	296,735	–	–	–
Dividend payable	147,404	147,404	147,404	–	–	–
Trade payable and accrued liabilities	67,837	67,837	67,837	–	–	–
MRLP	2,340	2,340	2,340	–	–	–
Lottery prizes payable	62,868	62,868	62,868	–	–	–
Progressive jackpots payable	28,701	28,701	28,701	–	–	–
Salaries payable	92,320	92,320	92,320	–	–	–
Derivatives on gaming transactions	5,620	5,620	5,620	–	–	–
Long-term debt	117,959	162,865	4,431	47,806	32,563	78,065
	821,784	**866,690**	**708,256**	**47,806**	**32,563**	**78,065**

c) **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect Loto-Québec's net income or the value of its holdings of financial instruments. Market risk management aims to manage and control market risk exposures within acceptable parameters.

d) **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:

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans to MRLP	11,308	11,308	7,308	7,308
Long-term debt	163,105	179,490	118,375	131,113

a) **Non-derivative financial assets**

The fair value of loans to MRLP 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

	2020	2019
Cash as at March 31		
Cash on hand at casinos	**72,163**	75,786
Cash	**38,364**	25,211
	110,527	**100,997**
Net change in non-cash items		
Trade and other receivables	**41,696**	34,904
Inventories	**209**	5,484
Prepaid expenses	**5,489**	(1,672)
Accounts payable and accrued liabilities	**(9,243)**	3,054
Derivatives on gaming transactions	**(3,259)**	312
Deferred revenues	**(8,134)**	(11,743)
	26,758	**30,339**
Additional information		
Additions to property, plant and equipment funded by accounts payable and accrued liabilities	**21,565**	13,959
Additions to intangible assets funded by accounts payable and accrued liabilities	**4,603**	2,192
Share of partners, holders of Class C units, in MRLP included in accounts payable and accrued liabilities	**2,877**	2,792

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
Balance as at March 31, 2019	**296,735**	**147,404**	**117,959**	**–**	**86,300**	**648 398**
Changes arising from cash flows related to financing activities:						
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)**
Other changes related to these liabilities:	**(12,935)**	**(89,341)**	**44,730**	**20,116**	**(1,353,462)**	**(1,390,892)**
Change in transaction costs	**–**	**–**	**(87)**	**–**	**–**	**(87)**
Total changes related to these liabilities	**(12,935)**	**(89,341)**	**44,643**	**20,116**	**(1,353,462)**	**(1,390,979)**
Total other changes related to shareholder's equity	**–**	**–**	**–**	**–**	**1,353,462**	**1,353,462**
Balance as at March 31, 2020	**283,800**	**58,063**	**162,602**	**20,116**	**86,300**	**610,881**

	Liabilities				Shareholder's equity	
	Bank loans	Dividend payable	Long-term debt	Lease liabilities	Retained earnings	Total
Balance as at March 31, 2018	**289,294**	**168,967**	**217,832**	**–**	**86,300**	**762,393**
Changes arising from cash flows related to financing activities:						
Net change in bank loans	7,441	–	–	–	–	7,441
Dividend paid	–	(21,563)	–	–	(1,383,206)	(1,404,769)
Repayment of long-term debt	–	–	(100,000)	–	–	(100,000)
Contributions to the Government of Québec	–	–	–	–	(25,000)	(25,000)
Other changes related to these liabilities:	**7,441**	**(21,563)**	**(100,000)**	**–**	**(1,408,206)**	**(1,522,328)**
Change in transaction costs	–	–	127	–	–	127
Total changes related to these liabilities	**7,441**	**(21,563)**	**(99,873)**	**–**	**(1,408,206)**	**(1,522,201)**
Total other changes related to shareholder's equity	**–**	**–**	**–**	**–**	**1,408,206**	**1,408,206**
Balance as at March 31, 2019	**296,735**	**147,404**	**117,959**	**–**	**86,300**	**648,398**

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:

	2020	2019
Short-term employee benefits	**3,734**	3,592
Post-employment and other long-term benefits	**578**	552
	4,312	**4,144**

26 / IMPACT OF THE COVID-19 PANDEMIC

During the last few weeks of the fiscal year, 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.

Loto-Québec is closely monitoring the evolution of the situation around the spread of COVID-19. A special COVID-19 committee was created to implement and actively review the measures required to address the impact of the pandemic on the employees and operations of Loto-Québec.

An assessment of the tasks deemed essential for maintaining services still in operation and assets was carried out.

From March 13 to 31, 2020, Loto-Québec implemented various prevention measures adapted to its reality and aimed at protecting its employees and customers:

- Closure of casinos and gaming halls
- Suspension of video lottery, network bingo and Kinzo operations
- Suspension of the operations of prize claim centres at the head office and the Québec City office
- Suspension of sale of lottery tickets and closing down of sales terminal at retailers and lottery kiosks operated by non-profit organizations until May 4, 2020
- Suspension of operations of Hilton Lac-Leamy and Fairmont Le Manoir Richelieu

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 organizations 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 organizations operate in exactly the same way as Loto-Québec, it's important to take into account the characteristics of their respective game offerings and business model differences. Nonetheless, Loto-Québec ensures continuous monitoring, in collaboration with the above-mentioned Canadian government organizations, to stay abreast of changes in Canada's gaming sector. When it came time to develop the 2017–2020 strategic plan, these monitoring activities allowed us to draw inspiration from performance indicator best practices. Benchmarking made it possible to establish performance indicators in sectors such as compliance auditing in partner bars, employee mobilization, product-cost ratio and customer satisfaction.

LAST YEAR'S RESULTS AND FINDINGS

The 2019–2020 fiscal year is the third and final year of our 2017–2020 strategy planning cycle. During this period, in keeping with the four orientations in our plan, we continued to improve our offering by focusing on customer-centred entertainment and we stayed the course on efficient management and balancing the social and economic aspects of our mission. The resulting strategy generated a good outcome. Our net income was $1.353 billion for 2019–2020, which is quite close to the previous year's net income ($1.408 billion), despite most of our activities being suspended in mid-March due to the COVID-19 pandemic.

1 PLACE THE **CUSTOMER AT THE CENTRE** OF OUR DECISION-MAKING PROCESS

2 DEVELOP NEW GROWTH OPPORTUNITIES COMBINING **GAMING AND ENTERTAINMENT**

3 **FOSTER GOODWILL** TOWARDS OUR ORGANIZATION AND OFFERINGS

4 IMPROVE OUR **AGILITY** AND **WORK PROCESSES**

STRATEGIC ORIENTATION 1

PLACE THE CUSTOMER AT THE CENTRE OF OUR DECISION-MAKING PROCESS

Our customer service efforts continue to generate excellent results. As was the case in 2018–2019, the overall customer satisfaction indicator is 8.4, far exceeding the 7.6 target in the strategic plan.

The proportion of the adult population taking advantage of more than one category of our offer, 29%, is stable compared to 2017–2018 and exceeds the target of 27%.

Our convergent offering strategy is having a positive impact on online gaming, which is posting a clear increase. The proportion of online revenues is now 5.0%, compared to 3.7% in 2018–2019.

STRATEGIC ORIENTATION 2

DEVELOP NEW GROWTH OPPORTUNITIES COMBINING GAMING AND ENTERTAINMENT

Of course, traffic in our casinos and gaming halls was severely affected by their closure due to the pandemic. At the end of February, however, it was up 0.6% compared to the previous year.

The purchase incidence among adults under 35 has remained fairly stable in recent years, ranging from 70% to 74%.

Our shift to entertainment is especially obvious in the proportion of video lottery terminals (VLTs) in multi-game establishments. At 21% in 2018–2019, it surged to 27% in this past year, exceeding the target of 25%.

STRATEGIC ORIENTATION 3

FOSTER GOODWILL TOWARDS OUR ORGANIZATION AND OFFERINGS

In 2019, our World Lottery Association Level 4 Certification—the highest level awarded for responsible gambling—was renewed, clearly demonstrating our efforts in this regard. The certification is valid until 2022.

We continue to place great importance on compliance audits with responsible commercialization codes. In the bar network, the ratio of the number of visits per establishment was 6.4, clearly higher than the number in other jurisdictions that operate VLTs. In the lottery retailer network, 498 visits were conducted. These are both increases compared to earlier years.

Visits to our Centre du hasard kiosks suffered on account of the closure of our establishments due to the pandemic. The 47,302 visits made in 2019–2020 did not reach the target of 48,550. Based on data from the last quarter of 2019–2020, however, the target would have been exceeded were it not for the closure.

As mentioned earlier, our net income, at $1.353 billion, was significantly affected by the pandemic, but it outstrips the target of $1.162 billion.

In terms of BOMA BEST certifications, we still have nine certified buildings, so we have met our goal of maintaining our certifications.

STRATEGIC ORIENTATION 4

IMPROVE OUR AGILITY AND WORK PROCESSES

Managing our activities soundly and efficiently is still central to our priorities, and the ratio of total expenses to revenues shows the extent of the efforts we are making. At the end of February, the ratio was 30.8%, which is almost the same as the ratio on the same date the previous year, 30.9%. Despite the pandemic, the result for the entire year, 33.0%, far exceeds the target in the strategic plan, which is set at 37.3%.

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

FOR THE 2019–2020 FISCAL YEAR

As required under the *Sustainable Development Act*, this section outlines objectives and activities carried out in 2019–2020 with respect to our 2015–2020 Responsible Commercialization Plan (RCP). The RCP allows the organization to operationalize the responsible commercialization code.

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 93.

Our RCP was due to finish this year. Since the Government Sustainable Development Strategy 2015–2020 has been extended by one year, we're renewing our objectives for an additional year. We plan to adopt a new RCP for 2021–2022 to align our objectives with their respective targets.

ORGANIZATIONAL OBJECTIVE 1

PROVIDE OUR EMPLOYEES WITH A STIMULATING WORKPLACE

ACTION 1: Mobilize our employees to achieve our business objectives

79%
of respondents connect responsible commercialization with our business objectives.

SUB-ACTION 1.1

Communicate our business objectives and strategic priorities, drawing a connection with responsible commercialization

INDICATOR

Percentage of employees who connect responsible commercialization and business objectives

TARGET

85% of employees

FURTHER INFORMATION

Adding responsible commercialization at every level of the organization will require all stakeholders to understand our approach, so that all our employees will be able to contribute to it. This past winter, we conducted an intranet survey of our employees' knowledge about our approach. The outcome was the same, but the number of respondents increased in comparison to the previous year: 603 people took part in 2020, up 108 from 2019 (+22%). This higher participation rate has encouraged us to do more to promote our responsible commercialization achievements during the year.

CONTRIBUTION TO GOVERNMENT STRATEGY

1.1 1.2 — 1 10 — 1 2 — 1

51
communications showcased employees.

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: 25 posts on the intranet and 26 in other media.

CONTRIBUTION TO GOVERNMENT STRATEGY

1.1 1.2 — 1 17 — 1 — 1

ACTION 2: Anchor responsible commercialization in our organizational culture

100%
of the action plans included responsible commercialization actions.

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 Présidence des opérations – Loteries, the Société des casinos du Québec and the Société des établissements de jeux du Québec, have integrated RCP actions in their 2019–2020 action plans.

CONTRIBUTION TO GOVERNMENT STRATEGY

1.1 1.2 | 1 11 | 1 2 | 1

86%
of employees have seen concrete responsible commercialization actions.

SUB-ACTION 2.2

Support responsible commercialization initiatives

INDICATOR

Percentage of employees who see concrete responsible commercialization actions in their company

TARGET

60% by 2020

FURTHER INFORMATION

Once again this year, we conducted a survey on advances in responsible commercialization at Loto-Québec. The outcome was the same as in the previous year, but the participation rate rose to 602 participants, 125 more than in 2019 (+26%). This year, to meet our employees' expectations, we will continue to look more closely at the needs of our various sectors to develop the appropriate competencies and skills for different positions and deploy best eco-friendly practices.

CONTRIBUTION TO GOVERNMENT STRATEGY

1.1 1.4 | 16 | 1 | 1

94%
of employees received training in responsible gambling.

SUB-ACTION 2.3

Continue our responsible gambling awareness and training efforts with our employees

INDICATOR

Percentage of employees trained in responsible gambling

TARGET

95% of active employees

FURTHER INFORMATION

The current training, Level 1 of the problem gambling awareness workshop, is given in the classroom. It will be reviewed and offered online as professional development, starting in fall 2020.

CONTRIBUTION TO GOVERNMENT STRATEGY

1.4 | 16 | 1 | 1

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

The **REVISED PROCESS** was implemented.

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.

CONTRIBUTION TO GOVERNMENT STRATEGY

2.5 8 1 1

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

At least one employee in **98%** of bars took part in the training program.

SUB-ACTION 4.1

Foster the improvement of our retailers' responsible commercialization practices

INDICATOR

Percentage of bars where at least one employee took part in the *Taking Risk is no Game* training program

TARGET

70% of bars

FURTHER INFORMATION

The new training program consists of three modules. It has been offered since April 2019. We far exceeded our target, thanks to our representatives who recommended to retailers that they take the training.

CONTRIBUTION TO GOVERNMENT STRATEGY

2.5 8 2 6

47,302 contacts were made with customers this year, or 97% of our target.

SUB-ACTION 4.2

Increase the reach of our awareness tools within our establishments

INDICATOR

Number of contacts made with clients at the Centre du hasard information kiosks

TARGET

20% increase by 2020

FURTHER INFORMATION

Due to the closure of the casinos and gaming halls on March 13, it was impossible to reach the target of 48,556 interactions, but based on the results compiled since the beginning of the last quarter of 2019–2020, we would have exceeded it were it not for the closures.

CONTRIBUTION TO GOVERNMENT STRATEGY

2.5 30 2

21%
of self-excluded clients are interested in one of our assistance services.

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 service offered by our partners at Gambling: Help and Referral. It's a free helpline that provides support to players and gives them information about the help available. The service has been offered since fall 2018.

CONTRIBUTION TO GOVERNMENT STRATEGY
2.5 5.1 30 2

ACTION 5: Develop and communicate relevant information so that players can make informed decisions about their participation in gaming activities and have fun without losing control of their gaming habits

55%
of players know the basic messages about responsible gambling.

SUB-ACTION 5.1
Improve the awareness rate of information about responsible gambling among players

INDICATOR
Percentage of players who know the basic messages about responsible gambling

TARGET
65% by 2020

FURTHER INFORMATION
- The penetration rate was evaluated by a Léger survey in March 2020.
- More than one third of Quebecers have been exposed to the responsible gambling awareness campaign. The *Gym* and *Resto* ads and the new awareness videos have been posted on the web and in social media. "It's important to set limits and stick to them" is a message that is increasingly associated with responsible gambling.

CONTRIBUTION TO GOVERNMENT STRATEGY
2.5 5.1 30 2

ORGANIZATIONAL OBJECTIVE 3

GUARANTEE THE INTEGRITY OF OUR GAMES AND THEIR DISTRIBUTION CHANNELS

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

The rules of
100%
of our games are available to players.

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 2019–2020 are available at our casinos, gaming halls, gaming establishments, on our website and at lottery retailers.

CONTRIBUTION TO GOVERNMENT STRATEGY
2.5 30 1

ACTION 7: Implement oversight measures that enforce these rules

We maintained our **WLA** Security Control Standard **CERTIFICATION**.

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 May 2019. ISO/IEC 27001 Certification is a prerequisite for WLA certification.

CONTRIBUTION TO GOVERNMENT STRATEGY 1

100% of our facilities are subject to security monitoring measures.

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 1

ACTION 8: Ensure all players are treated equally

100% of new games are compliant.

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 2019–2020 at our casinos, gaming halls, gaming establishments and online is compliant.

CONTRIBUTION TO GOVERNMENT STRATEGY 1

Our **CERTIFICATION** is **BEING** renewed.

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

Although the certification process is underway, the COVID-19 requirements and management measures have delayed the work schedule. Our certification should be finalized in the first quarter of 2020–2021.

CONTRIBUTION TO GOVERNMENT STRATEGY 1

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

95% of events attained the sustainability threshold.

SUB-ACTION 9.1

Optimize the benefits of our sponsorships for our organization and the community

INDICATOR

Percentage of events that attain the sustainability threshold

TARGET

85% of sponsored events

FURTHER INFORMATION

- In total, 95% of the target events attained the sustainability threshold for 2019–2020. This threshold is established based on a score attributed to the measures applied.
- The performance of this indicator reflects the efforts made by the events we sponsored to continuously improve their responsible management practices.
- Again this year, we supported Les Vivats, an awards ceremony celebrating eco-friendly events presented by Loto-Québec and RECYC-QUÉBEC, which took place in the fall.

CONTRIBUTION TO GOVERNMENT STRATEGY 7 3

5 cultural partnerships were struck in regions where we have establishments.

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 2019–2020, the regions are the Capitale-Nationale, the Laurentides, Mauricie and Montréal.
- Cultural partnerships were also created in Montérégie and Gaspésie.

CONTRIBUTION TO GOVERNMENT STRATEGY 3

ACTION 10: Efficiently and effectively manage our resources

$13.3M

was saved through responsible commercialization.

SUB-ACTION 10.1

Introduce a responsible commercialization continuous improvement system and report on its effects on the environment and society

INDICATOR

Dollars saved through the responsible commercialization process

TARGET

$20 million in savings thanks to the responsible commercialization approach by 2020

FURTHER INFORMATION

The money saved through responsible commercialization is included in our overall optimization portfolio. These savings took inspiration from the principles of “rethink, reduce, reuse and recycle.”

CONTRIBUTION TO GOVERNMENT STRATEGY

1.1 1.2 | 1 | 1 4

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

100%

of projects were improved.

100%

of calls for tenders were evaluated.

SUB-ACTION 11.1

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

INDICATORS

- Number of projects improved
- 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

TARGETS

- 100% of structuring projects
- 100% of calls for tenders

FURTHER INFORMATION

- The number of structuring projects for 2019–2020 was 14.
- We issued 88 calls for tenders in 2019–2020 (not including calls for tenders for food products and consulting services).

CONTRIBUTION TO GOVERNMENT STRATEGY

1.1 | 8 9 | 2 4

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

1.2 | 10 11 | 2 | 4

3

building received BOMA BEST Gold certification this year.

SUB-ACTION 11.3

Strengthen the global performance management system of our infrastructures

INDICATOR

BOMA BEST certifications

TARGET

Silver certification for target buildings[1]

FURTHER INFORMATION

- Eight of the nine buildings identified for our five-year target achieved or exceeded the Silver certification requirements. Although the certification file for the ninth building has been submitted for a higher level of certification, the COVID-19 requirements and management measures have delayed the certification schedule until 2020–2021.
- In 2019–2020, three buildings were reassessed: the Casino du Lac-Leamy, the Hilton Lac-Leamy and the Salon de jeux de Trois-Rivières. They all received BOMA BEST Gold certification.

CONTRIBUTION TO GOVERNMENT STRATEGY

ACTION 12: Optimize the publication of our responsible commercialization performance

26

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 art collection, and sponsorships are being highlighted in a communication strategy. This does not include our responsible gambling ad campaigns.

CONTRIBUTION TO GOVERNMENT STRATEGY

[1] 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

2
new projects were carried out in partnership with the health and research fields.

1,696
employees were involved in the *Tous gagnants* collective.

1
new project was related to causes and other 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 employees involved in the *Tous gagnants* collective
- Number of new projects related to causes and other stakeholders

TARGETS

- 5 projects by 2020
- 1,200 employees a year
- 5 projects by 2020

FURTHER INFORMATION

- For the five-year period, we have developed seven new collaborative projects with the health and research fields since 2018–2019.
- Two new projects with the health and research fields were launched in 2020. They focus on assessing the new Gambling: Help and Referral support offered since September 2018 and on the creation of support tools for the players' friends and family.
- Our employees have found many ways to get involved, such as the *Tous gagnants* campaign, which had more than twice as many donors this year, and the backpack activity and Opération Père Noël, which give children backpacks filled with school supplies or Christmas gifts.
- For the five-year period, a new project was set up with the Adélard arts centre this year, adding to the eight projects linked to other causes and stakeholders that were set up in previous years.

CONTRIBUTION TO GOVERNMENT STRATEGY

1.2

2

DEFINITIONS RELATED TO THE CONTRIBUTION TO THE GOVERNMENT STRATEGY

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)
- 1.4 Continue developing knowledge and skills related to sustainable development in the public administration
- 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
- 16 Training on sustainable development practices
- 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

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, either directly or indirectly, offer, solicit or accept an undue favour or benefit for themselves or any persons related to a Director or Manager or a third party, nor can they accept any gift, any hospitality or any benefit other than what is customary and of modest value.

Any gift, any hospitality or any benefit that does not correspond to these criteria must be returned to the donor or to the State.

3.10 Door prizes in excess of $100 won by any Directors or Managers must be returned to the event organizers if the Corporation has paid event participation costs. Persons accompanying Directors or Managers in such cases 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

LANGUAGE POLICY

MAKING LANGUAGE 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	1
Disclosures the processing or examination of which was ended under paragraph 3 of section 22 of the Act	–
Well-founded disclosures	1
Disclosures broken down according to the categories of wrongdoings set out in section 4 of the Act:	
• Contravention of a Québec law, of a federal law applicable in Québec or of a regulation made under such a law	1
• Serious breach of the standards of ethics and professional conduct	–
• Misuse of funds or property belonging to a public body, including the funds or property it manages or holds for others	–
• Gross mismanagement within a public body, including an abuse of authority	–
• Any act or omission that seriously compromises or may seriously compromise a person's health or safety or the environment	–
• Directing or counselling a person to commit any of the wrongdoings described above	–
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 2019–2020, the President and Chief Executive Officer of Loto-Québec authorized 64 service contracts for over $25,000, with a total value of $16,127,887. Five of these contracts were concluded with a natural person.

LOTO-QUÉBEC WORKFORCE[1] AS OF MARCH 31, 2020

	Paid hours			
	Hours worked	Overtime	Total	Number of employees
Category				
Management staff	188,097	805	188,901	102
Professional staff	920,159	16,355	936,514	535
Office, technical and similar staff	575,951	12,934	588,884	323
Labourers, maintenance and service staff	36,409	732	37,142	21
Students and interns	16,737	3	16,740	11
Total	**1,737,353**	**30,829**	**1,768,181**	**992**

[1] Excluding subsidiaries

For the period from April 1, 2019, to March 31, 2020, 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, 2019, to March 31, 2020	**127**

NUMBER OF REQUESTS PROCESSED[1] BY TYPE AND PROCESSING TIME

	Requests for access			
	Administrative documents	Personal information	Correction	
Processing time				
0 to 20 days	6	57	0	
21 to 30 days	41	22	0	
31 days or more (if required)	0	0	0	
Total	**47**	**79**	**0**	**126**

NUMBER OF REQUESTS PROCESSED, BY TYPE AND DECISION RENDERED

	Requests for access			
	Administrative documents	Personal information	Correction	Provisions of the Law invoked
Decision rendered				
Accepted	16	42	0	
Partially accepted	12	18	0	9, 15, 21, 22, 23, 24, 28, 29, 32, 37, 39, 42, 53, 54, 57, 87.1, 88, 137.1, S. 9 of the Charter of Rights and Freedoms
Rejected	12	8	0	
Other	7	11	0	

Number of notices of review received from the Commission d'accès à l'information	**2**
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.

In 2019–2020, the Corporation, in compliance with the *Regulation respecting the distribution of information and the protection of personal information*, voluntarily disclosed information on its website.

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.

[1] Requests processed are those for which a response was provided during the fiscal year. The processing time of an application can be spread over 30 days.

BOARD OF DIRECTORS AND CORPORATE SECRETARIAT

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

Chairwoman
Loto-Québec's Board of Directors

Partner
LF&B CPA inc.

Mandate renewed: June 27, 2017
End of term: June 26, 2021

The recipient of a graduate degree in public accounting with honours from McGill University, Hélène F. Fortin also earned a *magna cum laude* Bachelor of Business Administration degree with specialization in accounting and finance from Concordia University. 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. She has been practising public accounting for more than 30 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. She sits on numerous boards of directors of major corporations and various organizations, including the Public Service Commission of Canada, the Québec Chapter of the Institute of Corporate Directors, UBS Bank (Canada) and VoiceAge, as Chair of the Audit, Governance, Human Resources, Finance and Pension Fund Management committees. She actively contributes to training on the governance of corporations and boards of directors 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

Mandate renewed: February 27, 2019
End of term: May 31, 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. Prior to that, she practised her profession as 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 31, 2017, she has 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 role she had been filling on an acting basis 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 Corporate Secretary of the World Lottery Association, an organization that brings together more than 140 public lottery corporations from some 80 countries around the world.

ALAIN ALBERT, MAGOG

Corporate Director

Mandate renewed: 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's degree with specialization 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 director, Mr. Albert has accumulated 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.

DONALD M. BASTIEN, MONTRÉAL

Corporate Director

Mandate renewed: June 7, 2017
End of term: June 6, 2020[1]

After studying marketing at the Manitoba Institute of Technology, Donald M. Bastien began his career in the telecommunications sector. From 1972 to 2012, he successively occupied the positions of Radio and Television Sales Director, Vice-President and Senior Vice-President of Sales as well as Senior Vice-President and General Manager at the CTV Television Network. In addition to being a founding member, Chairman of the Board of Directors and member of the Executive Committee of the Fondation Jeunes en tête, Mr. Bastien sits on the Board of Directors of the St. Mary's Hospital Foundation and on the Executive Committee of the Board of Governors of this hospital. He was also Chairman of RC média's Advisory Board and sat on the boards of numerous television networks including Canada Live News Agency from 2002 to 2012, TQS from 2001 to 2008, and Canal Évasion from 2001 to 2005.

[1] When a mandate comes to term, it is extended until its renewal or until the nomination of a new member.

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 and the Casualty Actuarial Society 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 been a board member of Optimum Réassurance since 2018.

MAUD COHEN, MONTRÉAL
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 earned 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, MONTRÉAL
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 master's training in communication sciences with a specialization in human-computer interaction (UX design). Certified as an Administratrice de sociétés certifiée (ASC) (certified corporate director) by Université Laval's Collège des administrateurs de sociétés in 2013, Ms. Côté has over 20 years of corporate governance experience, including a mandate as Chair of the Conseil des arts et des lettres du Québec's Board of Directors. Ms. Côté currently sits on the boards of the evenko foundation, Jalon Mtl and the Computer Research Institute of Montréal. Her professional experience includes more than 30 years in media, marketing and communications management (National Bank, Société Radio-Canada) and entertainment-sector business development (Cirque du Soleil, Productions J, ICI ARTV, ICI EXPLORA). Since 2015, Ms. Côté has acted as a business development and international relations advisor to several companies in creative industries, including Compagnia Finzi Pasca and Rodeo FX.

HUGO DELORME, MONTRÉAL

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, LaSalle College and Club Saint-James. 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 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 near-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. Recognized by the Government of Québec, she may sit on boards to settle disputes in the municipal sector.

NATHALIE GOODWIN, MONTRÉAL
LL. B., ASC

Attorney and Partner
Agence Goodwin

Mandate renewed: 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 she founded with two associates and which specializes in representing artists who work in various fields on all continents. 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, from 2009 to 2010, of the Société générale de financement. 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 sitting on the Board of Directors of Théâtre Outremont since July 2017.

ANN MACDONALD, BEACONSFIELD
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. She lends her vast experience managing strategic business growth and commercial development to BONE Structure as COO.

ANIE PERRAULT, SAINT-BRUNO-DE-MONTARVILLE
LL. L., ASC

Executive Manager
BIOQuébec

Mandate renewed: June 7, 2017
End of term: June 6, 2020[1]

An attorney by training, Anie Perrault is currently the Executive Manager of BIOQuébec and a part-time member (administrative judge) of the Canadian Human Rights Tribunal. In February 2013, she became an Administratrice de sociétés certifiée (ASC) (certified corporate director) from Université Laval's Collège des administrateurs de sociétés. She is Chair of the Board of Génome Québec and a member of the Fondation Jeanne-Mance. She ran her own communications agency, Communications Anie Perrault, from 2006 to 2010 while serving as city councillor for the City of Bromont from 2009 to 2015. From 2001 to 2006, she was Vice-President of Communications at Genome Canada. She was also previously National Director of Communications and Public Affairs for Canada's Research-Based Pharmaceutical Companies (R_x&D). From 1998 to 2000, Ms. Perrault served as Press Secretary, Director of Communications and Senior Advisor to the Right Honourable Joe Clark. She has also been a policy advisor to elected federal representatives and practised law in Montréal at Davies Ward Phillips & Vineberg from 1992 to 1995.

[1] When a mandate comes to term, it is extended until its renewal or until the nomination of a new member.

MARIE-CHRISTINE TREMBLAY, MONTRÉAL
LL. L.

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

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-Quebec 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. 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, 2020, the Board had 11 members—7 women and 4 men[1]—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.

During the 2019–2020 fiscal year, the Board held 14 meetings, in person or by conference call. A closed session without management present was held at the end of each Board and committee meeting.

DIRECTOR ATTENDANCE REPORT AS OF MARCH 31, 2020

	Board of Directors		Audit Committee	Governance and Ethics Committee		Human Resources Committee		Commercial Affairs Committee
Members	Regular 9	Special 5	Regular 5	Regular 4	Special 1	Regular 5	Special 1	Regular 3
Hélène F. Fortin	9/9	5/5	5/5	4/4	1/1	5/5	1/1	3/3
Alain Albert	9/9	5/5	–	–	–	5/5	1/1	3/3
Donald M. Bastien	9/9	5/5	4/4	4/4	1/1	–	–	3/3
Jean-François Blais	9/9	5/5	4/4	–	–	–	–	3/3
Marie Côté	9/9	5/5	5/5	–	–	–	–	3/3
Hugo Delorme	9/9	5/5	–	4/4	1/1	–	–	3/3
Dominique Gauthier	9/9	5/5	–	–	–	5/5	1/1	3/3
Nathalie Goodwin	8/9	5/5	4/5	2/3	1/1	–	–	3/3
Ann MacDonald	8/9	4/5	–	–	–	4/4	1/1	3/3
Anie Perrault	9/9	5/5	–	4/4	1/1	4/4	1/1	3/3

Excused absences.

[1] Maud Cohen joined the Board on April 8, 2020, bringing the number of members to 12, i.e. 8 women and 4 men.

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[1, 2, 3, 4 and 5]	$65,016.50
Alain Albert[3 and 4]	$22,304.41
Donald M. Bastien[1, 2 and 4]	$28,379.00
Jean-François Blais[1 and 4]	$21,207.00
Marie Côté[1 and 4]	$21,831.00
Hugo Delorme[2 and 4]	$21,519.00
Dominique Gauthier[3 and 4]	$17,990.91
Nathalie Goodwin[1, 2 and 4]	$22,767.00
Ann MacDonald[3 and 4]	$19,959.00
Anie Perrault[2, 3 and 4]	$23,703.00
	$264,676.82

ACTIVITIES

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 2019–2020 business plan and principal current projects. The Board also approved the 2018–2019 annual report[6] and ensured a follow-up on the 2019–2020 action plan.

Here are some of the topics addressed last year:

- The organizational structure
- Resources optimization
- Loto-Québec's 50th anniversary
- The vocation of the Salon de jeux de Québec
- The appointment of two senior executives
- The negotiation of collective agreements
- Preparations for the three-year strategic plan
- Ensuring budget targets are met
- Monitoring developments in information technology (IT)
- Taking all the necessary measures to deal with the COVID-19 pandemic

In addition, during the last 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 2019–2020 fiscal year:
[1] Audit Committee
[2] Governance and Ethics Committee
[3] Human Resources Committee
[4] Commercial Affairs Committee
[5] Pension plan committees for employees and for executive and professional staff of the Société des casinos du Québec (SCQ)

[6] The Board approved the 2019–2020 annual report at its meeting on June 26, 2020.

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, 2019[1]. It also passed operating and capital budgets to maintain operations.

On the recommendation of the Audit Committee, the Board proposed to the Government that it extend the mandate of the KPMG LLP firm as independent external co-auditor for the fiscal years ending on March 31, 2021, and March 31, 2022.

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 2019–2020 fiscal year, the Board ensured the Corporation's compliance with its governance regulations and policies.

It received confirmation, after review by the Governance and Ethics Committee, that no changes were required to the Code of Ethics for Employees of Loto-Québec and its Subsidiaries, the Code of Ethics and Professional Conduct for Directors and Managers of Loto-Québec and its Subsidiaries, the new director intake program, or the members' professional development program.

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

- Approved the addition of the expertise of cybersecurity to its members' areas of expertise and experience
- Reviewed the makeup of the 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 2019–2020 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 for managers at Loto-Québec and its subsidiaries for 2020-2021[2]
- The results of the incentive program for 2018–2019 and the program's terms of application for 2019–2020, for all target employees
- The appointment of the President of Operations of the Société des établissements de jeux du Québec (SEJQ) and the Corporate Vice-President of Responsible Gambling, Communications and Social Commitment
- The President and Chief Executive Officer's 2019–2020 objectives
- The negotiation mandates for the collective agreements of the concerned union locals

Once again on the recommendation of the Human Resources Committee, the Board approved changes to various internal operational policies related to the committee's areas of competency.

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.

[1] At its meeting on June 26, 2020, the Board approved, on the recommendation of the Audit Committee, the financial statements of the Corporation for the year ended March 31, 2020.

[2] The Board approved a freeze on managers' salaries and Board members' remuneration for the 2020–2021 fiscal year.

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 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, 2020, the Audit Committee was composed of five independent members

Chairwoman: Hélène F. Fortin, FCPA, FCA
Members: Donald M. Bastien, Jean-François Blais, 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

During the last fiscal year, the Audit Committee met five times, in person or by conference call, 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 quarterly financial statements and monitored the budget
- Reviewed the Corporation's 2018–2019 financial statements with the co-auditors, namely the Auditor General of Québec and KPMG LLP, and recommended their approval to the Board[1 and 2]
- Recommended that the Board suggest to the Government that it extend the mandate of KPMG LLP as independent external co-auditor for the fiscal years ending on March 31, 2021, and March 31, 2022
- Conducted a follow-up on the application of the International Financial Reporting Standards (IFRS)
- Recommended that the Board authorize the payment of bonuses for 2018–2019
- 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 2019–2020 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.

[1] 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 audit fees for the 2019–2020 financial statements came to $400,000, in compliance with its proposal.

[2] At its meeting on June 26, 2020, the Audit Committee reviewed the 2019–2020 financial statements with the external co-auditors and recommended their approval to the Board.

GOVERNANCE AND ETHICS COMMITTEE REPORT

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, 2020, the Governance and Ethics Committee was composed of five independent members.

Chairman: Donald M. Bastien
Members: Hugo Delorme, Hélène F. Fortin, FCPA, FCA, Nathalie Goodwin and Anie Perrault

ACTIVITIES

During the last fiscal year, the Governance and Ethics Committee met five times, in person or by conference call, 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
- 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 members' areas of expertise and experience and recommended that the Board approve the addition of the expertise of cybersecurity to it
- Reviewed:
  - The new director intake program and the members' professional development program
  - 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 operations
- 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, 2020, 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

During the last fiscal year, the Human Resources Committee met six times, in person or by conference call, 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 for managers at Loto-Québec and its subsidiaries for 2020–2021[1]
  - The results of the incentive program for 2018–2019 and its terms of application for 2019–2020, for all target employees
  - The appointment of the President of Operations of the SEJQ and the Corporate Vice-President of Responsible Gambling, Communications and Social Commitment
  - The President and Chief Executive Officer's 2019–2020 objectives
  - The negotiation mandates for the collective agreements of the concerned union locals
- Took note of any changes in the cost of the SCQ pension plans
- Monitored:
  - Achievements, orientations, priorities and performance indicators in terms of occupational health and safety
  - The succession identification program for management
  - The talent development plan
  - Senior management's 2019–2020 objectives
- 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.

[1] The Board approved a freeze on managers' salaries and Board members' remuneration for the 2020–2021 fiscal year.

REMUNERATION AND BENEFITS OF THE FIVE HIGHEST-PAID EXECUTIVES OF THE CORPORATION

FOR THE FISCAL YEAR ENDED MARCH 31, 2020

Name and Title	Salary received	Incentive remuneration	Vehicle[1]	Additional benefits[2]	Group insurance plan
Lynne Roiter President and Chief Executive Officer	$435,035	$65,386	$15,145	$2,500	$2,924
Kevin G. Taylor President of Operations Société des casinos du Québec	$327,797	$80,997	$17,980	$2,500	$7,921
Johanne Rock Corporate Vice-President Finance and Administration	$294,063	$63,221	$14,523	$2,500	$7,255
Isabelle Jean President of Operations – Lotteries Vice-President of Public Affairs	$289,023	$61,651	$12,098	$2,500	$5,504
Denis Daly Corporate Vice-President Information Technologies	$262,299	$56,308	$14,325	$2,500	$6,923

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.

[1] These amounts constitute a taxable benefit.

[2] 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

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 new 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, 2020, the Commercial Affairs Committee was composed of 10 independent members.

Chairwoman: Hélène F. Fortin, FCPA, FCA
Members: Alain Albert, Donald M. Bastien, Jean-François Blais, Marie Côté, Hugo Delorme, Dominique Gauthier, Nathalie Goodwin, Ann MacDonald and Anie Perrault

ACTIVITIES

In the last fiscal year, the Commercial Affairs Committee met three times, in person or by conference call. At these meetings, the directors attended presentations on the Corporation's video lottery business and its history, emerging trends in gaming, and anti-money laundering obligations.

ORGANIZATIONAL STRUCTURE

ERIC GIRARD
Minister of Finance

Board of Directors
HÉLÈNE F. FORTIN
Chairwoman

Audit Committee
HÉLÈNE F. FORTIN
Chairwoman

LYNNE ROITER
President and Chief Executive Officer

BRUNO MARCIL
Corporate Vice-President
Internal Auditing and
Enterprise Risk Management

STÉPHANE FRASER
President of Operations
Société des établissements
de jeux du Québec

ISABELLE JEAN
President of Operations
Lotteries
Vice-President
Public Affairs

KEVIN G. TAYLOR
President of Operations
Société des casinos du Québec

DENIS DALY
Corporate Vice-president
Information Technologies

MICHEL GASSE
Corporate Vice-President
Real Estate

MICHEL LALONDE
Corporate Vice-President
Talent and Culture

BENOIT LEFRANÇOIS
Corporate Vice-President
Responsible Gambling,
Communications and
Social Commitment

JOHANNE ROCK
Corporate Vice-President
Finance and Administration

MARIE-CHRISTINE TREMBLAY
Corporate Secretary
Vice-President
Legal Affairs

NATHALIE RAJOTTE
Corporate Director
Strategy, Innovation and
Business Intelligence

Loto-Québec's 2019–2020 Annual Report

Coordination, writing and editing
Internal Communications and Editorial Department

Graphic design
Graphic Design Department

Une version française de ce document
est disponible sur le site Web de Loto-Québec.

Legal Deposit
Bibliothèque et archives nationales du Québec, 2020
ISBN (printed version): 978-2-550-87121-7
ISBN (digital version): 978-2-550-87122-4
ISSN: 0709-5740

LOTO QUÉBEC

lotoquebec.com

WORLD LOTTERY ASSOCIATION
WLA

CERTIFIED - LEVEL 4
RESPONSIBLE GAMING FRAMEWORK
2019 – 2022

CERTIFIED
SECURITY CONTROL STANDARD
VALID UNTIL DECEMBER, 2020