

Atlantic Provinces' Joint Follow-up of Recommendations to the Atlantic Lottery Corporation

Overall Results

- It's been five years since our October 2016 report, and the shareholder governments have not implemented four of our nine recommendations intended to improve governance and business agility of the Atlantic Lottery Corporation (ALC).
- The shareholder governments completed 56 per cent (5 of 9) of the recommendations as of December 31, 2021. All seven recommendations to the ALC Board of Directors and nine recommendations to ALC management were completed as of October 1, 2018.

Since the first follow-up report in June 2019, the four shareholder governments have completed three additional recommendations.

Shareholder governments have four recommendations outstanding.

Two recommendations made to shareholder governments were not completed:

- Periodically review the shareholder agreement and revise as warranted.
- Complete the ongoing review of the Council of Atlantic Premiers' pension plan and implement required changes.

It has been over a decade since the Shareholder Agreement has been reviewed and approved by all four shareholder governments. Failure to implement these recommendations may impact the sustainability and cost of the Atlantic Lottery Corporation (ALC) pension plan, and increases the risk that key terms and conditions do not reflect the current environment at ALC. ALC management told us more than \$87 million had been deducted from the profit distributed to the four Atlantic provinces to fund the pension solvency shortfall between 2012 and the end of December 2021, highlighting the importance of implementing plan amendments to address the sustainability and cost of ALC's pension plan.

Consistent with their response in our October 2016 Report, shareholder governments do not intend to implement two recommendations intended to improve governance:

- Authorize updated governance practices so that Board members are not elected officials nor employees of government.
- Change the role of public servants on the Board to be non-voting, ex officio members in accordance with best practice.

Failure to implement these recommendations risks impeding the Board's fiduciary duty to the corporation and its overall effectiveness in providing sound governance. Also noted, although the recommendation to adopt director term limits was adopted, it has not been applied to the ALC Chair who has held a position on the Board for over two decades.

As reported in our first joint follow-up report of recommendations to ALC, all seven recommendations to the ALC Board of Directors, and all nine recommendations to ALC management, were implemented by October 1, 2018.

We noted shareholder governments have continued to make progress toward implementing our recommendations. We continue to encourage the shareholder governments to continue to collectively work toward the implementation of the remaining recommendations to improve the governance and business agility of ALC.