

Auditor Independence Policy

POLICY #FRA-03-02

FINAL

PURPOSE

This policy on Auditor Independence has been adopted by the Audit and Risk Management Committee (ARMC) of Board of Directors to assist it in fulfilling its oversight responsibility for the External Auditor's independence and demonstrates OLG's commitment to maintaining high standard of internal controls and transparency and its intention to avoid any possible impairment to the independence of OLG's External Auditor.

APPLICATION AND SCOPE

The Auditor Independence Policy applies to all OLG employees responsible for the governance of OLG divisions (defined in this policy as 'Prime Decision-Makers') and/or individuals who control and/or influence the preparation of financial statements.

POLICY STATEMENT (& GUIDING PRINCIPLES)

It is the policy of Ontario Lottery and Gaming Corporation (OLG) to restrict the use of OLG's External Auditor for certain services. Restrictions are required to ensure the External Auditor is, and is seen to be, independent of OLG and its affiliates.

DEFINITIONS

Affiliates: Affiliates of OLG include Caesars Windsor and Ontario Gaming Asset Corporation.

Audit Engagement Team: Includes all partners, principals and professional employees of the External Auditor who participate in the audit, review or attestation of OLG or any affiliate for at least 10 hours during the annual audit period.

Also included are other members of the External Auditor, who can directly influence the outcome of the assurance engagement, including:

- those who provide consultation regarding technical or industry specific issues, transactions or events for the assurance engagement
- those who provide direct supervisory, management or other oversight of the assurance engagement partner in connection with the performance of the engagement

Audit Partner: means a person who is a partner in a firm or a person who has equivalent responsibility, who is a member of the engagement team, other than a specialist or technical partner or equivalent who consults with others on the engagement team regarding technical or industry specific issues, transactions or events.

Engagement Quality Control Reviewer: Often referred to as reviewing, concurring or second partner, means the audit partner or other person in the firm who, prior to issuance of the audit report, provides an objective evaluation of the significant judgments made and conclusions reached by the members of the engagement team in formulating the report on the engagement.

External Auditor(s): The public accounting firm or firms engaged by OLG to provide attestation services as found under audit services below.

Key Audit Partner: means (a) an audit partner who is the lead engagement partner; (b) the engagement quality control reviewer; or (c) any other audit partner on the engagement team who makes important decisions or judgements on significant matters with respect to the audit engagement.

Lead Engagement Partner: The audit partner or other person who is responsible for the engagement and its performance, for the report that is issued on behalf of the firm and who, where required, has the appropriate authority from a professional, legal or regulatory body.

Prime Decision-Makers: OLG employees responsible for the governance of OLG divisions, this includes, but is not limited to Directors and above, including all Board members, and the President and Chief Executive Officer (P/CEO, across all affiliated properties and operations (including Caesars Windsor which is operated on behalf of OLG under contract), and/or individuals who control and/or influence the preparation of financial statements.

REQUIREMENTS

1. Engaging External Auditor

1.1. Role of the Audit and Risk Management Committee (ARMC)

- 1.1.1. ARMC is responsible to recommend to the Board the engagement of the External Auditor.
- 1.1.2. On an annual basis, the ARMC reviews and discusses with the External Auditors all significant relationships the External Auditor has with OLG to determine the External Auditor's continuing independence and ensure compliance with this Auditor Independence Policy.
- 1.1.3. Periodically review and approve the Auditor Independence Policy.

1.2. Permitted Services

The External Auditor provides the services specified below as audit, audit-related non-audit tax services and non-audit other services (collectively, 'Permitted Services') if the service doesn't otherwise impair the independence of the External Auditor, having regard to the principles set forth in this policy and the applicable rules on external auditor independence (Section 204 of the CPA Code of Professional Conduct). As a general rule, such permitted services do not involve a delegation of management's authority of decision-making power to the External Auditor, and do not impede the External Auditor's ability to provide reasonable assurance on the accounts audited.

Permitted Services include the following:

- 1.2.1. **Audit Services** - services by the External Auditor necessary to carry out the financial statement audit and other assurance engagements in accordance with the CPA Assurance Handbook. Appendix A includes the types of audit services that are generally permitted and can be provided by the External Auditor.
- 1.2.2. **Audit-Related Services** - assurance services or other work traditionally performed by the External Auditor in connection with the audit of the financial statements but is not reported as 'Audit Services'. Appendix A includes the types of audit-related services that are generally permitted and can be provided by the External Auditor.

1.2.3. Non-Audit Services consist of the following which in total cannot exceed a threshold of \$200,000 per fiscal year (excluding HST):

- 1.2.3.1.1. **Non-Audit Tax Services** - all professional tax services rendered by an External Auditor for tax compliance, tax planning and tax advice. Appendix A includes the types of non-audit tax services that are generally permitted and can be provided by the External Auditor.
- 1.2.3.1.2. **Non-Audit Other Services** - all other services rendered by an External Auditor other than audit services, audit-related services, tax services and prohibited services. Appendix A includes the types of non-audit other services that are generally permitted and can be provided by the External Auditor.

1.3. Prohibited Services

The following services may not be provided to OLG, or any affiliate of OLG, by an External Auditor (refer to Section 204.4 of the CPA Code of Professional Conduct):

- Preparation of accounting records and financial statements
- Preparation of journal entries and source documents
- Provision of information technology systems services (design and implementation)
- Provision of valuation services
- Provision of actuarial services
- Provision of internal audit services
- Human resource services
- Provision of legal services and litigation support services
- Performance of Management functions
- Provision of corporate finance and similar services
- Provision of certain tax planning or certain tax advisory services
- Provision of tax calculations for the purposes of preparing accounting entries

2. Approvals

2.1. Pre-Approval of Services

- 2.1.1. The ARMC will pre-approve annually specific services identified by the External Auditor to be provided in the fiscal.
- 2.1.2. Such services shall meet all the following criteria:
 - a) services are permitted services; and
 - b) services are provided on a regular basis (i.e. annually) and are recurring in nature.

2.2. Pre-Approval of an Additional Services by the External Auditor

- 2.2.1. For services not captured within the annual pre-approved services provided by the External Auditor as noted in 2.1.1 above, individual requests for approval must be submitted to the Audit Committee Chair (or his/her designated member, in case of an absence) through the CFO.

2.3. Process for Obtaining Pre-Approval of Non-Audit Services

- 2.3.1. The OLG Executive requesting the Chair of ARMC approval must first receive the approval of their request for service from the CFO via the Additional External Auditor Services Request Form (Appendix B).

2.3.2. The form must be completed as part of the request for approval outlining the:

- requestor
- a description of the service being performed
- the estimated fee
- service is permitted as per the auditor independence policy

2.3.3. Upon CFO approval, the CFO submits the request to the Chair of the ARMC for consideration. Approval documentation must be received prior to proceeding with the service. All documentation of approvals as required in this Policy will be maintained by the VP Controller.

2.4. All other required processes and approvals, as per the OLG Financial Approval Policy and OLG Corporate Procurement Policy must be adhered to prior to engaging an External Auditor.

3. Monitoring and Reporting Requirements

3.1. Management will report to the ARMC a schedule of fees paid to the External Auditors on a quarterly basis, presented under the following four categories:

- Audit Services
- Audit-Related Services
- Non-Audit Tax Services
- Non-Audit Other Services

3.2. On an annual basis, all Prime Decision-Makers of OLG must review and attest to compliance with OLG's Code of Business Conduct which addresses conflict of interest and transparency with auditors.

4. Audit Partner Rotation

4.1. Even though OLG is not a Canadian public company under the CPA Ontario definition, OLG will consider the requirements of External Auditor rotation in alignment with section 204.4(20) of the CPA Ontario Code of Professional Conduct.

4.2. The requirement to rotate audit partners is to reduce threats to auditor independence, largely arising from familiarity. OLG has established the following as audit engagement partner rotation guidelines:

4.2.1. Unless otherwise approved by the ARMC, the Lead Engagement Partner or the Engagement Quality Control Reviewer on the Financial Statement audit engagement can service OLG for a maximum of seven years in total and shall not thereafter participate in an audit of the financial statements until a further two years have elapsed.

4.2.2. Unless otherwise approved by the ARMC, the Key Audit Partner with respect to Financial Statement audit, other than the Lead Engagement Partner or Engagement Quality Reviewer shall not continue in such role for more than seven years in total and shall not thereafter participate in an audit of the financial statements until a further two years have elapsed.

4.3. In circumstances whereby the ARMC at their discretion has approved exceptions to the Audit Partner Rotation guidelines specified above, the supporting rationale will be documented.

5. Hiring Personnel of External Auditor

5.1. Hiring of personnel of the External Auditor for certain specific accounting-related positions may compromise the arm's length relationship that ought to exist between OLG and the External Auditor. It is understood that the individuals occupying these accounting positions may have significant influence over matters that routinely are the object of external audits. Accordingly, the following restrictions apply to hiring professional employees of the External Auditor by OLG and its affiliates.

5.2. Prime-Decision-Maker capacity

- 5.2.1. Anyone being hired from the External Auditor in Prime Decision-Maker capacity is subject to a one-year cooling-off period, meaning that such person may not have been on the Audit Engagement Team for one year immediately prior to being hired by OLG or any affiliate.
- 5.2.2. The cooling-off period of one year may be waived if approval is received from the CFO and Audit and Risk Management Committee.
- 5.2.3. The Controllershship shall work with the External Auditors to ensure that safeguards to independence are in place under these circumstances.
- 5.2.4. In respect of any hiring from the External Auditor in a Prime Decision-Maker capacity at OLG or any affiliate, such hire must first be cleared and approved by the, CFO and the Senior Director (or equivalent) of Human Resources.

5.3. Other than Prime Decision-Maker capacity

- 5.3.1. Any member of the Audit Engagement Team being hired in a capacity other than as a Prime Decision-Maker is subject to a three-month cooling-off period, meaning that such person may not have been on the Audit Engagement Team for that period.
- 5.3.2. The cooling-off period of three months may be waived if approval is received from the CFO and Audit and Risk Management Committee.
- 5.3.3. Controllershship shall work with the External Auditors to ensure safeguards to independence are in place under these circumstances.

5.4. There are no restrictions for hires outside of the conditions set out in sections 5.2 and 5.3 above; therefore, current or former partners or employees of the External Auditor may be hired by OLG as long as the individual has not served in the Audit Engagement Team.

ROLES AND RESPONSIBILITIES

ROLE	RESPONSIBILITIES
Audit and Risk Management Committee	<ul style="list-style-type: none">▪ Periodically reviewing and approving OLG's Auditor Independence Policy.▪ Reviewing and evaluating the independence of the External Auditor.▪ Reviewing the annual audit plan.▪ Approving non-audit services pursuant to this policy.
Chief Financial Officer	<ul style="list-style-type: none">▪ Coordinating all additional approvals relating to the engagement of the External Auditor for additional services.
Controllershship	<ul style="list-style-type: none">▪ Administering this policy on behalf of the ARMC.▪ Providing guidance to OLG and its affiliates regarding

	<p>whether a Non-Audit Service is permissible under this policy.</p> <ul style="list-style-type: none"> ▪ Maintaining records of approvals relating to the engagement of the External Auditor for additional services.
Executive of each Business Unit/Division	<ul style="list-style-type: none"> ▪ Obtaining advice and approval from the OLG Controller and ultimately the CFO, and the ARMC prior to engaging an External Auditor.

RELATED POLICY INSTRUMENTS

- Finance - Financial Approval Policy
- Corporate Procurement Policy
- OLG Code of Business Conduct
- Audit and Risk Management Committee Terms of Reference
- CPA Ontario Code of Professional Conduct

POLICY OWNER

VP Controller

POLICY APPROVAL

Approver	Date
ARMC	February 14, 2023
ARMC	September 27, 2021

REVISION / REVIEW HISTORY

Revision / Review Date	Updated By	Summary of Revision / Review
February 14, 2023	VP Controller	Added \$ 200k non-audit services threshold
March 2022	Policy Services	Supersedes Auditor Independence Policy #FP-05-01-001

APPENDIX A – EXAMPLES OF PERMITTED SERVICES

1. Audit Services

- Audit of OLG's consolidated financial statements and Caesars Windsor
- Special attest services as required by contractual requirements or other requirements
- Regulatory attestation of management reports on internal controls as required by the regulators and special audits on control procedures

2. Audit-Related Services

- Presentations or training on accounting or regulatory pronouncements
- Advice and documentation assistance with respect to internal controls over financial reporting and disclosure controls and procedures of OLG
- Procedures related to the design and operating effectiveness of internal controls over financial reporting
- Accounting advisory services including consultations with OLG's management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, accounting standard setting bodies (such as the CPA), or other regulatory or standard setting bodies
- Accounting research

3. Non-Audit Tax Services

- Tax compliance services
- Assistance in responding to Canada Revenue Agency on proposed reassessments and other tax-related matters
- Assistance in interpreting and understanding existing and proposed domestic legislation, and the administrative policies followed by various jurisdictions in administering the law, including assisting in applying for and requesting advance tax rulings or technical interpretations
- Assistance in interpreting and understanding the impact of domestic judicial tax decisions and the potential impact
- Assistance in understanding the tax implications of structured transactions and the assessment of associated potential risks
- Assistance and advice on routine planning matters
- Assistance regarding HST/GST/PST/Customs/Property Tax filings and assessments
- Assistance regarding payroll costs such as EI, CPP, taxable benefits, WSIB and income taxes
- Commodity tax advice and compliance assistance
- Advice and assistance with respect to government audits/assessments
- Advice with respect to other provincial tax filings and assessments
- Assistance with interpretations or tax rulings
- Departure and repatriation planning and counseling
- Advice in interpreting existing legislative and administrative policies relating to employee compensation or benefits
- Expatriate policy consulting
- Assistance with Corporate Income Tax filings

4. Non-Audit Other Services

IT Advisory and Risk Management Services:

- Performance of security reviews on IT systems
- Review, advice, and assistance with respect to risk and control over IT resources

- Review, advice, and assistance with respect to defining requirements for and selecting new or updated information systems; excludes design and implementation of financial information systems, but includes related independent review and advice to management
- Review, advice, and assistance with respect to improving the performance of information systems and related business processes and resources
- Review, advice, and assistance with respect to governance, control and security of information and information technology
- Review, advice, and assistance with respect to business continuity plans, IT disaster recovery plans, and associated capabilities and resources

Forensic and Related Services:

- Forensic accounting investigations intended to assemble factual evidence to support or refute theories of financial irregularity as long as they are not undertaken in connection with, or in anticipation of litigation
- Investigations of concerns of fraud or misconduct intended to assemble factual evidence to support or refute theories of fraud or misconduct as long as they are not undertaken in connection with, or in anticipation of litigation
- Anti-money laundering policy reviews, training and compliance studies
- Anti-money laundering investigations intended to assemble factual information to support or refute theories about money laundering activities as long as they are not undertaken in connection with, or in anticipation of litigation
- Fraud and Misconduct Diagnostic reviews, fraud awareness training
- Corporate Intelligence and background investigation services
- Forensic technology services
- Asset tracing and recovery services
- Physical security advisory services

Project Risk Management Services:

- Review and advice with respect to project management processes, techniques, and activities
- Review, advice, and assistance with respect to risk management of major projects including assessment and advice on project risks and project risk management processes, techniques, and activities

Operational Advisory and Risk Management Services:

- Review, advice, and assistance with respect to operational issues or risks, including enterprise risk management reviews and advice
- Review, advice, and assistance with respect to the documentation, analysis, and improvement of operational business processes
- Review, advice, and assistance with respect to managing the risks associated with determining and implementing the sourcing of business and technology services (eg: in-sourcing, out-sourcing, co-sourcing, shared services, and public-private partnerships)
- Market sizing models and analysis
- Review and advice with respect to resolving reconciliation problems in financial information, information systems, and related processes

Regulatory and Compliance Services:

- Review, advice, and assistance with respect to regulatory risks and compliance with specific legislation or regulations, including privacy legislation and related regulations

APPENDIX B – ADDITIONAL EXTERNAL AUDITOR SERVICES REQUEST FORM

(See next page)

Ontario Lottery and Gaming Corporation Additional External Auditor Services Request Form

This form is required to be completed when additional services are required by the External Auditor, outside of their pre-approved annual services.

Request Made By:

Name, Title, Date:

Detailed Description of Service Requested *(including a general description of the nature of the services that will be provided)*

Engagement Fee or Range of Fees for this Service

Compatibility with Auditors' Independence

In this section please state whether these services are compatible with the auditors' independence.

Please confirm that these services are compatible with the auditors' independence by placing a check in the box.

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Issues considered in forming the conclusion above that should be considered by the Chair of the Audit and Risk Management Committee.

Management Approval

This form must be reviewed and approved by the Chief Financial Officer before submitting to the Audit and Risk Management Committee Chair for final approval

CFO Approval *(Name, Title, Date)*

Audit Committee Chair Approval *(Name, Date)*