

BOARD AND COMMITTEE REPORTS

BOARD OF DIRECTORS REPORT

COMPOSITION OF THE BOARD

Loto-Québec's Board of Directors is made up of nine members (one position vacant as at March 31, 2009), each of whom is appointed by the Government. Directors are independent members, with the exception of the Corporation's President and Chief Executive Officer. Since June 2007, at least half of the Board has been composed of women.

Ms. Hélène F. Fortin, CA, a partner with the accounting firm of Demers Beaulne, was named Chairwoman of the Board in August 2008, succeeding Ms. Solange Dugas who left after five years as a member, including serving as Chair during her last year. Ms. Nancy Arbour has also resigned from her Directorship. The colleagues of these distinguished members thank them for their contributions and commitment throughout their mandates.

Fiscal 2008-2009 was marked as well by the Government's renewal of Mr. Alain Cousineau's mandate as Board member and President and Chief Executive Officer of Loto-Québec for another three years.

PRESENCE OF DIRECTORS AT BOARD AND COMMITTEE MEETINGS

Regular meetings of the Board of Directors are scheduled at the beginning of the fiscal year, while special meetings are organized as needed. Advance notice to members of advisory committee meetings varies according to the needs of the committee concerned.

There were eight regular Board meetings and four special meetings held during the year just ended, and no Director missed more than two consecutive meetings. The table on page 94 illustrates member attendance at Board and Committee meetings.

REMUNERATION OF INDEPENDENT DIRECTORS

In adopting Order-in-Council 610-2006 on June 28, 2006, the Québec Government established the following remuneration for Directors of the Corporation (with the exception of the President and Chief Executive Officer):

- Annual remuneration of the Chairperson: \$16,646
- Annual remuneration for all independent Directors in accordance with the Order-in-Council: \$8,323
- Annual remuneration for Committee Chairpersons: \$3,121
- Board Chairperson's fees for each Board or Committee meeting: \$780
- Director's fees for each Board or Committee meeting: \$520
- Board Chairperson's fees for each brief special Board or Committee meeting held by conference call: \$390
- Director's fees for each brief special Board or Committee meeting held by conference call: \$260
- Board member remuneration was increased by 2% on July 1, 2007 and July 1, 2008. Only members with independent status in accordance with the Order-in-Council are eligible to be remunerated.
- Whenever applicable, Directors are also entitled to be reimbursed for their travel and related expenses.
- During fiscal 2008-2009, Directors received total remuneration of \$181,644

MANDATE

The Board of Directors is charged with ensuring that Loto-Québec is managed in accordance with the stipulations of its Act of Incorporation and with the regulations pertaining to it, as well as with the provisions of other laws and regulations governing the Corporation. The Board is also responsible for assuring that Loto-Québec takes all the measures required to achieve the objectives established in conjunction with its mission. Finally, the Board's mandate includes the adoption of rules and the approval of the Corporation's principal policy directions and annual business plan.

As required by the Act Respecting the Governance of State-Owned Enterprises, Loto-Québec has three statutory committees that support the Board of Directors in its decision-making — the Auditing Committee, the Governance and Ethics Committee, and the Human Resources Committee — and the Board could also form other committees as needed. For example it created the Commercial Affairs Committee in 2008.

STRATEGIC AND BUSINESS PLANNING

At each Board meeting, management reported on the evolution of the Corporation's business affairs with respect to the *2008-2009 Business Plan* and projects currently underway. Subsequent to presentations received from the various business and corporate units, the Board approved the *2009-2010 Action Plan*. In addition, the past fiscal year also served as an opportunity to pursue the preparation of the next Development Plan, which will be submitted to the Government for approval.

On the subject of current projects, following presentations from management, the Directors decided to terminate the compulsory video lottery terminal withdrawal program aimed at reducing accessibility as at March 31, 2009.

The Board also monitored, within budget and the prescribed time frame, the redevelopment work on the Casino de Charlevoix and the construction of the Casino de Mont-Tremblant, and it approved the June 24, 2009 opening date for the latter gaming house. Further to the recommendations of the Casino de Montréal Renovation Committee, the Directors authorized the modernization of that establishment, as publicly announced via a press release issued on March 23, 2009.

Furthermore, the Board conducted a follow-up on the reports furnished by management on the implementation of the recommendations outlined in the KPMG report on the payment of prizes to winners. In that regard, the Directors also adopted the Code of Conduct for lottery retailers, as well as the administrative measures in cases of non-compliance with the Code.

Finally, the members of the Board established modes of stable financing for the Fondation Mise sur toi, which has now become an independent organization. In so doing, the Directors adopted a resolution calling for Loto-Québec to contribute 2.25/10 of 1% of actual net earnings of the lottery, casino, video lottery and bingo business segments to the Fondation for the year 2009-2010 and for subsequent years (translating into approximately \$6 million per year).

FINANCIAL RESULTS AND INTERNAL CONTROL

After each meeting of the Auditing Committee, the Board received a verbal report on all of that group's activities. Upon the recommendation of the Committee, the Board approved the Corporation's annual financial statements.

The Board also approved the Corporation's budget and received a report on the organization's financial statements and related financial highlights at all of its regular meetings.

In addition, the Board was made aware of the work carried out by the Auditing Committee concerning the implementation of internal control and risk management certifications.

CORPORATE GOVERNANCE

After each meeting of the Governance and Ethics Committee, the Board received a verbal report on all of that group's activities.

Upon the recommendation of the Governance and Ethics Committee, the Directors created the Commercial Affairs Committee.

As part of its annual assessment, the Board conducted a review of the Code of Ethics applicable to employees of Loto-Québec and its subsidiaries, as well as of the Code governing Directors and management personnel. The criteria for evaluating the performance of the Board, its members and its Chair were also reviewed upon the recommendation of the Governance and Ethics Committee.

In addition, the orientation program for new Board members was revised, and it was agreed that all Directors will be called upon to complete governance training provided by a recognized institution.

Similarly, Directors participated in a series of presentations over the course of the year about various aspects of Loto-Québec's activities.

HUMAN RESOURCES MANAGEMENT

After each meeting of the Human Resources Committee, the Board of Directors received a report on all of that group's activities.

In accordance with the recommendation of the Human Resources Committee, and based on the parameters established by the Government, the Directors approved the variable remuneration of the President and Chief Executive Officer, senior managers and employees for fiscal 2007-2008. Upon renewal of the President and CEO's mandate, and in line with the recommendation of the Human Resources Committee, the Board also approved remuneration criteria in accordance with Government parameters. Furthermore, the Directors revised the salary policy for Société des casinos du Québec non-unionized personnel.

SUSTAINABLE DEVELOPMENT

In accordance with the Governmental Strategy, the Board of Directors approved Loto-Québec's *2008-2013 Sustainable Development Action Plan*. A report on the progress being made in the implementation of sustainable development initiatives is submitted to Directors at each of their Board meetings.

DIRECTOR ATTENDANCE REPORT AS AT MARCH 31, 2009

Members	Board of Directors		Auditing Committee	Governance and Ethics Committee	Human Resources Committee	Commercial Affairs Committee	Casino Renovation Committee
	Regular	Special	Regular	Regular	Regular	Regular	Regular
Directors	8	4	7	4	10	3	3
Solange Dugas*	4/4	2/2	1/3	N/A	2/2	N/A	1/3
Hélène F. Fortin**	4/4	2/2	4/4	4/4	8/8	3/3	N/A
Alain Cousineau	8/8	4/4	N/A	N/A	N/A	3/3	N/A
Nancy Arbour***	7/7	3/3	N/A	N/A	6/6	2/2	N/A
Julie Bernier	8/8	3/4	7/7	N/A	N/A	3/3	3/3
Paule Bouchard	7/8	3/4	7/7	N/A	N/A	2/3	3/3
Marc G. Bruneau	7/8	4/4	7/7	N/A	10/10	3/3	3/3
Mel Hoppenheim	8/8	4/4	7/7	N/A	N/A	3/3	3/3
Christiane Jodoin	8/8	4/4	N/A	4/4	N/A	2/3	N/A
Serge LeBel	8/8	3/4	N/A	4/4	N/A	1/3	N/A

* Chairwoman until August 21, 2008

** Chairwoman effective August 27, 2008

*** Resigned on January 22, 2009

REMUNERATION OF DIRECTORS*

Directors	Remuneration for Attendance at Meetings	Annual Remuneration	Remuneration as Committee Chairperson	Total Remuneration
Solange Dugas	\$ 8,461	\$6,704	\$1,257	\$16,422
Hélène F. Fortin	\$16,776	\$9,863	\$1,561	\$28,200
Nancy Arbour	\$ 8,272	\$6,618		\$14,890
Julie Bernier	\$11,633	\$8,282		\$19,915
Paule Bouchard	\$10,593	\$8,282	\$3,106	\$21,981
Marc G. Bruneau	\$15,784	\$8,282		\$24,066
Mel Hoppenheim	\$11,633	\$8,282		\$19,915
Christiane Jodoin	\$ 8,813	\$8,282		\$17,095
Serge LeBel	\$ 7,772	\$8,282	\$3,106	\$19,160

* Remuneration paid to Directors as per Order-in-Council 610-2006 adopted on June 28, 2006 concerning the remuneration of the Boards of six public corporations.

AUDITING COMMITTEE REPORT

MANDATE AND COMPOSITION

In accordance with the terms of its mandate, the Auditing Committee assists the Board of Directors by monitoring the Corporation's financial evolution, as well as its internal controls and reporting. The Committee also verifies that Loto-Québec is respecting its financial commitments and the legal and regulatory requirements governing the disclosure of financial matters. It oversees all internal auditing activities and the implementation of integrated risk management processes. In addition, the Committee serves as a link between the province's Auditor General, the Corporation's Internal Auditor, and the Board of Directors.

The Auditing Committee is made up of four independent members:

Chairwoman: Paule Bouchard, FCA

Members: Julie Bernier, Marc G. Bruneau
and Mel Hoppenheim

Ex-Officio

Member: Hélène F. Fortin

All members possess the knowledge and experience required to carry out the Committee's mandate. The Committee Chairwoman is a member of the Québec Order of Chartered Accountants.

The Committee met seven times during 2008-2009.

ACTIVITIES DURING THE YEAR

During fiscal 2008-2009, the Auditing Committee's activities included the following:

- Approved the Corporation's quarterly financial statements
- Conducted discussions with the Auditor General concerning the auditing plan for Loto-Québec's financial statements, including holding two meetings without management presence
- Reviewed the financial statements with the Auditor General and recommended their approval to the Board of Directors
- Conducted a follow-up on the implementation of the internal control certification program with the Corporate Director of Internal Auditing
- Conducted a follow-up on the conversion to International Financial Reporting Standards (IFRS)
- Adopted and conducted a follow-up on the 2008-2009 annual Internal Auditing plan
- Ensured that the Internal Auditing team could act independently of Loto-Québec management

During fiscal 2008-2009, no activity that could potentially have a negative impact on the Corporation's financial situation was brought to the Committee's attention by the Internal Auditor or any manager.

The Committee presented a report on its activities to the Board of Directors after each of its meetings.

HUMAN RESOURCES COMMITTEE REPORT

MANDATE AND COMPOSITION

The Human Resources Committee examines and offers recommendations to the Board of Directors regarding policies and strategic directions in the area of human resources management. The Committee also sees to the institution of norms and remuneration scales for Loto-Québec managers and employees, and it participates in planning for the new wave of corporate management personnel. Moreover, the Committee's responsibilities include the development of the competency and experience profile for the nomination of the President and CEO, as well as the recommendation of the remuneration for that individual in accordance with the parameters established by the Government.

The Human Resources Committee is composed of three independent members:

Chairwoman: Hélène F. Fortin

Members: Marc G. Bruneau,
(one position vacant as at March 31, 2009)

The Committee met 10 times during 2008-2009.

ACTIVITIES DURING THE YEAR

During fiscal 2008-2009, the Human Resources Committee made the following recommendations to the Board for approval:

- The bonus to be awarded to the employees and managers of Loto-Québec and its subsidiaries for fiscal 2007-2008
- The bonus to be awarded to the President and Chief Executive Officer and to the members of senior management for fiscal 2007-2008
- Revision of the salary policy for non-unionized employees of the Société des casinos du Québec
- Implementation of a defined benefit pension plan for Société des casinos du Québec management personnel
- Modifications to the new collective agreements with unionized Société des casinos du Québec employees

The Human Resources Committee reported on its activities to the Board of Directors after each of its meetings.

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

Name and Title	Base Salary	Variable Remuneration	Automobile		Additional Benefits*	Group Insurance Plan
			Description	Expenses		
Alain Cousineau President and Chief Executive Officer	\$271,418	\$40,713	Company Car	\$7,801	\$6,129	\$3,133

PENSION PLAN AND SUPPLEMENTARY BENEFITS PROGRAM

Mr. Cousineau participates in the Retirement Plan for Senior Officials – Public Service (RPSO) and in the Supplementary Benefits Program.

Jean Royer Senior Vice-President and Chief Operating Officer	\$240,000	\$62,688	Provision of a vehicle and parking	\$7,333	\$2,500	\$4,723
Robert Ayotte President of Lottery Operations	\$224,296	\$65,853		\$6,743	\$2,500	\$4,605
Marcel Croux Senior Vice-President of Corporate Affairs	\$223,700	\$63,441		\$10,751	\$2,500	\$3,638
Gille Dufour Senior Vice-President of Financial Affairs	\$223,700	\$61,652		\$12,466	\$2,500	\$4,600
Claude Poisson President of SCQ Operations	\$230,000	\$46,782		\$14,815	\$2,500	\$4,647

PENSION PLAN AND SUPPLEMENTARY BENEFITS PROGRAM

Basic Pension Plan

- Mr. Royer participates in the Retirement Plan for Senior Officials – Public Service (RPSO).
- Messrs. Ayotte, Poisson, Croux and Dufour participate in the Québec Government Pension Plan for Management Personnel (PPMP).
The contribution and benefits are calculated in accordance with the standard provisions of the plan in which they participate.

Supplementary Pension Plan

- Messrs. Royer, Ayotte, Poisson, Croux and Dufour participate in Loto-Québec's Supplementary Pension Plan for Executive Management.
- The retirement benefit is calculated using the basic pension plan benefit formula without regard for the limits prescribed in the Income Tax Act, and by using a percentage credited for each year of service of 2.0% for Messrs. Ayotte and Poisson, and 2.5% for Messrs. Croux, Dufour and Royer. This benefit is deducted from that offered by the basic plan.

* Health assessment, financial and estate planning, sports club membership and Businessmen's Circle

GOVERNANCE AND ETHICS COMMITTEE REPORT

MANDATE AND COMPOSITION

The Governance and Ethics Committee assists the Board of Directors in the development and implementation of principles and practices that promote a healthy culture of governance. It also develops the Code of Ethics applicable to managers appointed by Loto-Québec and to the Corporation's employees.

The Committee is composed of three independent members:

Chairman: Serge LeBel

Members: Hélène F. Fortin and Christiane Jodoin

The Committee met four times during 2008-2009.

ACTIVITIES DURING THE YEAR

During the course of fiscal 2008-2009, the Governance and Ethics Committee's activities included the following:

- Recommended the creation of the Commercial Affairs Committee
- Conducted a revision of its mandate as a committee and requested other committees to do the same
- Revised the Code of Ethics applicable to the members of the Board of Directors and to managers, as well as the Code applicable to employees of Loto-Québec and its subsidiaries
- Revised the performance evaluation criteria developed during fiscal 2007-2008 for the Board of Directors, its committees, its members and its Chair
- Revised the orientation and continuing training program for new Board members, adding one stipulation calling for Directors to take a course on corporate governance offered by a recognized institution
- Agreed on the procedures for holding statutory committee meetings vis-à-vis those of the Board
- Agreed that each Board committee must review the Corporation's operational policies under their governance on an annual basis

The Governance and Ethics Committee presented a report on its activities to the Board of Directors after each of its meetings.

COMMERCIAL AFFAIRS COMMITTEE REPORT

MANDATE AND COMPOSITION

The Commercial Affairs Committee was created by the Board of Directors in October 2008 upon the recommendation of the Governance and Ethics Committee. This new committee has a dual mandate — to deliberate about the Corporation's commercial activities and to enable Directors to better fulfill their respective functions through customized training on the various aspects of corporate operations.

The Committee is composed of all the members of the Board of Directors:

Chairwoman: Hélène F. Fortin

Members: Julie Bernier, Paule Bouchard,
Alain Cousineau, Marc G. Bruneau,
Mel Hoppenheim, Christiane Jodoin,
Serge LeBel

The Committee met three times during 2008-2009.

ACTIVITIES DURING THE YEAR

During fiscal 2008-2009, the Commercial Affairs Committee's activities included the following:

- Examined the strategic planning process and development plan
- Reviewed the activities of Casino Mundial