

BCLC revised service plan

2013/14–2015/16

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message from BCLC's

board chair and president & ceo

On behalf of our Board of Directors and employees, we are pleased to present BCLC's Revised 2013/14–2015/16 Service Plan to the Honourable Mike de Jong, Minister of Finance. There are no significant changes in this revised Service Plan. We have updated our 2012/13 forecasts with 2012/13 year-end actual numbers.

Our purpose is to offer British Columbians exceptional entertainment by operating and managing lottery, casino, commercial bingo, community gaming and online gambling in a socially responsible manner on behalf of the Province. While we're the only company legally permitted to operate gambling in B.C., we're in direct competition with Washington State casinos, unregulated online businesses and virtually every other entertainment business such as movies, sporting events and concerts.

We're extremely proud that over 28 years we've generated more than \$15.7 billion in net income to benefit British Columbians. In 2013/14, we plan to deliver \$1.2 billion that will benefit a number of local and provincial priorities including health care, education, support for families, charities and community projects. During challenging economic times where low consumer confidence affects discretionary spending, BCLC has performed well relative to the market.

In order to sustain the net income we've consistently delivered we are making strategic changes to the way we think, work and run our business. As the gambling marketplace in B.C. matures and the pace of change accelerates, BCLC must continue to adapt to meet players' needs and explore new ways of doing business.

Our Service Plan continues to be guided by our vision, which is "Gambling is widely embraced as exceptional entertainment through innovation in design, technology, social responsibility and customer understanding." Our goals of Player, People, Public and Profit for this Service Plan period support this vision and reflect our priorities to compete for that discretionary entertainment dollar, inspire innovation among our workforce, build trust and support for BCLC, and invest to responsibly grow our business while managing costs.

Our Player: Putting the player first

For BCLC, the player comes first. We will offer customizable, player-driven experiences and improve the entertainment value and distribution convenience of our core games. We will broaden and diversify our player base to strengthen our business. We will continue to encourage responsible play so that players can make informed choices about gambling through education programs such as GameSense and Appropriate Response Training for casino staff.

Our People: Thinking differently

Fostering innovation and future success for the years ahead begins with our people. Lotto Express, a new way of distributing our lottery products via grocery checkout lanes which launched this past year, was the brainchild of a group of very creative employees. Our goal is to think differently, work together and act fast to drive results. Creating an environment that inspires employees to do their best work is key. As our business evolves, we also need to ensure that we have the right people with the right skills in place to be able to quickly adapt and pursue new growth opportunities. With our eyes on the horizon, we'll be defining our future workforce needs and continuing to offer development opportunities to align ourselves for success.

Our Public: Building public trust

Our reputation is critically important to BCLC's long-term success. Our goal is to continue building public trust and support for BCLC by being a good corporate citizen and demonstrating integrity in what we deliver and how we deliver it so that the public has confidence our business is fair, safe and well-managed. While not everyone in B.C. gambles, we want to understand how all British Columbians perceive BCLC. Engaging our stakeholders in communities across B.C. will be a major focus for the coming years to help build understanding of our business. Hosting responsible gambling awareness events in five communities across B.C. in January 2013 was one example of how we continue to engage local residents about topics that are near and dear to both BCLC and the public.

Our Profit: Growing net income to the Province responsibly

Over the past two years, our net income has had very modest growth with our 2012/13 income about two per cent more than 2011/12. Looking ahead, net income is projected to increase about two per cent annually from \$1.1 billion in 2012/13 to \$1.2 billion in 2015/16, resulting in \$4.7 billion in net income to the Province of B.C. over the four years 2012/13 to 2015/16. We will continue to focus on revenue generating initiatives to generate growth while sustaining our mature products. We will also focus on operational effectiveness and cost management to sustain and grow net income to the Province of B.C.

For the next three years, we'll assess our level of success in achieving our four corporate goals of Player, People, Public and Profit using established performance measures and by using publicly available benchmarks from other comparable gambling organizations. These four goals define where we want to be and provide the roadmap to help us realize our vision.

The focus of the 2013/14 year will be on continuing the replacement of the casino Gaming Management System, ensuring our lottery games are accessible, fun, and easy to play and continuing the development of our PlayNow.com platform, all initiatives keeping foremost our responsible gambling lens.

As with previous plans, the 2013/14–2015/16 BCLC Service Plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the B.C. Reporting Principles. The plan is consistent with

Government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported.

To the best of our knowledge the significant assumptions, policy decisions, events and identified risks are current and have been considered in preparing the plan. The performance measures presented are consistent with BCLC's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of BCLC's operating environment, forecast conditions, risk assessment and past performance.



John McLernon
Board Chair



Michael Graydon
President & CEO

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organizational overview

BCLC is the Crown agency mandated to conduct, manage and operate lottery, eGaming, casino and commercial bingo gambling in British Columbia.

who we are

Incorporated in October 1984 and pursuant to amendments to the *Criminal Code of Canada* (1969), British Columbia Lottery Corporation (BCLC) operates under the *Gaming Control Act* (2002) of British Columbia.

We operate our gambling business within the legislative, regulatory and policy framework established by the Province under the authority and direction of the Honourable Mike de Jong, Minister of Finance.

mandate

Our mandate is to conduct and manage gambling in a socially responsible manner for the benefit of British Columbians. We offer exceptional gambling entertainment through:

- National and provincial lotteries
- Casino gambling
- Commercial bingo
- Online gambling

vision

Gambling is widely embraced as exceptional entertainment through innovation in design, technology, social responsibility and customer understanding.

values

Integrity: The games we offer and the ways we conduct business are fair, honest and trustworthy.

Social Responsibility: Everything we do is done with consideration of its impact on and for the people and communities of British Columbia.

Respect: We value and respect our players, service providers and each other.

our goals and objectives

1. **PLAYER:** We will put players first to create the entertainment experiences they enjoy
 - Delight our players so they will choose BCLC gambling over other entertainment options
 - Broaden and diversify the player base and spending to strengthen our business and reduce risk
 - Encourage responsible play so that players make informed choices about their gambling
2. **PEOPLE:** We will think differently, work together and act fast
 - Make BCLC a great place to work so that we feel inspired to do our best work and we are a sought-after employer
 - Define our future workforce needs so we have the right people with the right skills at the right time
3. **PUBLIC:** We will build public trust and support for BCLC
 - Be a good corporate citizen so that our business is welcomed across B.C.
 - Demonstrate integrity in what we deliver and how we deliver it so that the public has confidence our business is fair, safe and well-managed
4. **PROFIT:** We will grow net income and invest in the long-term health of our business
 - Grow net income from our core business
 - Invest in innovative products and services that respond to consumer trends and create opportunities for growth
 - invest in infrastructure and processes to improve operational effectiveness and enable the business to get to market faster

how we are regulated

Gambling is regulated by the Gaming Policy and Enforcement Branch (GPEB) of the Ministry of Finance. GPEB directs policies, legislation, standards, responsible gambling strategies, licensed charitable events and horse racing, registers gambling service providers, certifies supplies and equipment, and conducts audits and compliance investigations.

what we do and where we are

We conduct and manage gambling on behalf of the Province. We integrate responsible gambling and player security into the design and development of new products and services, market and advertise our products, manage the underlying technology, and oversee contracted retailer and service provider operations to maintain gambling integrity, security, compliance and performance.

Most of our products are sold day-to-day by private sector service providers at more than 3,800 lottery retail locations, 17 casinos, 19 community gaming centres and 7 commercial bingo halls. Secure, regulated online play is offered on PlayNow.com.

Our headquarters in Kamloops oversees finance, administration and information technology, while our Vancouver corporate office manages sales, marketing and distribution. Field staff throughout the province also support our operations.

The consolidated financial statements of BCLC include a wholly owned subsidiary, B.C. Lottotech International Inc. (Lottotech). The primary business of Lottotech is the purchase and lease of capital assets for BCLC, with Lottotech's budget reviewed and approved by BCLC's Board of Directors through our annual business planning process. The financial operations, management and oversight of Lottotech are consolidated within BCLC operations. BCLC has no other active or inactive subsidiaries.

how we benefit B.C.

Provincial programs & services: Every dollar of BCLC gambling proceeds benefits British Columbians. In 2013/14, BCLC is planning to deliver \$1,172.0 million in net income to the Government of British Columbia for health care, education, charitable and municipal programs. A portion also goes to the Government of Canada. BCLC retains none of its earnings.

Gaming grants: Each year, more than 5,000 community and charitable organizations receive community gaming grants awarded by the Province for arts and culture, sport, public safety, environment and human and social services. For more information, visit <http://www.gaming.gov.bc.ca/revenue/index.htm#four>.

Jobs and contracts: We employ about 900 employees with more than 37,000 direct and indirect workers employed in gambling operations, government agencies, charities and support services.¹

¹ Source: HLT Advisory Inc. "2010 Economic Impact of the Canadian Gaming Industry: Key Findings Report."

core business areas (channels)

| Channel | Casino & Community Gaming Centres | Lottery | eGaming |
|---|---|---|---|
| 2012/13 Net Income (Total \$1,127.6 million) | \$829.4 million | \$280.4 million | \$17.8 million |
| Distribution Network | 15 Casinos 2 Racecourse Casinos 19 Community Gaming Centres 7 Commercial Bingo Halls | 2,890 Retail locations 910 Hospitality locations | PlayNow.com |
| Products | Slot Machines Table Games Electronic Tables Poker Games Paper & Electronic Bingo Lotto Games | Lotto Games Sports Games Social Games Instant Games | Lotto Games eBingo eCasino ePoker Sports Betting |
| Structure | Private sector service providers earn a percentage of net win for providing gambling facilities and day-to-day operational services | Service providers earn an industry-standard commission, calculated as a percentage of revenue to service lottery games in their locations | Games are provided through PlayNow.com, where providers earn a licence fee and/or a percentage of net win for providing gambling software |

corporate governance

BCLC'S BOARD OF DIRECTORS (BOARD) IS APPOINTED BY ORDER OF THE LIEUTENANT-GOVERNOR IN COUNCIL.

BCLC is compliant with the standards and guidelines and each of the disclosure requirements contained in the Best Practice Guidelines–B.C. Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations (2005).

Our Board framework includes the terms of reference for the Board, the Board Chair, President and Chief Executive Officer, Directors, Standing and Ad Hoc Board Committees and the Corporate Secretary, as well as processes for strategic planning, succession planning and Board performance evaluations.

The Directors are stewards of BCLC, chosen on the basis of their expertise and experience. Upon appointment, the Directors agree to act in accordance with the Board's Code of Conduct and Conflict of Interest Guidelines.

Our Board's purpose is:

- To foster BCLC's short-term and long-term success, consistent with its responsibility to the Government of British Columbia, giving consideration to the legitimate interests held by other stakeholders including players, employees, service providers, suppliers, communities and the public;
- To oversee the conduct of BCLC's business and to supervise management, which is responsible for the day-to-day operation of BCLC.

The Chair is the presiding Director, responsible for the effective leadership and performance of the Board and is the liaison between the Board and Minister. The Chair works together with the President & CEO (the CEO) to ensure effective relations with stakeholders, including Government.

Reporting to the CEO, the Corporate Secretary facilitates communication between the Board and Senior Executive team, playing a key role in the administration of corporate and governance matters, working with the Board through the Chair.

BCLC's Senior Executive team attends Board meetings. To maintain autonomy, the Board may convene in camera sessions. [Click here to learn more about BCLC's Corporate Governance](#) and [more about our Board of Directors](#).

Learn more about the Province of British Columbia's [Board Resourcing and Development Office](#).

The Honourable Mike de Jong
Minister of Finance

Board of Directors John McLernon (Chair)

| | |
|--------------------|---|
| Role: | To provide stewardship and ethical leadership to oversee the management of BCLC's affairs in the best interests of BCLC and the long-term interests of the Government of the Province of British Columbia. |
| Governance: | In carrying out the mandate of the Board, each director has specific statutory duties and obligations under employment, environmental and financial reporting and is required to act in accordance with fiduciary, duty of care and conflict of interest guidelines and do so: <ol style="list-style-type: none"> honestly and in good faith; with a view to the best interests of the Corporation; with the care, diligence, and skill of a reasonably prudent person; and consistent with the terms of reference that set out the standards of performance that the Board expects of each director. |
| Chair: | John McLernon |
| Members: | Arthur Willms (Vice-Chair), Trudi Brown, David Gillespie, Cindy Grauer, Moray Keith, D. Neil McDonnell, Michael Riley, Bud Smith |

BCLC has three standing Board committees; other committees are established as needed. The committees are responsible for advising and formulating recommendations to the Board. Our standing Board committees are:

| | |
|---|--|
| Audit Committee | Purpose: To assist the Board in fulfilling oversight responsibilities for BCLC's financial reporting provided to Government and the public, the effectiveness of internal control systems, audit processes, performance management and compliance with laws, regulations and policies. Chair: Michael Riley Members: David Gillespie, Moray Keith, Arthur Willms, D. Neil McDonnell |
| Governance and Corporate Social Responsibility Committee | Purpose: To provide focus on governance that enhances BCLC's performance, including for the Board of Directors, and to provide oversight responsibility for corporate social responsibility policy. Chair: David Gillespie Members: Trudi Brown, Moray Keith, Bud Smith |
| Human Resources and Compensation Committee | Purpose: To assist the Board in fulfilling obligations relating to human resources and compensation matters to enhance BCLC's performance against the strategic plan. Chair: D. Neil McDonnell Members: Cindy Grauer, John McLernon, Bud Smith |
| Ad Hoc Committees | Purpose: Established for a specific period of time to undertake a specific task, and then disbanded. |
| Ex-Officio Members | The Board Chair is an ex-officio member of all committees where not appointed as a full member. The President and CEO is also an ex-officio member of all committees. |

our senior executive team

BCLC's President and Chief Executive Officer (the CEO) reports to our Board of Directors. [Click here](#) for the terms of reference for the CEO, which are included in our Board framework.

The CEO provides the leadership, management, and general supervision and controls BCLC operations on a day-to-day basis in accordance with the strategies, plans and policies approved by BCLC's Board.

The CEO is supported by a Senior Executive team comprising nine Vice-Presidents, all of whom report directly to the CEO.

A Vice-President is responsible for the leadership and operation of each of the three business channels: Lottery Gaming, eGaming and Casino and Community Gaming.

The business channels are supported by six divisions, responsible for managing the operations of BCLC's finance and corporate services; communications and public affairs; corporate security and compliance; business technology; corporate strategy, transformation and social responsibility; and human resources capabilities.

The Director, Audit Services reports administratively to the CEO and functionally to the Board Audit Committee. [Click here](#) to learn more about BCLC's Senior Executive team members.

The Honourable Mike de Jong
Minister of Finance

Board of Directors
John McLernon (Chair)

President & CEO
Michael Graydon

Responsible for BCLC's leadership and vision, directing and supporting the Senior Executive team in the development of the plans and actions required to realize the strategic goals of the organization.

Business Technology

Lynette Hughes, Chief Information Officer

Responsible for the technology and systems that support BCLC's operations, including information technology, enterprise architecture, program management, and the information technology that supports gambling and back office systems.

Casino and Community Gaming

Jim Lightbody, Vice-President

Responsible for the development and operation of casinos, community gaming centres and commercial bingo, including products, sales, distribution and contracted private sector service providers.

Communications and Public Affairs

Susan Dolinski, Vice-President

Responsible for the company's strategic communications to support BCLC's business goals, including public affairs, media relations, issues management, stakeholder engagement, internal communications and digital media.

Corporate Security and Compliance

Brad Desmarais, Vice-President

Responsible for corporate security and compliance, including customer service complaint investigations, legal services, corporate policy, privacy and freedom of information administration, information systems security and employee and service provider compliance.

eGaming

Rhonda Garvey, Vice-President

Responsible for the direction of the eGaming business unit, providing leadership in all aspects relating to operations, development and marketing of BCLC's secure and regulated gambling website, PlayNow.com.

Finance & Corporate Services

Jervis Rodrigues, Vice-President and Chief Financial Officer

Responsible for finance, including financial reporting and liaison with Government, and corporate services including enterprise risk management, facilities and procurement.

Human Resources

Peter Charlton, Vice-President

Responsible for human resources and talent management, including recruitment, compensation, rewards and recognition, leadership and other development and training programs.

Lottery Gaming

Kevin Gass, Vice-President

Responsible for the development and operation of lottery gambling, including products, marketing, sales and distribution, and contracted private sector service providers.

Strategy, Transformation and Social Responsibility

Marsha Walden, Vice-President

Responsible for BCLC's corporate strategy, including the business architecture, transformation of its infrastructure and processes, and its approach to the player experience and corporate social responsibility.

strategic context

These trends, opportunities and risks will shape our operations and potentially influence our performance during the three years of this plan. In preparing strategy, BCLC has assessed risks and opportunities, likelihood and potential impact.

economic and market trends and issues

We monitor the marketplace to proactively change direction to leverage or mitigate external influences.

economy & population growth

Recent Government economic assumptions forecast the B.C. economy will grow by 1.7 per cent in 2013 and an average of 2.4 per cent per year in the following three years. The forecast for relatively slow near-term growth is mainly due to continued weakness in Europe, the sluggish U.S. recovery and the potential for further slowing of global economic activity.² This uncertainty negatively affects financial business and consumer confidence, which in turn influences spending decisions.

B.C. personal disposable income faces a modest growth outlook in the medium term with growth in current dollars fluctuating between 3.0 and 4.0 per cent annually.³

B.C.'s population was estimated to grow by 0.7 per cent in 2012 and a further 1.2 per cent in 2013.⁴ Net negative interprovincial migration will be offset by positive migration from other countries. Overall population growth will remain modest by historical standards. Relatively low population growth has a direct impact on economic growth including consumer spending.

Over the past two years our net income has had very modest growth with our 2012/13 income of 1.8 per cent more than 2011/12. The 2013/14 year net income growth over 2012/13 results is 3.9 per cent with moderate growth anticipated in lottery and casino and stronger growth in eGaming.

Actions: We will continue to focus on revenue-generating initiatives to generate growth while sustaining our core, mature products. We will also focus on operational effectiveness and sustaining and growing net income to the Province.

player centricity

Putting our players first is fundamental to our business. Consumer patterns and preferences are changing with technology in the form of social media and other interactive forms of entertainment. We know our players value and respond to change. Given the range of choices in today's entertainment field, the competition for customers has never been tighter.

With this in mind, we are constantly evaluating and looking for ways to improve the products we offer by understanding

emerging trends, attitudes and ideas within the framework of upholding social responsibility as an essential component.

Actions: We will continue to focus on our players so they choose BCLC gambling over other entertainment options. This means offering customizable, player-driven experiences and improving the entertainment value and distribution convenience of our games. Engaging our players to find out what they like and where we can make improvements will help us keep players first, keeping our emphasis on social responsibility.

public opinion

Public trust and support for BCLC is our licence to operate. We will continue to be a good corporate citizen so that our business is welcomed across B.C., and to demonstrate integrity in what we deliver and how we deliver it so that the public has confidence our business is fair, safe and well-managed. With each of our endeavours, strategies and innovations comes the duty to promote our gambling products in a socially responsible manner.

Actions: We are committed to ongoing improvement to our responsible gambling programs, security and compliance, stakeholder relations, transparency and financial and environmental stewardship. For example, RG Check is an important new tool that provides a comprehensive, independent review of B.C.'s responsible gambling programs and gives us greater insight into how we measure up against best practices in areas such as corporate policies, voluntary self-exclusion, advertising, problem gambling supports, venue and game features, and employee training. So far, 13 B.C. gambling facilities have been reviewed and received RG Check accreditation, and the remaining facilities are planned to be reviewed over the next two years.

revenue sustainability

We deliver more than \$1 billion in income annually to the Province. Looking ahead, our build-out of gambling facilities is nearing completion, some of our products are reaching maturity in their life cycle and newer games are more expensive to develop and provide lower margins than our traditional games.

2 Source: Province of B.C. Ministry of Finance November 2012.

3 Source: Central 1 Credit Union "Central 1 Economic Analysis of British Columbia." September 2012.

4 Source: Province of B.C. "Economic Review and Outlook in 2012/13 First Quarterly Report." September 13, 2012.

This combined with an aging player demographic and economic conditions will make it challenging for BCLC to grow and sustain revenue flow to the Province. To address this environment, BCLC is pursuing revenue opportunities through product and service innovations, enhancements to our distribution channels and the further development of our PlayNow.com platform. Through strategic investments in innovation and modernization, we are projecting these initiatives will generate significant new revenue over the three-year planning period.

Gambling continues to be one of Canada's largest entertainment industries generating over \$15 billion in net win.⁵ However, growth over the last five years has been less than 1.0 per cent annually. At BCLC we had a net win growth rate of 1.1 per cent for 2012/13 and are projecting 3.6 per cent for 2013/14. The net income we provide to the Province is also projected to increase at a moderate pace over the period covered by this plan.

Actions: We have two primary strategies to sustain revenue: investing in new growth opportunities so that we respond to consumer trends and replenish lost income from declining products and shrinking margins, and exploring new ways of operating our business to improve profit and productivity from our existing lines of business.

operating costs

While BCLC has continued to grow net income, the cost to generate this net income has increased in what has become a competitive and mature market. Increased costs are due to new games that cost more to execute, an increased reliance on technology, additional regulatory requirements and accounting changes.

Actions: BCLC fully understands that cost management is critically important and a key strategic initiative to sustain and grow income to the Province. We will continue to scrutinize our business for cost management opportunities and engage in best practice strategic procurement initiatives.

infrastructure investment

Technology has become vital to our business. Today, innovation is key, and it's how we will keep pace with our customers. We know our customers are increasingly using devices to connect to us, so we're investing in developing products and developing a platform for future innovation.

Sustaining current operations and enabling future growth are key priorities. However, a significant number of our systems are considered legacy and need to be updated or replaced. Business transformation activities and maintaining new systems have added additional cost pressures. Looking ahead, renewed infrastructure and new technologies are key to sustained revenue growth.

Actions: We are making significant progress in modernizing and transforming our infrastructure and gaming systems. We are optimizing our websites for mobile devices. We are in

year two of a multi-year project to replace our casino Gaming Management System that supports over 70 per cent of BCLC's net win every year. This multi-year project will modernize our land-based gambling business and help us be more responsive to players.

Our three-year plan is to build new levels of connectivity into our systems, to deliver improved customer service across all our business channels and establish a platform for sustainable revenue generation.

eGaming

We first ventured online in 2004, offering lottery products on PlayNow.com. The pace of change, not to mention the need for change, has soared since then. In 2010, we opened up a brand new field for BCLC—pioneering regulated, online casino games. Not long afterward, we broke new ground again with partners in Québec, developing the first-ever regulated, online peer-to-peer poker across jurisdictions. This past year, we launched a brand new sports betting platform to give our players the best possible experience including live betting, a better variety of sports and more betting options. We also partnered with Manitoba Lotteries Corporation to provide them with their own online gambling website. eGaming is still a relatively small part of our business, but it is definitely a growth area.

Actions: We will continue to focus on ongoing enhancements to our casino and sports offerings on PlayNow.com and optimize our website for devices like tablets. Players will be able to access winning numbers and responsible gambling information, and our security and protection features will apply whether players choose to access the website using mobile, tablet or personal computer. We are also exploring using the PlayNow.com platform in other areas of our business. Going forward, we'll continue to explore opportunities to provide PlayNow.com to other jurisdictions in Canada.

lottery

Lottery products have been sold in B.C. for over three decades. Although changing demographics and consumer preferences have affected this channel, three of our five core products are lottery products: Lotto 6/49, LOTTO MAX and Keno. These three products are forecast to generate more than \$275 million or 13 per cent of our total net win through both the retail and hospitality network.

Actions: We will place the player at the centre of our focus while at the same time recognizing the important role and contribution of our retailers. Future efforts will be on making lottery easy and accessible to play, ensuring our products remain fun and compelling through game enhancements, refreshing the "look and feel" of our retail presence, building strong retailer partnerships and making all players feel like winners. All initiatives will maintain player security and system integrity.

5 Source: HLT Advisory Inc. "2010 Economic Impact of the Canadian Gaming Industry: Key Findings Report."

casino and community gaming centres

British Columbians currently enjoy gambling in 43 facilities throughout the Province. Revenue generated in our casino facilities account for over 70 per cent of our total net win. While building and upgrading existing casino and community gaming facilities to higher quality properties remains critically important, we are transforming into an organization and industry that competes more effectively for the consumer's discretionary entertainment dollar.

Actions: We will strive to develop gambling destination properties in B.C. that are a popular entertainment choice for adults. Together with our private sector service providers, we will leverage our insight and analytics to deliver innovative entertainment for our players. We will continue to demonstrate our commitment to excite and delight our players by providing them with the kinds of promotions that interest them through our Encore Rewards program.

We are excited about giving our players an improved gaming experience and added opportunities for entertainment through the introduction of the new casino Gaming Management System and the development of a new gaming platform that will leverage the PlayNow.com suite of games. In collaboration with our private sector service providers, we will realize additional revenue growth through the marketing capabilities of these new systems and multi-channel platforms.

For net win and net income trends of all our core business areas, refer to Our Financial Outlook later in this document.

risks and opportunities

BCLC has a formal enterprise risk management (ERM) program, with ongoing evaluation of risks and quarterly Board reporting of action plans for all significant risks identified. BCLC continues to develop the ERM program, expanding consideration of risk to include opportunity assessment and strengthening links with the compliance, business continuity, insurance and anti-fraud programs. BCLC's risk criteria are closely aligned to our strategic goals, with the major risks and opportunities ahead outlined below:

| RISKS & OPPORTUNITIES | IMPACT | ACTIONS |
|--|---|--|
| PLAYER GOAL: Put players first to create the entertainment experiences they enjoy | | |
| <p>Risk: BCLC may not understand or meet the needs and expectations of new and existing players for high-quality facilities, games, services and touch points.</p> <p>The responsible gambling and Voluntary Self-Exclusion programs may not fully meet player needs and public expectations.</p> | <p>Player satisfaction or participation levels may decline over time. Existing or potential customers may seek alternative entertainment.</p> <p>Players may not make informed choices about gambling. Problem gambling rates may increase.</p> | <p>Investments will be made in market research and analytics to obtain customer focused insights.</p> <p>BCLC will continue its long-term commitment to responsible gambling programs, working with GPEB to provide education, tools, resources and communications to support informed gambling decisions.</p> <p>Plan to increase investment in public education programming and develop responsible gambling programming for special populations.</p> <p>BCLC continues to develop and enhance the Voluntary Self-Exclusion program including ongoing security enhancements and continuing with the facial recognition pilot at casinos.</p> |
| <p>Opportunity: Attract new players and increase play through making BCLC games and facilities an accessible and appealing entertainment option.</p> | <p>BCLC needs to engage players across gambling channels in a highly competitive and rapidly changing market in order to sustain and grow the business.</p> | <p>Make budget and resource investments in innovation in order to remain relevant and deliver new products and services to meet customer expectations.</p> <p>New purchase options such as Lotto Express and PlayNow.com mobile play are being developed. Amenities and services are being improved in our casino properties that are under development in our major markets.</p> |

| RISKS & OPPORTUNITIES | IMPACT | ACTIONS |
|---|--|---|
| PEOPLE GOAL: Think differently, work together and act fast to drive results | | |
| <p>Risk: BCLC may not be able to attract, recruit and retain sufficient skilled staff or develop the skill sets and competencies required in time to meet future growth targets.</p> | <p>BCLC’s difficulty in recruiting and retaining employees with the key competencies may result in difficulties in maintaining operations and planning and undertaking new initiatives.</p> | <p>BCLC will develop a compensation framework that is market competitive and supports our ability to continue with current initiatives and future transformational activities.</p> |
| <p>Opportunity: To develop a skilled, engaged and flexible workforce to drive organizational transformation and success.</p> | <p>To transform the business, BCLC needs able and inspired employees with the right skills.</p> | <p>Enhance employee planning to identify BCLC’s future capabilities, competencies and resource needs.</p> <p>Invest in employee development to meet skill and capability needs.</p> <p>Support a culture of collaboration that improves our focus on the player, our capacity for innovation and our speed-to-market.</p> |
| PUBLIC GOAL: Build public trust and support for BCLC | | |
| <p>Risk: The public may not feel that BCLC is demonstrating our values of integrity, social responsibility and respect.</p> <p>BCLC systems and processes to support best practices and respond to internal and external challenges may not be optimized.</p> <p>Information security could be threatened by malicious attack or sabotage.</p> | <p>If the public or other stakeholders lose confidence in BCLC new initiatives may not be approved or player participation may fall with a consequent decline in revenue.</p> <p>BCLC requires consistent, reliable business processes, practices and models with robust governance.</p> <p>Compliance with current and future regulations is also very important to assure the public and our stakeholders.</p> | <p>BCLC is pursuing proactive communications strategies to enhance public knowledge of how BCLC conducts its business and contributes to local communities across B.C.</p> <p>BCLC is driving a number of initiatives to modernize processes, reduce reliance on manual processes, implement intelligent controls and strengthen operational integrity.</p> <p>Investments are being made to improve information governance and management across the enterprise to create enterprise solutions that better supports business decision-making, knowledge management and information security.</p> <p>BCLC is also improving the processes and application of technology solutions for oversight and management of monitoring and compliance activities.</p> <p>We continue to strengthen our risk, compliance and business continuity capabilities to further improve both risk mitigation and contingency response to potential integrity issues or disruptions.</p> |
| <p>Opportunity: Greater engagement with the public, municipalities and local communities.</p> | <p>BCLC needs public support to pursue new initiatives that generate income for the Province and all British Columbians.</p> | <p>BCLC continues to implement the Openness and Accountability Strategy, using the redesigned bclc.com website to proactively inform media and the public about our business.</p> <p>We also work closely with our local communities through initiatives such as Responsible Gambling Awareness Month.</p> |

| RISKS & OPPORTUNITIES | IMPACT | ACTIONS |
|--|--|--|
| PROFIT GOAL: Grow net income and invest in the long-term health of our business | | |
| <p>Risk: BCLC may face challenges in growing and sustaining revenue as traditional games mature and new technology-based games become more expensive to develop and yield lower profit margins.</p> <p>Technology or capacity limitations may restrict the development of the new or optimized enterprise level capabilities required for transformation and future innovation.</p> | <p>Without continuing investment and innovation the net income contribution that BCLC makes to the Province may decline.</p> <p>BCLC’s ability to meet the expectations of existing and new players and private sector service providers may be constrained, affecting future revenue.</p> | <p>Corporate transformational initiatives are underway that will include replacement of a number of legacy systems. The most significant of these is the rollout of the new Gaming Management System to all of our facilities.</p> <p>The transformation of our Business Technology and Finance divisions will provide better support for our business with improved enterprise working, swifter implementation and better decision support.</p> |
| <p>Opportunity: Optimizing, streamlining and automating business processes to improve efficiency and provide the foundations for new growth opportunities.</p> | <p>BCLC needs to be ready to respond to external constraints and opportunities resulting from changes to the business environment.</p> | <p>We are assessing our business models with a focus on increasing operational effectiveness, speed to market and exploring new ways to improve profit and productivity as we operate our business in the future.</p> <p>BCLC will also continue to focus on developing revenue generating initiatives to generate growth while sustaining our core, mature products.</p> |

our capacity to achieve results

Current and future needs require sound, responsive and adaptive business processes and technology. Our workforce must have the skills and capabilities to work in this environment and leverage our business to satisfy our players.

We are investing in our workforce through continual refinements to our online learning management system, ongoing programs for leadership development, and employee development. Aligning workforce planning strategies with emerging business needs will ensure our human resources capacity is effectively utilized. We need a competitive compensation plan and workplace environment in order to attract and retain top talent and grow our business.

We are improving our business planning processes to ensure we are allocating our human, operating and capital resources to the highest value-added projects. Reinforcing a culture of business optimization, continuous improvement and operational efficiency will result in allocating resources where the business need is the greatest.

our plan for the next three years

goals, objectives and performance measures

BCLC's Board and Senior Executive manage the business through a cycle of strategic and business planning, reporting and then analyzing performance. Our planning includes reviewing economic and marketplace indicators as well as results from other gambling jurisdictions with similar operations.

BCLC's strategic plan is our roadmap, defining where we want to be and how we plan to get there. In planning for the next three years, we made changes to BCLC's strategic plan to more clearly articulate our direction, restating our goals and adding objectives to the framework.

Appendix 1 provides a comparison of our goals, objectives and performance measures from the 2012/13-2014/15 Service Plan and this 2013/14-2015/16 Service Plan.

Our new strategic plan is summarized in the table below.

| Corporate Goals <i>where we want to be</i> | Corporate Objectives <i>what we need to achieve and why it is important</i> | Performance Measures <i>how we will measure corporate performance</i> |
|---|--|---|
| 1. We will put players first to create the entertainment experiences they enjoy | Delight players so they will choose BCLC gambling over other entertainment options | Player Satisfaction |
| | Broaden and diversify the player base and spending to strengthen our business and reduce risk | Player Participation |
| | Encourage responsible play so that players make informed choices about their gambling | Player Awareness of Responsible Gambling Activities Net Win per Capita |
| 2. We will think differently, work together and act fast | Make BCLC a great place to work so that we feel inspired to do our best work and we are a sought-after employer | Employee Engagement |
| | Define our future workforce needs so we have the right people with the right skills at the right time | Employee Vacancy Rate |
| 3. We will build public trust and support for BCLC | Be a good corporate citizen so that our business is welcomed across B.C. | Public Support for BCLC |
| | Demonstrate integrity in what we deliver and how we deliver it so that the public has confidence our business is fair, safe and well-managed | Level of Greenhouse Gas Emissions |
| 4. We will grow net income and invest in the long-term health of our business | Grow net income from our core business | Net Income |
| | Invest in innovative products and services that respond to consumer trends and create opportunities for growth | Operating Costs as % of Net Win |
| | Invest in infrastructure and processes to improve operational effectiveness and enable the business to get to market faster | |

how we measure our performance

BCLC establishes performance measures to help us assess our level of success in achieving our objectives.

For non-financial measures, BCLC contracts with independent third-party professionals to conduct surveys, comparing our performance results against established targets. We assess these results on a quarterly basis, reviewing and analyzing the data, enabling us to see where our plans are achieving the desired results. Our performance results are published each year in our Annual Service Plan Report.

Financial information is obtained from BCLC's audited financial statements and from other internal reports. We source the population figures from BC Stats and Statistics Canada and use them in the calculation of some of our performance measures.

Our employee engagement is measured through a third-party research supplier who conducts an annual survey with BCLC's employees.

We benchmark our financial performance against the audited financial results published by comparator organizations and the Canadian Gambling Digest.

BCLC benchmarks to the Ontario Lottery and Gaming Corporation (OLG), Loto-Québec (LQ), the Swedish lottery Svenska Spel and the Canadian gambling average. These benchmarks provide insight into BCLC's financial performance against national averages and comparable gambling jurisdictions. A summary of our current Service Plan's performance measures are included in the table below:

| | Performance Measures | 2011/12 Actual | 2012/13 Actual | 2013/14 Target | 2014/15 Target | 2015/16 Target |
|---------------|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Player | Player Satisfaction | 83% | 85% | 83% | 83% | 83% |
| | Player Participation | 62% | 69% | 62% | 63% | 64% |
| | Player Awareness of Responsible Gambling Activities | 80% | 78% | 80% | 82% | 83% |
| | Net Win Per Capita | \$447 | \$450 | \$467 | \$479 | \$492 |
| People | Employee Engagement | 81% | 82% | 80% | 80% | 80% |
| | Employee Vacancy Rate | 1.9% | 4.4% | 4.0% | 4.0% | 4.0% |
| Public | Public Support for BCLC* | | | 80% | 81% | 83% |
| | Level of Greenhouse Gas Emissions (calendar year) | 2011: 1,506 | 2012: 1,403 | 2013: 1,439 | 2014: 1,382 | 2015: 1,326 |
| Profit | Net Income (millions) | \$1,107.4 | \$1,127.6 | \$1,172.0 | \$1,202.0 | \$1,237.0 |
| | Operating Costs Ratio (% of Net Win) | 42.0% | 41.2% | 42.5% | 42.5% | 42.5% |

Our performance targets for the next three years are outlined in the following pages. A more detailed explanation of the methodology used for each measure and our benchmarking is contained in Appendix 2.

* In the past, we have tracked "Public Support for BCLC Gambling" and going forward will track this metric.

goal 1: player

we will put players first to create the entertainment experiences they enjoy

| Objectives | Performance Measure | Strategies |
|---|---|---|
| Delight players so they will choose BCLC gambling over other entertainment options | Player Satisfaction Player Participation | <ul style="list-style-type: none"> • Offer customizable, player-driven experiences • Leverage the PlayNow.com platform across all channels and devices • Continuously improve the entertainment value and distribution convenience of our core games • Provide education and tools supporting informed gambling choices and responsible play behaviours |
| Broaden and diversify the player base and spending to strengthen our business and reduce risk | Player Awareness of Responsible Gambling Activities | |
| Encourage responsible play so that players make informed choices about their gambling | Net Win per Capita | |

delight our players

We realize that our players have many options in spending their entertainment dollars. Understanding our player will help us on our journey in creating exciting entertainment experiences. We are strengthening our customer understanding through feedback and research and are taking positive steps in transforming to a player-driven organization. We will continue to work closely with our service providers to enhance our gambling facilities and to improve the look and feel at our lottery retail locations.

broaden & diversify player base

Increasing the number of players strengthens our business. BCLC is planning to leverage the PlayNow.com platform across all our channels and devices, so that we diversify and increase our player base and realize a higher return on our investment in technology. We want it to be easy for our players to do business with us, so that they are satisfied with their entertainment experience.

We know our players want customization and player-driven experiences, and these attributes will be built into future products and services. We are also taking steps to add convenience in how our players purchase our products.

encourage responsible play

The more players know, the better equipped they are to make healthy decisions about gambling. BCLC’s responsible gambling programming provides education and tools to support informed gambling choices and responsible play behaviours.

RG Check is a tool that will be gradually introduced into our facilities over the next two years. This program provides insight into how our private sector service providers operate casino and community gaming centres as measured by an independent agency to best practices in responsible gambling.

We are continuing with Responsible Gambling Awareness Month, working with communities across B.C. to raise awareness about responsible gambling practices to help reduce risk and connect people to community resources and services.

Our GameSense communication and education program is considered to be one of the best in the world and we will continue to evolve the program based on research that offers new insights into how to proactively reduce the potential for problem gambling to occur. We will continue to research how we can improve programs and technology to support the small number of vulnerable players for whom problem gambling is an issue.

We measure player awareness of our responsible gambling activities to determine the effectiveness of our responsible gambling programs.

player satisfaction (%)



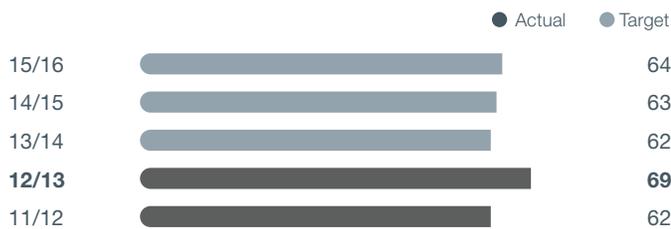
DESCRIPTION OF PERFORMANCE MEASURE

Player satisfaction is a measure of satisfaction with the products, services and facilities BCLC offers in each of our gambling channels. This measure will indicate if we are successful in transforming to becoming more player-centric.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

There has been no change to this goal or its measurement. Target changes are based on historical and forecast information. Our level of player satisfaction is already very positive. Our plans to become player-centric are expected to maintain these results as well as positively impact the longer term strategy of broadening the level of player participation and ultimately achieving the revenue growth targets.

player participation (% at least monthly)



DESCRIPTION OF PERFORMANCE MEASURE

Player participation measures the percentage of B.C. adults who play our games or visit a gaming facility once every month. By measuring frequency, we have a gauge of players' purchase behaviour and can better understand how successful our promotions are in attracting them to our products and facilities.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

There has been no change to this goal or its measurement. Target changes are based on historical and forecast information.

player awareness of responsible gambling activities (%)



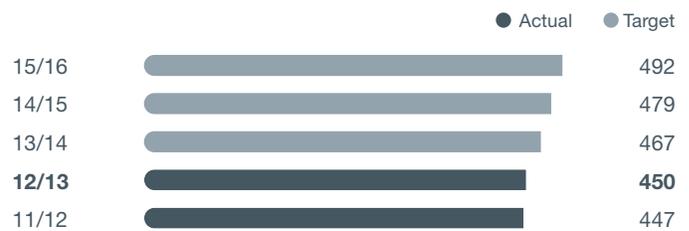
DESCRIPTION OF PERFORMANCE MEASURE

Player awareness of responsible gambling activity measures how many of our players are aware of one or more of our responsible gambling activities. The measure determines how effective we are at reaching out to our players about our responsible gambling programs. We do not benchmark this measure to other gambling jurisdictions due to a lack of comparable data.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

There has been no change to this goal or its measurement. Target changes are based on historical and forecast information and considering the enhancements that BCLC is planning to make to our responsible gambling education and support programming.

net win per capita (\$)



DESCRIPTION OF PERFORMANCE MEASURE

Net win is calculated for lottery and bingo games by deducting prizes from gross sales. Casino game prizes are paid during game play. Net win per capita tells us how successful we are in growing revenue per player. It is indexed to the total population to allow us to benchmark to other jurisdictions, as the age at which legal gambling is permitted varies between jurisdictions.

This measure is widely used in the gambling industry so consistent benchmarking is possible. The net win is divided by the total population based on publicly reported population figures to obtain per capita metrics. Benchmarking is to Loto-Québec (LQ), Ontario Lottery and Gaming Corporation (OLG), and the Canadian average. Benchmarking data is presented in Appendix 2. BCLC has consistently outperformed the benchmark organizations.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

Annual review of our financial performance occurs in September. Targets for the next three years have been set based on our actual performance for 2012/13 and predicted growth in net win. Our forecast takes into account standard economic indicators used by the Province and the planned introduction of new products and services and facility developments.

goal 2: people

we will think differently, work together
and act fast

| Objectives | Performance Measure | Strategies |
|---|--|---|
| Make BCLC a great place to work so that we feel inspired to do our best work and we are a sought-after employer | Employee Engagement Employee Vacancy Rate | <ul style="list-style-type: none">• Foster innovation and simplify work processes in every area of the company to make BCLC more effective and increase job satisfaction• Offer personal development opportunities and a competitive compensation package to retain and attract strong talent in critical roles• Install a Human Resources Information System that creates a single, integrated view of our workforce |
| Define our future workforce needs so we have the right people with the right skills at the right time | | |

BCLC is a great place to work

BCLC is proud to have been selected as a top employer in British Columbia seven consecutive years in a row, most recently in 2013. In 2011, we were also selected as a Top Employer for Canadians Over 40 and as a Top Family-Friendly Employer. We continue to pursue excellence in the programs, services and experience that we offer to our workforce.

A passionate and engaged workforce is required to drive the success of our business. Our employees work on the programs that we have put in place to modernize our business; they research, develop and integrate the games that our players enjoy; and they work with our private sector service providers to deliver the great entertainment experience that our players expect.

Maintaining our employee value proposition

Our human resources programs will continue to nurture a culture and environment that supports BCLC's business strategy. Through strategic workforce planning, performance management and managing our employment brand, we will remain as an employer of choice. We will continue to invest in leadership and employee development to provide the training and resources needed to sustain and grow the business and plan for the future leadership of the company.

Measuring performance

BCLC has two performance metrics to help us monitor our success in attracting and retaining an engaged workforce. Our employee engagement is already high and our employee vacancy rate is low. Our goal is to maintain both metrics at existing levels, with the vacancy rate increasing only slightly when the economy improves and competition for resources increases.

employee engagement (%)



DESCRIPTION OF PERFORMANCE MEASURE

This performance metric measures the level of engagement of BCLC employees. Employee engagement is defined as the intellectual and emotional commitment employees have in an organization.

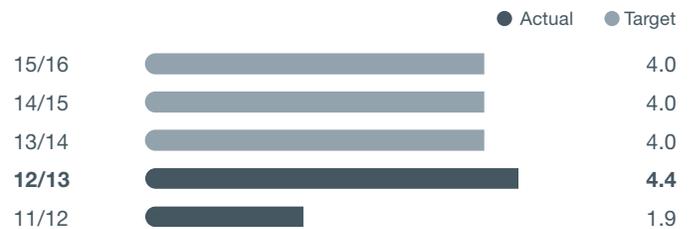
Employee engagement reflects the effort and dedication employees contribute to achieve success for the organization.

A third-party research company measures the level of employee engagement using an annual employee survey that reflects our unique culture, values and business objectives. A broad range of attributes are surveyed that are important to BCLC: player-focus, delivering an outstanding gambling experience, social responsibility and making BCLC a great place to work.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

Transforming to a player-centric company requires modernization of processes and technology. Our targets for the next three years reflect our commitment to maintain current high levels of engagement through these changes.

employee vacancy rate (%)



DESCRIPTION OF PERFORMANCE MEASURE

Employee vacancy rates measure BCLC's employee turnover, competitiveness, and the effectiveness of recruitment processes. It is a high-level metric subject to considerable variation based on organizational growth, internal personnel movement, employee demographics and external market conditions. The vacancy rate must therefore be interpreted within the context of the time frame that it is being measured.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

In 2011/12 the vacancy rate was low, reflecting limited organizational growth and low turnover of employees in a flat labour market. Our targets reflect our expectation that the number of full-time equivalent positions will be stable at approximately 900 and that employee turnover will remain low, but closer to the level experienced in 2008/09.

goal 3: public

we will build public trust and support for BCLC

| Objectives | Performance Measure | Strategies |
|--|-----------------------------------|--|
| Be a good corporate citizen so that our business is welcomed across B.C. | Increase public support for BCLC | <ul style="list-style-type: none"> • Coordinate the many activities that contribute to our corporate reputation with a focus on key operating communities • Build employee understanding of their role in strengthening our public trust |
| Demonstrate integrity in what we deliver and how we deliver it so that the public has confidence our business is fair, safe and well-managed | Level of Greenhouse Gas Emissions | |

More than \$1 billion in income is delivered each year to the Province of British Columbia for health care, education, community initiatives and other programs. Sustaining and growing this net income depends on BCLC maintaining the trust and support of the public.

be a good corporate citizen and demonstrate integrity

BCLC cannot achieve its mandate to generate income without public trust and support. Ultimately, public opinion determines our social licence to operate. We will continue to work hard every day to earn players' trust in the integrity of our products and the safety of our facilities, and to build public confidence that we strike a balance between a healthy bottom line and encouraging our players to make responsible gambling choices. BCLC is committed to ongoing improvement to our responsible gambling programs, security and compliance, stakeholder relations, transparency and environmental stewardship.

decrease our carbon footprint

Sustainability is a key component of our corporate social responsibility and an integral part of our business. We promote environmentally sustainable behaviours in our workplace, for example, by implementing a new sustainable procurement policy and complying with new regulations governing the tracking and disposal of electronic waste.

We are also working with the Ministry of Environment to prepare for the implementation of new paper waste regulations, and continuing efforts to encourage the participation of our staff, private sector service providers and vendors in environmentally friendly programs. By maximizing our re-use and recycling programs, BCLC has seen continued reduction in our greenhouse gas emissions. BCLC is required to meet the carbon neutrality requirements set out in the Government's *Greenhouse Gas Reduction Targets Act*.

BCLC uses two performance metrics to assess its success in achieving public trust and support: public support for BCLC and level of greenhouse gas emissions.

public support for BCLC
(%)



DESCRIPTION OF PERFORMANCE MEASURE

Public support for BCLC is a measure of the percentage of adult British Columbians who support and have a favourable impression of BCLC. If BCLC demonstrates and communicates how we meet our corporate social responsibility mandate successfully, we should expect to see our results increase. It will be measured by a third-party consultant throughout the year using an online survey.

We do not benchmark this measure due to a lack of comparable data from other gambling jurisdictions.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

This is a new measure in the Service Plan.

level of greenhouse gas emissions
(CO₂e tonnes by calendar year)



DESCRIPTION OF PERFORMANCE MEASURE

BCLC uses standard calculations provided by the Province to report our greenhouse gas (GHG) emissions in a standard format. This calculation is completed and reported in metric tonnes of carbon dioxide emissions (CO₂e) for the calendar year. Data is obtained on the following usage: electricity, natural gas, fleet fuel and paper.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

Our targets are based on achieving a three per cent year-over-year reduction in reportable emissions to achieve the mandated 33 per cent reduction by 2020.

goal 4: profit

we will grow net income and invest in the long-term health of our business

| Objectives | Performance Measure | Strategies |
|---|---------------------------------|--|
| Grow net income from our core business | Net Income | <ul style="list-style-type: none">• Define and implement the business and technology architecture and roadmap that will help us grow• Build our business intelligence and analytics• Work with best-in-class partners to drive innovation in the games, amenities, social settings, services and access that players want• Complete the casino/community gaming centre property build-outs to capture unrealized market potential |
| Invest in innovative products and services that respond to consumer trends and create opportunities for growth | Operating Costs as % of Net Win | |
| Invest in infrastructure and processes to improve operational effectiveness and enable the business to get to market faster | | |

grow net income, invest in new growth opportunities & increase speed to market

Growing net income from our core business will continue to be a priority. BCLC does this by responding to consumer trends with investments in products and services that provide new growth.

We are beginning a multi-year journey in defining and implementing the business and technology architecture and roadmap that will lay the foundation for our growth. Modernizing our infrastructure through the replacement of legacy systems continues to be a focus. Optimization of our business, from how we manage our data across the organization to the evolution of business intelligence and analytics, are all initiatives that will help us understand the interests of our players.

We are also reviewing how we work with our private sector service providers and third-party vendors to deliver gambling, so that we continuously improve BCLC's business operations. The transformation of our technology, finance and procurement activities will continue as we improve processes, technology and skills to build the business.

Innovation and moving quickly to market with the games, amenities, social settings, services and access that players want will be supported by working with best-in-class partners. We are planning to relocate and develop gambling facilities where market potential exists to bring an exciting and varied experience for those communities.

BCLC uses two high-level metrics to assess our performance against this goal: net income and operating costs ratio.

net income (\$ millions)



MEASURING OUR PERFORMANCE

Net income is the total amount of income generated from BCLC gambling after all expenses and is in accordance with International Financial Reporting Standards (IFRS). It is a direct indicator of our success in meeting our mandate to generate income for the benefit of all British Columbians.

DESCRIPTION OF PERFORMANCE MEASURE

Net income is income net of prizes, direct expenses, operating expenses and taxes.

BCLC's net income is sent to the Province and used to benefit all British Columbians for funding of public health care, education and charitable and community programs. As a result of an agreement between the federal and provincial governments, the Government of Canada receives a portion of BCLC's net income.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

Net income targets are updated annually based on past performance and future growth opportunities. The forecasts take into account standard economic indicators used by the Province.

operating costs ratio (% of net win)



MEASURING OUR PERFORMANCE

Our operating costs ratio as a percentage of net win is a measure of our operational efficiency. It indicates how successful we are in balancing the generation of revenue with the cost of operating our business.

DESCRIPTION OF PERFORMANCE MEASURE

The operating costs ratio is the sum of direct expenses (except prizes), gaming support costs, general operating costs and amortization divided by our net win. We benchmark this metric to other gambling jurisdictions. BCLC's costs are below both Ontario Lottery and Gaming Corporation and Svenska Spel and comparable to those of Loto-Québec. For more details, see Appendix 2.

SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

In this Service Plan, we adjusted BCLC's operating costs ratio to include ticket printing. This change better benchmarks us against other gambling jurisdictions where ticket printing was not separated from operating costs in some jurisdictions' Annual Reports.

BCLC is investing in modernizing our business, replacing legacy systems and, in particular, replacing the technology that supports casino and community gaming centre operations. This investment in modernization will continue with BCLC committed to maintaining its operating costs ratio at optimal levels.

our financial outlook

how much we'll sell, spend and provide in net income and our assumptions in preparing this plan

The Province of British Columbia uses BCLC net income from gambling to fund public, charitable and community programs that benefit all British Columbians.

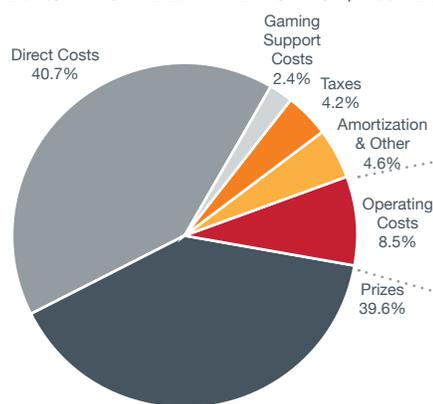
NOTE: The tables in this section factor in the change from HST to PST and GST in 2013/14.

consolidated corporate operations

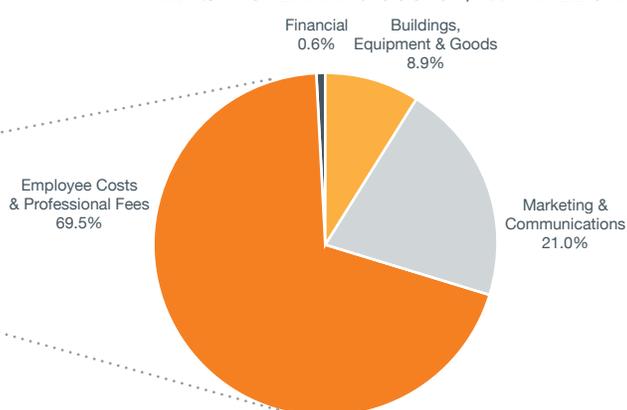
| \$ millions | 2011/12 ACTUAL | 2012/13 BUDGET | 2012/13 PRELIMINARY ACTUAL | 2013/14 BUDGET | 2014/15 TARGET | 2015/16 TARGET |
|-------------------------|-------------------|-------------------|----------------------------------|-------------------|-------------------|-------------------|
| Revenue | \$ 2,701.4 | \$ 2,760.3 | \$ 2,731.9 | \$ 2,803.0 | \$ 2,868.7 | \$ 2,940.1 |
| Prizes | 641.9 | 624.4 | 649.6 | 645.2 | 656.5 | 665.0 |
| Net Win | 2,059.5 | 2,135.9 | 2,082.3 | 2,157.8 | 2,212.2 | 2,275.1 |
| Direct Expenses | 630.3 | 650.7 | 637.2 | 664.3 | 681.4 | 699.5 |
| Gaming Support Costs | 29.0 | 34.1 | 29.4 | 38.6 | 39.3 | 40.0 |
| Operating Costs | 132.9 | 135.9 | 133.7 | 139.4 | 141.9 | 144.2 |
| Amortization and Other | 73.0 | 90.2 | 57.6 | 75.5 | 78.5 | 84.1 |
| Total Costs | 865.2 | 910.9 | 857.9 | 917.8 | 941.1 | 967.8 |
| Net Income Before Taxes | 1,194.3 | 1,225.0 | 1,224.4 | 1,240.0 | 1,271.1 | 1,307.3 |
| Taxes | 86.9 | 100.0 | 96.8 | 68.0 | 69.1 | 70.3 |
| Net Income* | \$ 1,107.4 | \$ 1,125.0 | \$ 1,127.6 | \$ 1,172.0 | \$ 1,202.0 | \$ 1,237.0 |
| Debt | 90.1 | 128.0 | 131.7 | 173.1 | 202.1 | 225.1 |
| Capital Expenditures | 74.4 | 116.2 | 96.6 | 120.0 | 110.0 | 110.0 |

* BCLC retains none of its earnings

2013/14 TOTAL EXPENDITURES: \$1.631 BILLION



2013/14 OPERATING COSTS: \$139.4 MILLION



REVENUE

Revenue is projected to increase by \$208.2 million or 7.6 per cent over the three-year period. BCLC is projecting moderate growth in the lottery and casino channels and stronger growth in the emerging eGaming channel.

TOTAL EXPENDITURES

Total expenditures, including prizes, total costs and taxes, are expected to increase by \$98.8 million or 6.2 per cent over the three-year period. Total expenditures for Fiscal 2013/14 are projected at \$1.6 billion.

PRIZES

Prizes are estimated to increase by \$15.4 million or 2.4 per cent over the three-year period due to increased revenue.

Prizes as a percentage of revenue are decreasing from 23.8 per cent to 22.6 per cent over the three-year period due to a shift in consumer preferences to casino-style games which are recorded net of prizes.

NET WIN

Net win is projected to increase by \$192.8 million or 9.3 per cent over the three-year period as a result of the growth in revenue.

DIRECT EXPENSES

Direct expenses include service provider commissions, lottery ticket printing and bingo paper, supplies and leases.

Direct expenses are increasing by \$62.3 million or 9.8 per cent over the three-year period due to increased revenue.

GAMING SUPPORT COSTS

Gaming support are those costs which directly support revenue generation. They include equipment installation and maintenance, systems support, data transmission, product delivery and odds-setting.

Gaming support costs will increase by \$10.6 million or 36.1 per cent over the three-year period due to growth and a greater usage of third-party system providers in the eGaming channel, as well as increasing technology costs and the implementation of the Gaming Management System (GMS).

OPERATING COSTS

Operating costs include employee costs, professional fees, buildings, equipment and goods, marketing, communications and financial costs.

Operating costs are expected to remain stable as a percentage of net win over the three-year period.

AMORTIZATION AND OTHER

Amortization is increasing by \$26.5 million over the three-year period, primarily due to capital expenditures which include the replacement of the Gaming Management System, investments in business support and modernization programs, and capital to support revenue programs in the lottery, eGaming, casino and community gaming business channels.

The "Other" category consists of interest expense for short-term borrowing and accrued employee benefits.

CORPORATE ASSUMPTIONS

Real GDP growth for the B.C. economy is assumed at an average 2.2 per cent over the three-year period.

Inflation has been assumed at an average 1.9 per cent over the three-year period.

BCLC uses the three-month Canadian Treasury Bill all-in rates as forecast by the Ministry of Finance (rates as of January 3, 2013); interest rates have been assumed at 1.24 per cent for 2013/14, 1.90 per cent for 2014/15, and 2.73 per cent for 2015/16.

No major changes will be made to BCLC's mandate or the Province of B.C.'s gambling and social policy.

No major changes will be made to Gaming Policy and Enforcement Branch (GPEB) mandate, regulations or policy.

Net win and net income assumptions are based on BCLC obtaining the necessary provincial, host local government and regulatory approvals required under the *Gaming Control Act* (2002) to open new facilities and launch new products.

casino and community gaming centres

| \$ millions | 2011/12 ACTUAL | 2012/13 BUDGET | 2012/13 PRELIMINARY ACTUAL | 2013/14 BUDGET | 2014/15 TARGET | 2015/16 TARGET |
|-------------------------|-------------------|-------------------|----------------------------------|-------------------|-------------------|-------------------|
| Net Win | \$ 1,578.9 | \$ 1,627.9 | \$ 1,582.7 | \$ 1,626.5 | \$ 1,659.8 | \$ 1,701.9 |
| Total Costs | 689.6 | 720.7 | 681.1 | 716.2 | 735.1 | 756.8 |
| Net Income Before Taxes | 889.3 | 907.2 | 901.6 | 910.3 | 924.7 | 945.1 |
| Taxes | 60.8 | 70.2 | 72.2 | 47.3 | 47.7 | 49.1 |
| Net Income | \$ 828.5 | \$ 837.0 | \$ 829.4 | \$ 863.0 | \$ 877.0 | \$ 896.0 |

Over the three-year planning period, net income before taxes is projected to increase by \$43.5 million, or 4.8 per cent. This growth will come from increased marketing efforts including campaign management and Player Card enhancements, the continuing development of existing casino properties including considering our options to relocate current facilities and developing new community gaming centres.

CASINO AND COMMUNITY GAMING CENTRE ASSUMPTIONS

British Columbia casino marketplace capacity studies are accurate.

The increase in table game play will continue.

Slot machine play increases as a result of more detailed analytics that provide new insights into game selection, design, and machine locations.

lottery

| \$ millions | 2011/12 ACTUAL | 2012/13 BUDGET | 2012/13 PRELIMINARY ACTUAL | 2013/14 BUDGET | 2014/15 TARGET | 2015/16 TARGET |
|-------------------------|-------------------|-------------------|----------------------------------|-------------------|-------------------|-------------------|
| Revenue | \$ 995.8 | \$ 985.0 | \$ 1,020.5 | \$ 1,025.0 | \$ 1,045.0 | \$ 1,065.0 |
| Prizes | 564.0 | 555.5 | 571.4 | 577.5 | 588.5 | 599.1 |
| Net Win | 431.8 | 429.5 | 449.1 | 447.5 | 456.5 | 465.9 |
| Total Costs | 154.7 | 153.2 | 148.3 | 158.2 | 161.8 | 162.9 |
| Net Income Before Taxes | 277.1 | 276.3 | 300.8 | 289.3 | 294.7 | 303.0 |
| Taxes | 23.0 | 23.8 | 20.4 | 17.3 | 17.7 | 18.0 |
| Net Income | \$ 254.1 | \$ 252.5 | \$ 280.4 | \$ 272.0 | \$ 277.0 | \$ 285.0 |

Over the three-year planning period, lottery net income before taxes is expected to increase by \$2.2 million, or 0.7 per cent. Growth in this channel will come from the introduction of new products and product enhancements, upgrades to the “Look and Feel” of the lottery network, the build-out of Lotto Express and the revitalization of product offerings in the hospitality network.

LOTTERY ASSUMPTIONS

Effective marketing focus on big lotto jackpots will increase awareness and interest that results in purchases by infrequent players.

Planned releases of new lottery products will be on schedule.

BCLC market forecasts for new lottery products are accurate.

The estimated number and size of jackpot rolls on national lotto games will not vary significantly from historical averages.

| \$ millions | 2011/12 ACTUAL | 2012/13 BUDGET | 2012/13 PRELIMINARY ACTUAL | 2013/14 BUDGET | 2014/15 TARGET | 2015/16 TARGET |
|-------------------------|-------------------|-------------------|----------------------------------|-------------------|-------------------|-------------------|
| Revenue | \$ 65.6 | \$ 91.3 | \$ 73.3 | \$ 100.0 | \$ 113.7 | \$ 126.1 |
| Prizes | 16.8 | 12.8 | 22.8 | 16.2 | 17.8 | 18.8 |
| Net Win | 48.8 | 78.5 | 50.5 | 83.8 | 95.9 | 107.3 |
| Total Costs | 20.9 | 37.0 | 28.5 | 43.4 | 44.2 | 48.1 |
| Net Income Before Taxes | 27.9 | 41.5 | 22.0 | 40.4 | 51.7 | 59.2 |
| Taxes | 3.1 | 6.0 | 4.2 | 3.4 | 3.7 | 3.2 |
| Net Income | \$ 24.8 | \$ 35.5 | \$ 17.8 | \$ 37.0 | \$ 48.0 | \$ 56.0 |

Over the period covered by this Service Plan, net income before taxes will increase by \$37.2 million, or 169.1 per cent. Growth will come from the continuing operationalization of the casino/poker portfolios, the introduction of multi-jurisdictional bingo, new sports betting games and the development of mobile gaming. eGaming is also partnering with Manitoba Lotteries Corporation to provide them with an online gambling site.

eGAMING ASSUMPTIONS

Planned product releases will be on schedule.

BCLC market forecasts for new products are accurate.

The regulator approvals required under the *Gaming Control Act (2002)* to launch new products will be received.

our capital plan

spending on our infrastructure and technology

| \$ thousands | 2011/12 | 2012/13 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|---|------------------|-------------------|-----------------------|-------------------|-------------------|-------------------|
| | ACTUAL | BUDGET | PRELIMINARY ACTUAL | BUDGET | TARGET | TARGET |
| Gambling Systems | | | | | | |
| Lottery | \$ 7,635 | \$ 5,054 | \$ 6,364 | \$ 8,212 | \$ 7,800 | \$ 10,000 |
| eGaming | 6,781 | 8,191 | 7,403 | 11,968 | 12,850 | 20,000 |
| eGaming licensing | – | – | 2,566 | 750 | – | – |
| Gaming Management System | 9,402 | 44,175 | 34,146 | 33,890 | 16,870 | – |
| Casino and Community Gaming | 37,400 | 40,692 | 29,351 | 40,492 | 48,875 | 50,000 |
| | 61,218 | 98,112 | 79,830 | 95,312 | 86,395 | 80,000 |
| Infrastructure & Corporate Systems | | | | | | |
| Systems | 10,638 | 15,111 | 15,249 | 17,939 | 16,605 | 20,000 |
| Corporate Facilities | 2,593 | 3,009 | 1,553 | 6,749 | 7,000 | 10,000 |
| | 13,231 | 18,120 | 16,802 | 24,688 | 23,605 | 30,000 |
| Total New Capital | \$ 74,449 | \$ 116,232 | \$ 96,632 | \$ 120,000 | \$ 110,000 | \$ 110,000 |

BCLC's capital expenditures are driven by the need to maintain the corporation's revenue-generating infrastructure.

LOTTERY

In the lottery channel, major initiatives include the continued expansion of lottery distribution into major store chains through multilane technology, rebranding of the lottery network, enhanced sports betting, and the introduction of mobile play/purchase convenience in the hospitality network.

eGAMING

Investment in eGaming will be focused on continual enhancements to sports betting, poker and lotto as well as continuing to optimize the PlayNow.com experience for tablets and mobile.

GAMING MANAGEMENT SYSTEM

BCLC is in year two of a multi-year project to replace the corporation's casino Gaming Management System which supports the annual generation of \$1.6 billion in revenue and over \$800 million in net income. A broad group of partners both within and outside BCLC are creating a whole new technology architecture and platform for the casino business, configuring and testing the new software and creating integrations into our existing systems. The new technology will provide a foundation for modernization, sustainable, moderate growth and more flexible, responsive player relations.

Risks associated with the project include:

- Delays in rollout and implementation due to complexity of the new technology, impacting revenue growth expectations
- Additional costs due to unforeseen issues and challenges in system functionality, integration and implementation

The project is projected to require \$104 million in capital to complete. Costs incurred to March 31, 2013 amount to \$43.5 million.

CASINO & COMMUNITY GAMING

In addition to its significant investment in the new Gaming Management System, BCLC is considering its options to relocate current facilities and open new community gaming centres. This channel will also refresh its slot machines and table games at existing facilities, and introduce PlayNow.com into many of its gambling facilities.

CORPORATE

BCLC will continue to invest in the replacement of legacy systems and the modernization of core technology and business infrastructure. While the Gaming Management System remains the primary focus of our efforts, investment in other areas will slow.

For programs which started prior to 2012/13, but which will not be completed by year-end, the capital will be carried forward. These costs are reflected in the 2013/14 budget.

The cost of purchases made in U.S. dollars has been based on exchange rate parity.

net income that may be at risk

RISK FACTORS

The following factors contribute to uncertainty and risk and may individually, or in the aggregate, affect BCLC's operating results and the net income able to be delivered to the Province.

- Obtaining host local government approvals for the development or relocation of gambling facilities
- Frequency of major lottery jackpots
- New product launches and achieving market expectations
- Economic issues impacting adult consumers' disposable income and entertainment spending
- Shifts in consumer preferences impacting product mix and profitability
- Competition from unregulated gambling competitors
- Public acceptance of gambling
- Changes to gambling rules and regulations
- Revenue loss and market disruption resulting from the business failure of a private sector service provider
- Fluctuations in interest and foreign currency rates

QUANTIFIABLE RISKS

The main quantifiable risks are that new facilities will not open or be expanded on schedule, interest rates may rise unexpectedly⁶, and large fluctuations in the Canadian/U.S. exchange rate⁷ will affect the cost of equipment and supplies purchased from foreign vendors.

| \$ thousands | 2013/14 | 2014/15 | 2015/16 |
|--|----------------|----------------|----------------|
| One-year delay in opening/relocating planned gambling facilities | \$ – | \$ 27,300 | \$ 5,800 |
| Interest rates may rise 1.0% | 1,700 | 1,900 | 2,100 |
| The Canadian/U.S. exchange rate may change | 297 | 297 | 297 |

Taking into account business and general economic trends, the opportunities and challenges facing the business, the risk factors described above, and the mitigation strategies described in the previous sections, BCLC forecasts the following net income ranges:

NET INCOME FORECASTS

| \$ millions | 2013/14 TARGET | 2014/15 TARGET | 2015/16 TARGET |
|--------------------|---------------------------|---------------------------|---------------------------|
| High | \$ 1,205 | \$ 1,235 | \$ 1,270 |
| Target | 1,172 | 1,202 | 1,237 |
| Low | 1,105 | 1,130 | 1,160 |

6 BCLC has a \$250 million short-term Fiscal Agency Loan credit facility. Interest rate sensitivity is based on a 1.0 per cent increase in rates on base borrowing of \$150 million (increasing \$20 million per year).

7 For the period covered by this Service Plan, Canadian/U.S. exchange rates are assumed to average parity. The exchange rate risk is based on a \$0.01 change in the rate, applied to \$30 million in spending.

Government's letter of expectations

Government's Letter of Expectations is an annual letter of direction to BCLC that reinforces the corporation's mandate, identifies strategic priorities, and sets forth performance measures that form the cornerstones of the corporation's governance framework. This letter is intended to establish the basis for a positive and collaborative working relationship through the clear articulation of the responsibilities and expectations of both parties. The full GLE can be found at: [Government's Letter of Expectations](#).

GOVERNMENT DIRECTION

Operate the gaming business within the social policy framework established by Government and in alignment with the corporation's social responsibility objectives, building public trust and support in a manner consistent with the Province's Responsible Gambling Strategy. Continue to support the joint responsibility between the corporation and the regulatory agency, the Gaming Policy and Enforcement Branch (GPEB), for delivery of the Strategy;

Operate within the Province's legislative and regulatory framework, and comply with policies, directives, and standards that may be issued from time to time by the Minister of Finance or the Gaming Policy and Enforcement Branch;

Enhance the corporation's anti-money laundering compliance programs, including the continued implementation of measures to move the industry away from a cash basis, and other strategies in the Province's Anti-Money Laundering Action Plan;

BCLC ACTIONS

Social responsibility is integral to our business. Our efforts continue to be focused on enhancing responsible gambling programs through public education and responsible gambling awareness.

BCLC continues to work collaboratively with the Gaming Policy and Enforcement Branch, to ensure that BCLC is in compliance with all regulations and Government direction with respect to the regulated activities of the corporation.

We are also committed to continuous improvement in the Voluntary Self-Exclusion (VSE) program. We have recently contracted with the University of the Fraser Valley to conduct a comprehensive, four-year evaluation of the VSE program from the perspective of the participant. This is a follow-up of a previous study and will provide valuable, follow-up research into the effectiveness of the program and identify areas for further improvement. Final research results, findings and recommendations will be released in the fall of 2016.

In accordance with Government goals and direction, BCLC is striving to reduce reportable greenhouse gas emissions from the 2007 baseline by 33 per cent by 2020.

We will operate our business within the legislative, regulatory, and policy framework established by the Province of British Columbia.

The corporation continues to comply with all policy directives issued by the Minister, including directives and standards issued by GPEB.

In 2011, a provincial anti-money laundering review found that BCLC and its operators employ standard and appropriate anti-money laundering strategies. It also made four recommendations for BCLC to further strengthen anti-money laundering efforts at B.C. gambling facilities.

Since the review, BCLC and its casino service providers, along with GPEB, have worked together to develop cash-free buy-in options for players. By providing cash-free alternatives for larger transactions, we're further strengthening our program and aligning with best practices as well as providing improved security to our players.

We've also made a number of policy changes, such as enhancing electronic transfer options, providing more common electronic deposit options and allowing players to transfer verified wins or their original buy-in back to their bank account.

All the report recommendations are now complete.

GOVERNMENT DIRECTION**BCLC ACTIONS**

Optimize the corporation's financial performance within the gaming framework established by Government, by responding to customer and marketplace demands for the distribution of products and services and proposing new revenue opportunities as they arise; and

We continue to respond to customer and marketplace demands through upgrading casinos and community gaming centres, introducing new games in facilities and on the Internet, and by developing new product delivery options to make it convenient for our players.

In addition to revenue-generating initiatives, we will optimize financial performance through an increased emphasis on business optimization and cost management.

Optimize the performance, security, integrity and efficiency of the corporation through the modernization of infrastructure, process, and technology.

We will invest in the technology, systems and processes necessary to deliver optimal performance with efficiency, integrity and security.

For the next two years the primary focus will be the replacement of the Gaming Management System that supports more than \$1.6 billion in net win, but additional investments in security, data management, and financial systems will also contribute to enhanced performance.

appendix 1: service plan goals & performance measures comparison

what we plan to do differently, and why

BCLC's Board and Senior Executive review BCLC's mission, goals, objectives and performance measures on an annual basis.

This year BCLC has reworded as well as reordered its four goals to add more clarity on where we want to be, and reflect the move to transforming to a player-centric company.

Updated objectives will describe what we need to achieve and why it is important, and the performance measures will describe how we will measure our corporate performance.

The following chart compares the goals in our 2012/13–2014/15 Service Plan to the goals in this Service Plan. BCLC adjusted the wording of each of our four goals in order to more clearly describe where our business is heading.

| | 2012/13–2014/15 Service Plan Goals | 2013/14–2015/16 Service Plan Goals | Comments |
|--------|---|--|--|
| Player | Create a player-centric company | We will put players first to create the entertainment experiences they enjoy | BCLC is continuing to move towards becoming a player-centric organization. Wording adjusted to clarify what we are planning to provide for our players. |
| People | Have a workforce passionately driving the success of our business | We will think differently, work together and act fast | The wording has been adjusted to reflect the changes the business is undergoing as we focus on innovation and moving quickly to market for the continuing success of our business. |
| Public | Build public trust and support for BCLC gambling | We will build public trust and support for BCLC | We are focusing on building our corporate reputation. |
| Profit | Invest in infrastructure and technology to drive innovation that enables our growth | We will grow net income and invest in the long-term health of our business | BCLC's mandate is to deliver net income to the Province and the rewording of the goal reflects the continued focus on the long-term success of BCLC's business. |

Data to evaluate progress in meeting our performance targets will continue to be obtained from internal and external sources as outlined in Appendix 2.

The following chart compares the performance measures in our 2012/13-2014/15 Service Plan to the performance measures in this Service Plan.

| | 2012/13–2014/15 Service Plan Performance | 2013/14–2015/16 Service Plan Performance | Comments |
|--------|---|--|---|
| Player | Player Satisfaction Player Participation Net Win per Capita | Player Satisfaction Player Participation Player Awareness of Responsible Gambling Activities Net Win per Capita | Player Awareness of Responsible Gambling Activities measure moved to Player from Public to better reflect the importance BCLC places on player education. |
| People | Employee Engagement Employee Vacancy Rate | Employee Engagement Employee Vacancy Rate | No change |
| Public | Public Support for Gambling Player Awareness of Responsible Gambling Activities Level of Greenhouse Gas Emissions | Public Support for BCLC Level of Greenhouse Gas Emissions | Player Awareness of Responsible Gambling Activities moved from Public to Player to better reflect the importance BCLC places on player education. Public Support for BCLC is a new measure. This measure will give us an understanding of how adult British Columbians perceive BCLC. We want to build trust among all British Columbians and demonstrate how we successfully and responsibly run the business in fulfilling our Government mandate. |
| Profit | Net Income Operating Costs as a % of Net Win Electronic Gaming Devices per 1,000 population | Net Income Operating Costs as a % of Net Win | Electronic Gaming Devices per 1,000 population has been discontinued as a performance measure. Targets were not set for this measure but BCLC did compare itself to Loto Québec, Ontario Lottery & Gaming Corporation and the Canada average. With the advent of online gambling, this metric no longer has value as a measure of accessibility of gambling to British Columbians. |

appendix 2: how we measure and benchmark our performance

how our performance metrics are measured

As noted, we have changed some of our performance measures for this Service Plan.

Details of what we use each measure for and the targets for the next three years are in the Our Plan for the Next Three Years section of this Service Plan.

Our external performance benchmarks are obtained from the audited financial results published by the benchmark organizations, and from the Canadian Gambling Digest. The organizations that BCLC currently benchmarks to are:

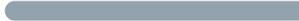
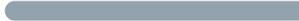
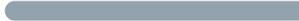
- Ontario Lottery and Gaming Corporation (OLG)
- Loto-Québec (LQ); and
- Svenska Spel, the Swedish lottery, which is widely regarded as one of the most innovative international lottery and Internet gambling jurisdictions.

We review the performance results published by other gambling organizations annually for additional benchmarking opportunities.

The table below summarizes how we measure each metric, our benchmarks and what we do to check that the data is reliable.

| | How We Measure and Benchmark | Data Reliability |
|----------------------|---|---|
| Performance Measures | <p>Player Satisfaction</p> <p>Third-party research suppliers conduct a continuous tracking study on our behalf. The survey is conducted online and is a random sample of B.C. adults aged 19 and older and is representative of gender and region. The sample size is 3,000.</p> <p>Players who played at least once in the last three to five months are asked to rate on a 10-point scale how satisfied they were with their experience across all BCLC channels. For each player, an average satisfaction score is calculated using their satisfaction scores in all channels they play in. Player responses in the top five box scores are then aggregated and expressed as a percentage to get the aggregate satisfaction.</p> <p>Player satisfaction is internally benchmarked on a time series basis.</p> <p>We do not externally benchmark as we have not identified similar data that is published by other gambling jurisdictions.</p> | <p>The survey was independently conducted by third-party research suppliers using industry standard techniques to randomize the sample, while retaining gender, age, and regional balance that is consistent with BC Stats figures.</p> |
| | <p>Player Participation</p> <p>Third-party research suppliers conduct a continuous tracking study on our behalf. The survey is conducted online and is a random sample of B.C. adults aged 19 and older and is representative of gender and region. The sample size is 3,000.</p> <p>Players are asked to score how frequently they play our lottery games, visit a casino or community gaming centre location and use our PlayNow.com site. The result is an aggregate score for those players who played or visited at least once every month.</p> <p>Player participation is internally benchmarked on a time series basis.</p> <p>We do not externally benchmark as we have not identified similar data that is published by other gambling jurisdictions.</p> | <p>The survey was independently conducted by third-party research suppliers using industry standard techniques to randomize the sample, while retaining gender and regional balance that is consistent with BC Stats figures.</p> |

| | | How We Measure and Benchmark | Data Reliability | | | | | | | | | | | | |
|---|--|---|------------------|---|------------|----------------|---|-----|-----|---|-----|----|---|-----|---|
| Performance Measures | Net Win per Capita | <p>Net win is the revenue after prizes have been paid to players. Casino game prizes are paid during play. For lottery and bingo games, net win is calculated by deducting prizes from total sales revenue.</p> <p>We use the population forecasts published by Statistics Canada in July each year as the baseline for our calculations.</p> <p>For our benchmark comparators, net win figures are taken from the most recent set of audited statements of accounts, as published in the annual reports of the benchmark organizations. In some instances restatement of financial information for benchmark organizations has caused changes to prior reported figures. Canada average figures are drawn from the Canadian Gambling Digest, from which BCLC is removed.</p> <p>Video lottery terminal (VLT) revenue is included in benchmarking results from Loto-Québec and the Canada Total comparators to give a complete picture of total spending on gambling. The provinces of B.C. and Ontario do not permit VLTs.</p> <p>2010/11 net win per capita (\$)</p> <table border="1"> <tr> <td>BCLC</td> <td></td> <td>447</td> </tr> <tr> <td>Canada Average</td> <td></td> <td>399</td> </tr> <tr> <td>OLG</td> <td></td> <td>363</td> </tr> <tr> <td>LQ</td> <td></td> <td>339</td> </tr> </table> | BCLC |  | 447 | Canada Average |  | 399 | OLG |  | 363 | LQ |  | 339 | <p>Net win figures are taken from our audited statement of accounts, as published in our Annual Service Plan Report. Figures for forecasts and targets are calculated by BCLC and are reviewed with the Treasury Board prior to inclusion in the Service Plan.</p> <p>Population figures are taken from published Statistics Canada figures for each of the years included in the Service Plan.</p> <p>For our benchmark comparators, net win figures are taken from the audited statements of accounts, as published in the annual reports of the benchmark organizations. Canada average figures are drawn from the Canadian Gambling Digest.</p> |
| | BCLC |  | 447 | | | | | | | | | | | | |
| | Canada Average |  | 399 | | | | | | | | | | | | |
| | OLG |  | 363 | | | | | | | | | | | | |
| LQ |  | 339 | | | | | | | | | | | | | |
| Player Awareness of Responsible Gambling Activities | <p>Third-party research suppliers conduct a continuous tracking study on our behalf. The survey is conducted online and is a random sample of B.C. adults aged 19 and older and is representative of gender and region. The sample size is 3,000.</p> <p>Participants are asked their awareness of five of our responsible gambling initiatives. The result is a net percentage of participants who are aware of at least one of the initiatives.</p> <p>Player awareness of responsible gambling activities is internally benchmarked on a time series basis.</p> <p>We do not externally benchmark, due to the BCLC specific nature of this performance measure.</p> <p>We have not identified similar data that is published by other gambling jurisdictions.</p> | <p>The survey was independently conducted by third-party research suppliers. They utilize industry standard techniques to randomize the sample, while retaining gender, age, and regional balance that is consistent with BC Stats figures.</p> | | | | | | | | | | | | | |
| Employee Engagement | <p>Employee engagement is measured by an annual anonymous online survey with all of our employees, conducted by a third-party research supplier on our behalf. The participation rate was 88 per cent in 2012.</p> <p>The survey asks employees to rank on a six-point scale their agreement with a broad range of statements that span all aspects of the workplace, work conditions, career and development opportunities, and BCLC's goals and programs.</p> <p>The overall engagement score is an aggregate of the proportion of employees that have ranked their agreement with the statements in the top two points of the scale.</p> <p>Employee engagement is internally benchmarked on a time series basis.</p> <p>We do not externally benchmark, owing to the BCLC specific nature of survey questions used for this performance measure.</p> | <p>The survey is independently conducted by a third-party research supplier, using industry standard techniques.</p> | | | | | | | | | | | | | |
| Employee Vacancy Rate | <p>The vacancy rate is the number of vacancies in the process of being filled expressed as a percentage of the total headcount. It is measured on a monthly basis. The annual result is the average of the monthly figures.</p> <p>Employee vacancy rate is internally benchmarked on a time series basis.</p> <p>We do not externally benchmark, as other gambling jurisdictions do not publish equivalent figures.</p> | <p>Vacancy rate is internally calculated by our Human Resources team. The total headcount is the total number of approved positions. The number of vacancies is the number of positions being actively recruited internally or externally.</p> | | | | | | | | | | | | | |
| Public Support for BCLC | <p>A third-party research supplier conducts an online survey with a random sample of B.C. adults aged 19 and older and is representative of gender and region. The sample size is 3,000. Participants are asked to rate their favourable/unfavourable impression of BCLC. The result is a net of the top two box scores for all participants.</p> <p>Public support for BCLC is internally benchmarked on a time series basis.</p> <p>We do not externally benchmark as we have not identified similar data that is published by other gambling jurisdictions.</p> | <p>The survey will be independently conducted by a third-party research supplier. They utilize industry standard techniques to randomize the sample, while retaining gender, age, and regional balance that is consistent with BC Stats figures.</p> | | | | | | | | | | | | | |

| | | How We Measure and Benchmark | Data Reliability | | | | | | | | | | | |
|----------------------|---|--|--|---|------|---------|---|------|----|---|------|-------------|---|-------------|
| Performance Measures | Level of Greenhouse Gas Emissions | <p>BCLC uses standard calculations provided by the Province to calculate and report greenhouse gas (GHG) emissions in a standard format, as required by the Province.</p> <p>We obtain our data from the suppliers of electricity, natural gas, fleet vehicle fuel, paper suppliers and from internal financial and procurement reporting. GHG emissions are internally benchmarked on a time series basis. Our Carbon Neutral Action Report and those of other B.C. Crown corporations are published by LiveSmart BC.</p> | <p>Data for electricity and natural gas consumption is verifiable from billable consumption figures supplied by the respective utilities companies. We calculate electricity usage for our offsite data facility from meter readings.</p> <p>Fleet vehicle fuel consumption is verified from fuel consumption reporting from our fleet vehicle management company.</p> <p>Paper consumption for all types of reportable paper is measured internally each month.</p> | | | | | | | | | | | |
| | Net Income | <p>Net income is income after prizes, direct and operating expenses and taxes have been deducted, and determined in accordance with International Financial Reporting Standards.</p> <p>Net income is internally benchmarked on a time series basis.</p> <p>Net income is not benchmarked with other jurisdictions due to differences in the types of gambling offered, the differing gambling models and population levels.</p> | <p>Net income figures are taken from our audited statement of accounts, as published in our Annual Service Plan Report. Figures for forecasts and targets are calculated by BCLC and are reviewed with the Treasury Board prior to inclusion in the Service Plan.</p> | | | | | | | | | | | |
| | Operating Costs as a % of Net Win | <p>Our operating costs ratio is the sum of our direct expenses (except prizes), gaming support costs, general operating costs and amortization divided by our net win and expressed as a percentage. All figures are determined in accordance with International Financial Reporting Standards.</p> <p>For our benchmark comparators, net win figures are taken from the most recent set of audited statements of accounts, as published in the annual reports of the benchmark organizations. In some instances restatement of financial information for benchmark organizations has caused changes to prior reported figures.</p> <p>BCLC's operating costs ratio remains below benchmark comparators. Svenska Spel offers a similar gambling mix to BCLC, but derives more of its net win from video lottery terminals and Internet gambling, both of which have lower operating costs than more traditional casino gambling, from which BCLC derives the majority of its net win.</p> <p>2010/11 operating costs ratio (%)</p> <table border="0"> <tr> <td>OLG</td> <td></td> <td>64.4</td> </tr> <tr> <td>Svenska</td> <td></td> <td>48.3</td> </tr> <tr> <td>LQ</td> <td></td> <td>45.1</td> </tr> <tr> <td>BCLC</td> <td></td> <td>41.5</td> </tr> </table> | OLG |  | 64.4 | Svenska |  | 48.3 | LQ |  | 45.1 | BCLC |  | 41.5 |
| OLG |  | 64.4 | | | | | | | | | | | | |
| Svenska |  | 48.3 | | | | | | | | | | | | |
| LQ |  | 45.1 | | | | | | | | | | | | |
| BCLC |  | 41.5 | | | | | | | | | | | | |

