

OLG Context

OLG's vision is to develop world-class gaming entertainment for Ontario. OLG's mission is to generate revenue for the Province, stimulate and enhance economic development and promote high standards of responsible gambling, all in the best interests of Ontario.

With annual sales in excess of \$7 billion, OLG is one of the top 100 corporations in Canada (by revenue), and is the biggest contributor of non-tax revenue to the Province.

Since 2012, OLG has been modernizing land-based gaming operations to improve the customer experience; invest in communities with new jobs and capital spend; and enhance net profit to Province. The modernization of traditional lottery and internet gaming to digital platforms will also result in responsible growth.

In the last three years, OLG's profit has grown from \$1.999 billion to \$2.360 billion. By 2021-2022, OLG's returns are expected to climb to \$3 billion per year for health, education and other provincial priorities.

Since 1975, OLG has provided nearly \$47 billion to the Province and the people of Ontario. With its head office in Sault Ste Marie, OLG is a proud community partner.

OLG requires strong senior talent and executive leadership to continue to deliver on value for the Province of Ontario while upholding the public interest. Competitive executive compensation is an important element of this success.

Purpose of this public posting

Like all designated employers in the broader public sector, OLG is required to comply with the *Broader Public Sector Executive Compensation Act, 2014* ("Act").

The Act helps ensure that executive compensation is responsible, transparent, and is based on consultation and research.

OLG hired compensation expert Korn Ferry Hay Group to benchmark OLG's current executive compensation to market rates for similar public sector organizations in Canada. The 50th percentile from the comparator market was used as a cap for total cash compensation for each pay band of the proposed executive compensation framework.

After soliciting public input, and receiving necessary approvals, OLG finalized its Executive Compensation Program in early 2018.

Implementation of the revised executive compensation will adhere to restrictions set out in the attached template: i.e. increases to OLG's executive pay envelope will not exceed 5% total in any given year.

Broader Public Sector – Executive Compensation Program

Section A - Compensation Philosophy

Compensation Philosophy

OLG's compensation philosophy is focused on attracting and retaining qualified, experienced, motivated and high potential employees, both executive and non-executive.

As a Provincial Crown Agency, OLG delivers the most non-tax revenue to Ontario for health, education and other provincial priorities.

OLG's compensation philosophy is based on four principles:

1. Performance: to reward and retain individuals for the achievement of corporate objectives
2. Fairness: to align with appropriate market comparators in the public sector
3. Flexibility: to reflect an evolving business model in a regulated and competitive sector
4. Consistency: to achieve compensation equity for talent, inclusive of gender and diversity

OLG's strategic objective is to develop world-class gaming entertainment for Ontario, while upholding public trust and serving the public interest in economic development and social responsibility.

In 2012, OLG embarked on modernization of its business, which will result in profit growth from \$2 billion to \$3 billion annually by 2021-2022. In the last three years, OLG's dividend grew from \$1.999 billion to \$2.36 billion.

Competitive and performance-oriented executive compensation is critical to OLG's continued success in delivering revenue results year over year, while protecting the broader public interest.

Overview of OLG's executive compensation

At OLG, total cash compensation program has two components: base pay and performance-related pay.

Base Pay: Bands for base pay are fixed, and have a minimum, mid-point and maximum salary. Each band includes positions that are of comparable value based on an evaluation of skill, ability, responsibility and working conditions. There are four executive compensation pay bands: Vice President, Senior Vice President, Executive Vice President, and President & Chief Executive Officer. The executive compensation framework set out on page 6 was developed using public sector market comparators and is based on analysis by a compensation expert, Korn Ferry Hay Group ("Hay").

Performance-related Pay: In addition to base pay, all OLG employees are eligible to receive performance-related pay which is only paid if corporate and individual objectives are met. Its purpose is to reward individuals for their specific contributions to positive performance outcomes of the corporation, both financial and non-financial. Performance-related pay as a percentage of total cash compensation differs based on position classification. The executive compensation framework set out on page 6 includes performance-related pay, placing emphasis on outcomes and value-for-money.

For the President & CEO, annual objectives are approved by the Governance and Human Resources Committee of the Board ("GHRC") and the full Board of Directors. For other executives, corporate targets are set by GHRC and Board, and individual objectives are approved by the President & CEO.

Section B - Designated Executive Positions

Below is a list of all designated executives at OLG, as defined under the Act.

Full Job Title	Class of Position
President & CEO	CEO
Chief Operating Officer	EVP
SVP Corporate Affairs	SVP
SVP Chief Financial Officer	SVP
SVP Chief Technology Officer	SVP
SVP Horse Racing	SVP
SVP Governance Legal Compliance, General Counsel and Corporate Secretary	SVP
SVP Human Resources	SVP
SVP Enterprise Strategy & Analytics	SVP
SVP Lottery & iGaming	SVP
VP Operations Initiatives	VP
VP Operational Optimization	VP
VP Corp Project Governance	VP
VP Legal Services	VP
VP Corporate Compliance	VP
VP IT Strategy & Architecture	VP
VP Infrastructure Delivery Services	VP
VP IT Lottery & iGaming	VP
VP Controller	VP
VP Financial Planning and Analysis	VP
VP Development & Support	VP
VP Charitable Gaming	VP
VP Land Based Gaming	VP
VP Land Based Gaming	VP
VP Gaming Operations	VP
VP iGaming	VP
VP Lottery Operations	VP
VP Enterprise Analytics	VP
VP Enterprise Risk Management	VP
VP Audit Services	VP

Section C – Part 1 Salary and Performance-related Pay – Comparator Selection

Executive Positions or Classes of Positions Benchmarked

President/CEO; Executive Vice President; Senior Vice President; Vice President

Canadian Public Sector or Broader Public Sector Comparators

The group of 22 public sector organizations below were selected as comparators:

ATB Financial
Atlantic Lottery Corporation
Bank of Canada
Business Development Bank of Canada
Canada Mortgage and Housing Corporation
Deposit Insurance Corporation of Ontario
Hospital for Sick Children
Independent Electricity System Operator
LCBO
Metrolinx
Municipal Property Assessment Corporation
New Brunswick Liquor Corporation
Ontario Pension Board
Royal Canadian Mint
Saskatchewan Government Insurance
Saskatchewan Indian Gaming Authority
SaskTel
Standards Council of Canada
Ontario Financing Authority
University Health Network
Workers' Compensation Board - Alberta
Workplace Safety and Insurance Board - Ontario

Positions or Classes of Positions (e.g. Chief Financial Executives)

Hay used its job evaluation methodology to benchmark OLG jobs to jobs of similar size and complexity (job evaluation points) within the comparator group. Jobs with the same title were not necessarily compared. For example, OLG's CEO may be compared to the CEO's direct report at a larger and more complex comparator organization.

Rationale for Selected Comparators

OLG did not use private sector or international comparators.

OLG's comparator list includes Crown corporations in lottery and gaming, as well as companies from diverse sectors, such as retail, services, telecommunications, financial services, healthcare, transportation, and insurance. These sectors reflect the diversity of OLG's historic executive talent pool.

Like OLG, the selected comparators deliver on unique mandates often created by legislation setting out complex accountabilities. They deliver on commercial mandates, often balancing multiple stakeholder interests, while serving the broader public interest in value for money. Many of these companies manage complex large-scale operations and/or service providers in highly regulated industries where public trust is critical. Location is varied across Canada, with a focus on Ontario.

All comparator organizations on this list have participated in Hay's compensation database, which means their roles have been evaluated with the same methodology. This ensures that comparative analysis is consistent and valid.

Section C – Part 2 Salary and Performance-related Pay – Comparative Analysis Details

The 50th percentile from the comparator market was used as a cap for total cash compensation payable to any OLG executive.

This cap represents the maximum compensation amount an executive is eligible to receive (combining base and variable pay as defined on page 2).

For the base salary range, a 40% range spread was used to develop the base pay minimum and maximum. The minimum is 80% of midpoint, and the maximum is 120% of the midpoint.

Section C – Part 3 Salary and Performance-related Pay Structure

Executive Position or Class of Positions	Salary Range Minimum (\$)	Job Rate (\$)	Salary Range Maximum (\$)	Target Annual Performance-related pay (% of Salary)	Maximum Annual Performance-related Pay (% of Salary)	Salary and Performance-related Pay Cap (\$)
P/CEO	\$364,333	\$455,416	\$546,500	35%	40%	\$765,000
EVP	\$267,433	\$334,291	\$401,150	26%	30%	\$521,500
SVP	\$200,820	\$251,025	\$301,230	26%	30%	\$391,600
VP	\$149,650	\$187,063	\$224,475	20%	25%	\$280,570

Note: the compensation framework reflects compensation bands, and not actual pay increases for executives. The implementation plan for this framework will prohibit executive pay envelope increases above 5% per year (see next page).

Section D - Salary and Performance-related Pay Envelope

Sum of Salary and Performance-related Pay for the Most Recently Completed Pay Year (\$)	Maximum Rate of Increase to Envelope (%)
\$8,663,159*	5%

Rationale for the Maximum Rate of Increase:

OLG considered all of the factors outlined in section 3.3 of the Broader Public Sector Executive Compensation Framework Regulation.

Some factors were given more attention due to data availability and/or relative importance, including:

- ***The financial and compensation priorities of the Ontario Government as indicated in the most recently published 2017 Ontario Budget.***
In fiscal year 2016-17, OLG delivered record results for the Province and people of Ontario (i.e. \$2.360 billion). The executive compensation framework delivers value-for-money, balancing market considerations with what is appropriate in the public sector.
- ***Compensation trends in the Canadian public sector relevant to OLG for recruitment purposes***
Hay's Executive Market Trends report (2016) indicates a cumulative increase in actual base salary from 2012 to 2016 of approximately 10%, or a compound annual growth rate of 1.9% for executives in the national broader public sector. Given these market increases, OLG's 5% cap is needed to attract, retain and motivate the executive team, or address any internal/external inequities that may arise.
- ***Growing complexity and sophistication of the business of the designated employer***
Considering OLG's modernization, expansion and growth, the 5% cap is essential to attracting, retaining, and motivating top executives to support OLG's future operating complexities. OLG is using innovation and digital technology to create new products and services for the marketplace of the future. For land-based gaming, OLG will oversee and interact with world-class operators bringing the best of gaming entertainment to Ontario. Meanwhile, OLG will continue to invest in its award-winning responsible gambling program.
- ***Redress required for total compensation of some incumbent executives who earn less than some direct reports:***
The new framework enables OLG to address multiple cases of salary inversion and compression among executives and some of their direct reports. Compensation best practices calls for reasonable pay gaps between executives and non-executive managers.

OLG will determine compensation increases for individual executives, where applicable, based on factors such as performance and gap to market rates for a similar position.

**Note: This amount is based on current base salaries plus maximum performance-related pay.*

Section E - Other Elements of Compensation

OLG does not offer retention pay, signing bonuses or any other compensation features prohibited by provincial regulation including perquisites. Members of the Executive Team receive group health insurance benefits and pension coverage under a defined benefit pension plan on the same basis as non-executive managers and staff. OLG does not provide car allowances to executives.