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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 2014/15–2016/17 Service Plan to the Honourable Mike de Jong, Minister of Finance.

Since the day our first lottery draw took place in 1985, BCLC has been making it fun to be a grown-up by offering British Columbians the chance to dream. Today, we are still the only company legally permitted to operate gambling in B.C. and in addition to lottery, we are responsible for casino, community gaming, bingo and online gambling. The gaming industry in British Columbia, particularly how it is conducted and managed, has evolved over the years to become one that is recognized as an industry leader. We are proud of the recognition we've received and know that we need to continue to challenge ourselves to think differently and explore new ways to entertain our players, to continue to be an industry leader, so that British Columbia can continue to prosper.

In 2014/15, we plan to deliver \$1.19 billion to the Province of British Columbia that will provide a multitude of benefits for the people of our great province. While the gaming industry has recovered from the 2008 recession, the economy is still mixed as consumers are taking a conservative approach to their discretionary spending. The gaming marketplace in B.C. is maturing and we are also witnessing a significant shift in demographics. It is imperative that we pay attention to these changing external forces and become more innovative in all aspects of our business in order to deliver what the consumer wants and provide sustainable and growing revenues to B.C.

Our Service Plan reflects our desire to grow the benefits our business creates for British Columbia. Over the past two years, our net income has grown by about two per cent. Looking ahead, net income is projected to increase 2.7 per cent annually from \$1.13 billion in 2012/13 to \$1.26 billion in 2016/17, resulting in \$4.84 billion in net income to the Province of B.C. over the four years 2013/14 to 2016/17. To deliver this, we will continue to aspire to our vision to have "gambling widely embraced as exceptional entertainment" and our goals to support this vision and reflect our priorities over the next three years. Our focus is firmly set in two areas: maximizing the return on the investments we have already made and transforming our business to reduce costs and identify future opportunities for growth.

While being innovative is critical to our future success, it also increases our dependence on technology. While we have always been a technology-driven company, these changes are occurring more rapidly and the inter-connectedness is increasing the complexity of our business. Our challenge will be to continue to evolve from being developers of technology and systems to become stronger integrators which will help us manage the operating costs of replacing our legacy systems and delivering best-in-class services.

A great example of this is the implementation of the new Gaming Management System (GMS), the largest capital investment the company has ever made. The GMS is the technology that underpins over \$1.6 billion in revenue in all B.C. gaming facilities each year. With the system now live in one quarter of our facilities, we are only just beginning to realize its benefits. GMS will provide many new capabilities so that we can better meet our players' expectations whether it is by providing the games they want to play or through offering new responsible gambling features to assist them in making informed choices about their gambling.

The second area where we are demonstrating innovation and working to maximize the benefits of our investment is in Lotto Express. Launched last year in conjunction with the Overwaitea Food Group and most recently with the Liquor Distribution Branch on a pilot basis, Lotto Express increases our points of distribution so that consumers can conveniently purchase a LOTTO MAX or Lotto 6/49 lottery ticket through pin-pad technology at the checkout lane. The ripple effect for our traditional lottery retailers has been positive with full-service retailers reporting a lift in lottery sales made possible by the validation, and in some cases, reinvestment of winnings by players with a Lotto Express ticket. What's more, this new method of distribution is helping to drive down our technology operating costs—it truly is a win-win.

The third area of opportunity exists in the business-to-business services BCLC offers with PlayNow.com. We achieved a significant milestone in 2013 when we launched PlayNow.com Manitoba and since then, we have been contacted by new potential clients in Canada and around the world as provinces and states look for new ways to repatriate the money their residents are spending on offshore gambling websites. PlayNow.com offers a number of distinct competitive advantages: we are proven, legal, and most importantly, we have implemented the best-in-class games in

all categories of products including responsible gambling features to provide players with an unparalleled experience.

The other critical component of our future success is the transformation strategy we are embarking on. Over the last two years BCLC's net income has had modest growth and the near term expectation is for a continuation of this trend. These increases lead to an average of 2.7 per cent in annual net income growth over the next four years. At the same time, our business support costs are increasing which over time, will erode our bottom line. This is the burning platform for our transformation and we are focused on optimizing our business in the areas of greatest opportunity first: casino and lottery. Both divisions are in the process of undertaking comprehensive reviews of their business units and developing strategies to drive cost out of the business model and increase growth opportunities.

Finally, we know that the foundation of our business is the trust and support of the people of British Columbia. Doing right by our players and our public is critical to our existence and our ability to be successful. Continued excellence in the delivery of responsible gambling education to our players and engaging stakeholders in communities across B.C. will continue to be the cornerstones of this social license to operate.

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.

As with previous plans, the 2014/15–2016/17 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.



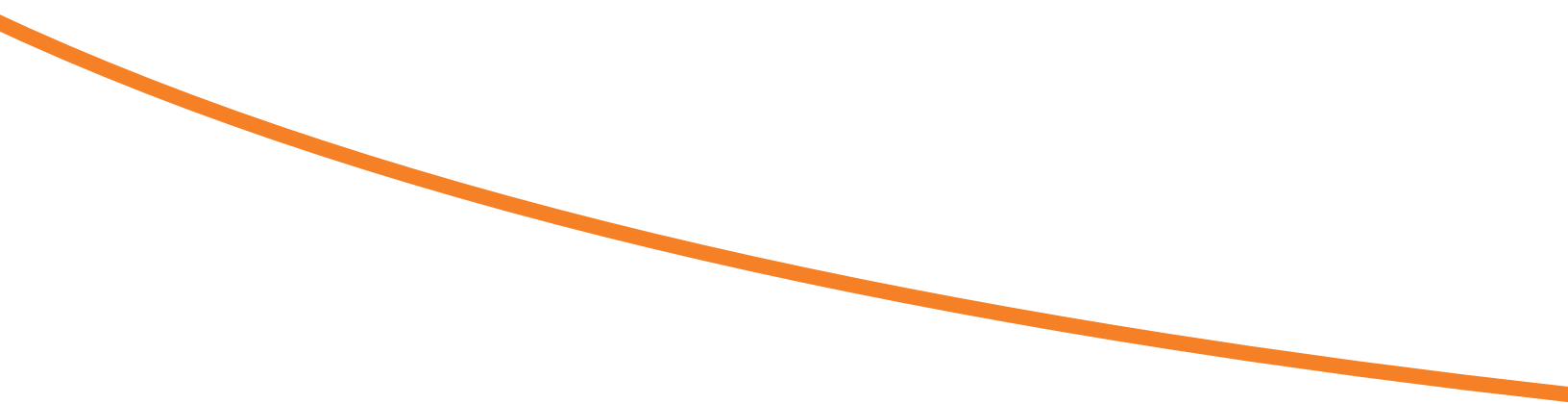
Bud Smith  
Board Chair



Jim Lightbody  
Interim President & CEO

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# organizational overview

BCLC is the Crown agency mandated to conduct, manage and operate lottery, eGaming, casino, commercial bingo and internet 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.

## mission

We conduct and manage gambling in a socially responsible manner for the benefit of British Columbians.

## vision

Gambling is widely embraced as exceptional entertainment.

## 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 are creating an integrated player-focused entertainment company.

- Create fun, relevant player experiences within and across games channels and touch points.
- Grow and diversify the player base to strengthen our business.
- Encourage healthy gambling choices.

**2. People:** We will think differently, work together and act fast.

- Make BCLC a great place to work so that we are inspired to do our best work and BCLC is 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:** Our business and the benefits it creates are understood and supported by British Columbians.

- Our contributions to economic growth and communities are recognized by the public as a good thing.
- The gambling entertainment choices we offer are delivered with integrity and transparency.

**4. Profit:** We will grow net income through investing to sustain the long-term health of our business.

- Define and integrate the innovative experiences our players want, delivered by our strategic partners.
- Get to market faster with innovations so our games and services are more relevant.

## 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, distributes gaming grants, 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. We 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 products are sold day-to-day by private-sector service providers at approximately 3,800 lottery retailers, 17 casinos, 19 community gaming centres and six commercial bingo halls. Secure, regulated online play is offered on PlayNow.com.

Our headquarters in Kamloops includes 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.

In early January 2013, the Province granted initial approval to BCLC for a second wholly owned subsidiary. This subsidiary will allow BCLC to undertake business-to-business (B2B) initiatives such as providing our PlayNow.com platform to other lottery jurisdictions. The subsidiary is currently inactive pending final government approval and remains unnamed. Once BCLC receives final approval, the subsidiary will have the same governance and oversight as Lottotech.

## how we benefit B.C.

Provincial programs and services: BCLC benefits citizens and communities every day. In 2013/14, BCLC is forecasting to deliver \$1.17 billion 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/grants/community-gaming.htm>.

Jobs & contracts: We employ approximately 900 corporate employees with more than 37,000 direct and indirect workers employed in gambling operations, government agencies, charities and support services.<sup>1</sup>

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



## core business areas (channels)

Channel	Casinos & Community Gaming Centres	Lottery	eGaming
Distribution Network	15 Casinos 2 Racecourse Casinos 19 Community Gaming Centres 6 Commercial Bingo Halls	3,800 Retail locations	PlayNow.com
Products	Slot Machines Table Games Electronic Tables Poker Games Paper & Electronic Bingo Lotto Games Sports Games Regional Games Instant Games	Lotto Games Sports Games Regional Games Instant Games	Lotto Games eBingo Games eCasino Games ePoker Games eSports Games
Structure	Private sector service providers earn a percentage of revenue for providing gambling facilities and day-to-day operational services	Service providers earn an industry-standard commission, calculated as a percentage of revenue to deliver lottery games in their locations	Games are provided through PlayNow.com to BCLC and through a licensing agreement to Manitoba Lotteries Corporation. Game 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 governance 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 of the Board, 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 and CEO (the CEO) to ensure effective relations with stakeholders, including Government.

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 our Board of Directors.

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

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 Bud Smith (Chair)

<b>Role:</b>	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.
<b>Governance:</b>	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"> <li>honestly and in good faith;</li> <li>with a view to the best interests of the Corporation;</li> <li>with the care, diligence, and skill of a reasonably prudent person; and</li> <li>consistent with the terms of reference that set out the standards of performance that the Board expects of each director.</li> </ol>
<b>Chair:</b>	Bud Smith
<b>Members:</b>	Arthur Willms (Vice-Chair), Trudi Brown, Wendy Lisogar Cocchia, David Gillespie, Robert Holden, Moray Keith, Michael Riley.

BCLC has four 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:

<b>Audit Committee</b>	<b>Purpose:</b> 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. <b>Chair:</b> Michael Riley <b>Members:</b> David Gillespie, Moray Keith, Arthur Willms
<b>Governance and Corporate Social Responsibility Committee</b>	<b>Purpose:</b> 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. <b>Chair:</b> David Gillespie <b>Members:</b> Trudi Brown, Moray Keith, Bud Smith
<b>Human Resources and Compensation Committee</b>	<b>Purpose:</b> To assist the Board in fulfilling obligations relating to human resources and compensation matters to enhance BCLC's performance against the strategic plan. <b>Chair:</b> Vacant <b>Members:</b> Bud Smith
<b>Risk Committee</b>	<b>Purpose:</b> A newly formed committee to assist the Board in fulfilling its oversight responsibilities with regard to management of BCLC's risks. <b>Chair:</b> Moray Keith <b>Members:</b> David Gillespie, Wendy Lisogar Cocchia, Arthur Willms
<b>Ad Hoc Committees</b>	<b>Purpose:</b> Established for a specific period of time to undertake a specific task, and then disbanded. At the time of this report, there are no ad hoc committees.
<b>Ex-Officio Members</b>	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 eight 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 five divisions, responsible for managing the operations of BCLC's finance and corporate services; communications and social responsibility; corporate security and compliance; business technology; 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  
Bud Smith (Chair)

Interim President and CEO  
Jim Lightbody

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 DuJohn, Vice-President and 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

Vacant

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

### Communications and Social Responsibility

Susan Dolinski, Vice-President

Responsible for the company's strategic communications and social responsibility that support BCLC's business goals, including responsible gambling, public affairs, media relations, issues management, stakeholder engagement and internal communications.

### 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 and 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, as well as corporate strategy including the business architecture and transformation.

### 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.

# 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.

## change drivers

Our mandate is to grow net income responsibly and for the benefit of British Columbians. BCLC will accomplish this by being relevant to our players through innovation and by providing our games where and when they want, consistent with the rapidly evolving omni-channel worlds of retail and entertainment. We will create technology infrastructure that supports new capabilities for the enterprise and become highly skilled at integration in order to be more agile, reduce costs and improve speed to market. Maintaining an engaged, skilled workforce capable of driving business growth in a highly competitive market for consumers' discretionary spending is key to our success. We will benefit the communities in which we operate and generate a high level of public and stakeholder support through engagement and transparency.

As we look ahead and build strategies for growth, we must be mindful of market and industry changes that will impact our business and to which we must adapt. We have identified key change drivers, as follows:

1. Mature market, cautious consumer spending
2. Changing demographics
3. Threat from indirect competition
4. Channel and technology convergence
5. Rising technology dependence and costs
6. Big data driving consumer expectations
7. Competition for talent

### mature market, cautious spending

The Canadian gaming industry contributed over \$15.4 billion to the economy in 2011, a number that has remained fairly stable since 2008.<sup>2</sup> Net win growth in B.C. outpaced the Canadian industry at just under five per cent in 2011.<sup>3</sup> The Canadian gaming industry as a whole has matured. While the industry has recovered from the recession that impacted various regions of the country from 2008 to 2010, future growth is not certain.

During the last two years we have had very modest net income growth, totaling two per cent.

The current economic climate in B.C. can best be described as cautious with consumers taking on a "let's wait and see" attitude resulting in tepid levels of consumer confidence and lower discretionary spending. The global economy remains unsettled with weak growth in the U.S., much of Europe in a recession and China's economy slowing. To date in 2013, B.C.'s economy has been held back by weak retail sales, a subdued job market and declining housing market activity.

For 2013 GDP is predicted to expand by 1.4 per cent, down from 1.9 per cent last year. For 2014, there is a stronger growth forecast in the range of 2.4 per cent.<sup>4</sup>

#### actions:

We are committed to continue to grow our net income to the Province. This will be accomplished by continuing to focus on revenue-generating initiatives, growing our core, mature products through broadening our player base, increasing the entertainment appeal of our products as well as investing in emerging opportunities.

### changing demographics

British Columbia, in common with Canada and much of the western world, has an aging population. B.C.'s total population now stands at 4.6 million and is expected to grow to 5.1 million by 2020. One fifth of the population will be 65+ and the Boomer generation (currently 44 to 64 years) will comprise almost 1.4 million individuals or 28 per cent of the population by 2020.<sup>5</sup>

2 HLT Advisory, 2012, Chart 9

3 HLT Advisory, 2012, Chart 11

4 Central I Credit Union "Central I Economic Analysis of British Columbia" September 2013

5 BC Stats, 2012

As B.C.'s population is not growing naturally, net international immigration continues to account for most of the province's population growth.

Our future success depends on how we respond to the changing demographics of our province.

**actions:**

We are responding to changing demographics through innovation in products and services, and how we offer them. We are adapting to an aging and increasingly diverse population in how we market our products and engage with our players, both from a gambling and responsible play perspective. Our games, properties and services must remain relevant and appealing to key consumer segments as entertainment preferences and play behaviour shift with the changing demographics of B.C.'s consumers.

### threat from indirect competition

BCLC is operating in an increasingly competitive market. We encounter direct competition from over 40 cross-border casinos in neighbouring provinces and states, popular gambling entertainment destinations in Las Vegas and Macau, as well as over 2,000 online gambling websites and major social media platforms that have ventured into the gambling space. Social gaming is thriving with the global social gaming market expected to generate \$14.6 billion in revenue in 2015.<sup>6</sup>

In addition, we compete with indirect competitors for market share of discretionary spending. These competitors include: restaurants, bars and pubs, movies, concerts, sporting events and in-home entertainment. With regulatory trends now changing in support of online gambling in Canada and the U.S., legal Internet gambling is becoming a more widely available channel in North America. Large casino operators with powerful brands are partnering with existing online gambling companies to get a foothold in markets where Internet gambling may soon be legalized. The resulting crossover between traditional and online gambling operators will shape the industry and the key players in it.

**actions:**

Competing for the consumer's discretionary dollar means creating outstanding entertainment experiences. By its very definition, entertainment needs to remain fresh and relevant in order to compete successfully in the market. We are committed to investing in innovation to deliver entertainment experiences consumers want.

### channel and technology convergence

Convergence is transforming the way businesses operate and consumers live. The combined impacts of advances in technology, the use of big data, and the growing dominance of mobile devices in everyday life have created new consumer expectations that require businesses to deliver experiences that are seamless, omni-channel (across all of our core business channels) and more relevant. This revolution is already underway in the retail, travel and entertainment sectors. Organizations that can adapt to leverage this convergence will be in a better position to take advantage of new and rapidly shifting business opportunities to improve their competitiveness and business results.

**actions:**

We are embracing convergence as we explore opportunities to develop a omni-channel relationship with our players. This capability has long-term business value and will grow revenue to the Province, as one quarter of our customers already participate in more than one of our gambling channels. Omni-channel will allow customization of games, prizes, prices, promotions, services and experiences. It will create personalized communication tailored to preferences and greater convenience with seamless play across channels and services. It will enable better, more personalized responsible gambling tools and preferences. This is what today's customers expect and this will help us cultivate sustainable long-term player relationships.

### rising technology dependence and costs

In common with other organizations in this digital age, we have a rising level of technology dependence and complexity. Technology represents a growing element of our operating cost structure. Technology underpins how we run our business and how we deliver and sell our products. Increasingly, we are relying on technology and information management systems to sustain and grow our business as well as to deliver integrity and security. Significant investments in replacing legacy infrastructure and building new capabilities need to be made to support future innovations in product and service delivery that will grow net income.

**actions:**

Our goal is to work towards integrated shared enterprise technology solutions that will result in improved agility, speed and reduced costs. We apply best-practice technology planning methods to ensure technology investments are tightly aligned to business drivers as well as maximize cross organizational usage. We are moving from being developers to integrators. Our work on replacing legacy systems will continue, the largest currently being the multi-year project to replace our casino gaming management system that supports over 70 per cent of our net win.

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6 Gambling Data, Oct. 2012



## big data driving expectations

In today's world, consumers are expecting businesses and government organizations to understand their needs and preferences and deliver more personalized services. Technology is allowing organizations to gather an increasing amount of data about consumer behaviour from a wide variety of sources and touch points. As consumer expectations continue to rise, the amount of data used to deliver relevant experiences and drive our business will continue to increase. Better data insights will result directly in better business decisions.

### actions:

Understanding customer expectations, analyzing customer information and responding appropriately will continue to evolve and be a key focus of our business. We will strive to deliver remarkable, relevant customer experiences. From the current state of data silos we will shift to coordinated big data systems.

The growing volume of data and its sensitivity also requires being vigilant in the security and privacy of this data and being transparent about how sensitive consumer information is being used, stored and protected.

## competition for talent

Today's workforce comprises a multitude of cultural backgrounds, ethnicities and age groups, with individual needs, expectations and working styles. As we are continuously transforming to meet changes in the marketplace, there will be an increased demand for talent that has the ability and skills to meet our innovation needs.

### actions:

As an organization of professional and technical personnel, BCLC must be able to attract strong, highly-skilled talent in order to grow its business in an aggressively competitive business environment. Creating a workplace with the right skills, culture, rewards and recognition will be paramount as Boomers exit the workforce and competition for talent increases in the labour market.

Through workforce planning strategies we will continue to champion organizational training and development to adapt to the rapidly changing environment.

We have also developed a consistent, enterprise-wide change management framework to provide guidance, tools and templates to address and manage the people-related issues arising from business change. This framework will support our leaders and those who provide change management support to analyze, plan and implement activities necessary to lead change and fully capture the benefits of transformation initiatives across the enterprise.

## financial challenges and opportunities

### revenue sustainability

Through the conduct and management of gambling in British Columbia, we generate over \$1.12 billion in income annually for the Province. Sustaining our revenue will be challenging for the following reasons: the gaming market is maturing and current supply is close to meeting the market demand; there are rapidly changing consumer preferences and expectations for entertainment products; the player demographic is aging; economic times are challenging as far as discretionary spending; and new products have lower margins.

### actions:

We are committed to establishing a strong gambling entertainment entity that is set up for success for the long-term. We will support and enhance our core products while continuing the development of new products and channels.

We will also continue a strong focus on improving organizational performance and re-invigorating revenue growth through exploring new ways of operating our business. Investigating new ways of looking at our business will help ensure our future relevance and competitiveness as an entertainment choice, and thereby sustain and grow income for the Province.

### balancing investment with cost management

We are committed to grow our net income to the Province. The net profits from gaming are a vital portion of the provincial budget, helping to fund health care, education and other important services and programs. Our six core games (Slots, Tables, LOTTO MAX, Lotto 6/49, Keno and Scratch & Win) make up over 90 per cent of our total contribution margin (revenue less direct costs). However, we must also look at new ways to operate our business to sustain and grow revenue. These opportunities take time and investment before we realize net income growth.

### actions:

Investments we make to grow our business must be balanced with cost management in order to deliver our net income obligations to the Province. Investment choices must be assessed carefully against timelines to obtain return, the magnitude of the investment required, and our commitments for net income. We are committed to continually managing and reducing costs and looking for new opportunities to operate our business more efficiently and effectively.

# our gaming channels

## eGaming

PlayNow.com helps keep some of the money British Columbians spend on Internet gambling within the province in a regulated and secure environment. From its beginnings in offering lottery products online in 2004, to online casino games in 2010, peer-to-peer poker on a shared network with Loto-Quebec in 2011, new live sports betting in 2012, and the ability for lottery players to purchase their favourite games on their smartphone or tablet in 2013, there has been a continual evolution of this online platform. In 2012, BCLC began a partnership with Manitoba Lotteries Corporation to provide them with their own online gambling website that has helped achieve economies of scale and a new revenue stream for BCLC.

### actions:

The continuing evolution of eGaming and the PlayNow platform remains a priority in both the business-to-consumer and business-to-business environment. Continuing to offer more games on PlayNow.com, enabling access to other areas of the business, and optimizing interaction on all devices are exciting opportunities in a regulated environment with responsible gambling tools. As well, we will continue to look at partnering with other jurisdictions and beyond to further leverage economies of scale and provide a safe and secure world-class entertainment option.

## lottery

Lottery is our flagship suite of products, with this distribution channel enjoying over three decades of success. Indeed, four of our six core products are lottery: LOTTO MAX, Lotto 6/49, Keno and Scratch & Win. In 2013/14 these four products are projected to generate more than \$359 million or 17 per cent of our total net win through both the retail and hospitality network. However, this channel does have challenges: 90 per cent of legacy systems are in lottery and nearing end of life; there is an aging player base; retail and digital shopping are converging; and consumer preferences are changing.

### actions:

Our lottery strategy is to grow revenue through being relevant in a rapidly changing consumer environment. We are transforming lottery in several ways through product, service and business innovations. We are continuing to develop convenient and innovative ways to sell lottery products. New products and game enhancements will continue to be launched to keep our players engaged and excited, while maintaining player security and system integrity. We are also defining the vision and roadmap to realize the future lottery player experience. An optimized lottery business and new enabling technologies will improve player and retailer satisfaction and retain relevancy in the changing entertainment and retail markets.

## casino and community gaming centres

Revenue generated in our casino and community gaming centres accounts for over 70 percent of our net win. While a major focus in the past was to build and upgrade existing facilities to higher-quality properties, this strategy is nearing completion. Revenue growth in slots, tables and poker has slowed and averages two per cent over the past four years. Meanwhile, the bingo industry continues to decline, both in our province and worldwide. Bingo revenue in B.C. has declined an average of 13 per cent over the past four years.

### actions:

We will continue to develop properties that offer exceptional entertainment, and ensure facilities are tailored to appeal to local player preferences for games, amenities and ambiance. Implementation of the casino gaming management system continues to be a priority that will enhance marketing opportunities and provide a stable platform for future capabilities. We are also excited about leveraging the PlayNow.com suite of games in our facilities to introduce new gaming experiences to our players. Knowing who our players are and delivering more personalized player experiences based on their needs and preferences remains a key focus.

We are also developing a future state operating model through opportunities that supports BCLC and its service partners. We are creating additional value by identifying enhancements to the excitement and attraction of the casino and community gaming entertainment experience.

We are committed to continuously monitoring, reviewing and improving our security systems and procedures as well as continuing the RG Check accreditation at all our gambling facilities. RG Check is a program that reviews private sector service providers' operations against best practices in responsible gambling.

# risks and opportunities

BCLC has a well-established enterprise risk management program, with ongoing evaluation of risks and quarterly Board reporting of action plans for all significant risks identified. Going forward we plan to automate our risk monitoring process and increase reporting and analytics. The following operational risks are being tracked at Executive and Board level.

Each risk in the table below has been assessed for both the potential consequence (C) of an adverse impact on BCLC's strategic objectives and the likelihood (L) of the consequence materialising. BCLC uses a risk matrix with a one to five scale. The number of ~ represents the level of risk.

RISK	POTENTIAL IMPACT	C	L	ACTIONS PLANNED
<b>NET INCOME GROWTH</b>				
<p><b>Risk:</b> With the redevelopment strategy of casinos nearing completion, gaming products that are reaching maturity in their life cycle, an aging player demographic and challenging economic times, sustained delivery of net income to government is at risk.</p> <p><b>Opportunity:</b> By transforming our business and becoming more player-centric, BCLC will better meet the expectations of current customers and attract new players to our games.</p>	<p>BCLC will be challenged to achieve agreed long-term net income targets</p>		<p>BCLC will grow our core, mature products through innovation and investing in emerging opportunities.</p> <p>We will explore and deliver new player experiences that are relevant and seamless across all channels in response to changing consumer demographics and preferences, and look to personalizing these experiences.</p> <p>BCLC is also beginning to implement a wide-reaching program of improvement to our existing business and operating models, creating product and service innovations and optimizing current processes.</p>	
<b>INFRASTRUCTURE LIMITATIONS</b>				
<p><b>Risk:</b> BCLC technology systems may not be capable of sustaining current operations and transforming the organization to meet future needs.</p> <p><b>Opportunity:</b> Creating new technology infrastructure and capabilities will lead to the development and sustainment of agile, reliable and robust information technology that supports the growth of our business.</p>	<p>System and infrastructure failures or inefficiencies may have financial and operational repercussions. Players may be unable to participate in lottery, eGaming or facility gaming on a temporary or protracted basis. If technology or capacity restricts innovation, BCLC's ability to meet the expectations of existing and new players will be constrained, affecting the implementation of new initiatives and generation of future revenue.</p>		<p>The project to replace the casino gaming management system is proceeding successfully. Improvements to the lottery operating model will drive the future state of field technologies, and options to replace the central system are being explored.</p> <p>BCLC has an enterprise architecture approach that includes legacy systems decommissioning.</p> <p>Greater engagement with vendors is leading to enhanced technical support and enhanced relationships.</p>	



RISK	POTENTIAL IMPACT	C	L	ACTIONS PLANNED
<b>INFORMATION MANAGEMENT</b>				
<p><b>Risk:</b> Maintaining security and, in particular, protecting personal information, is an industry-wide concern, as is defending the organization from malicious cyber-attacks.</p> <p><b>Opportunity:</b> There are opportunities to improve information life cycle management, security and systems.</p>	<p>If information held by BCLC were improperly managed or protected, the consequences could include data or integrity loss leading to potential privacy concerns or harm to our players and loss of player and public trust.</p>	○	○	<p>BCLC will continue to monitor a range of security systems.</p> <p>New projects and initiatives are subject to a comprehensive information privacy and security assessment.</p> <p>A security architecture road map with underpinning information security standards is being developed.</p>
<b>THIRD-PARTY DEPENDENCY</b>				
<p><b>Risk:</b> BCLC is reliant on retailers and service providers to distribute our products and manage our gambling facilities. BCLC is also dependent on vendors providing business, technical and product solutions.</p> <p><b>Opportunity:</b> Business partnerships leverage the benefits of private sector competitiveness and distribution and provide BCLC with access to specialist expertise and the ability to provide better amenities and services to our players.</p>	<p>The technology architecture supporting the BCLC business model may become increasingly complex and costly as third-party applications increase.</p> <p>Third parties may not deliver services as required, resulting in customer service or compliance issues or delays when implementing new initiatives and realizing the associated revenue. BCLC could also be exposed to unexpected supply chain or reputational risks due to third-party actions or decisions.</p>	○	○	<p>BCLC is focusing on supporting collaboration between partners to deliver a range of initiatives.</p> <p>A number of initiatives within procurement and vendor management are planned or underway in order to increase efficiency, drive best overall market value and performance, and leverage existing processes and experience.</p> <p>Going forward we will work to make sure all systems and performance requirements are clearly defined and adequate service capacity/performance are provisioned.</p>
<b>CORPORATE BUSINESS PRACTICES</b>				
<p><b>Risk:</b> BCLC manages a complex business and requires robust business practices to allocate resources effectively and manage processes with accuracy and integrity, and in compliance with regulatory requirements and social responsibility objectives.</p> <p><b>Opportunity:</b> There are opportunities to improve information lifecycle management, security and systems.</p>	<p>If regulations, BCLC's policies and business practices are not followed, or resources are used inefficiently, the organization could experience operational difficulties or declining quality, financial losses, potential audit qualification, and/or decline in reputation.</p> <p>Employees may lack the required skill or preparedness to deliver the organizational strategy. This could result in lower engagement impacting performance and retention. BCLC may not be able to deliver new services, products or approaches to expected timelines required for long-term success.</p>	○	○	<p>Transformational and workforce planning initiatives are underway that aim to increase efficiency/promote operational excellence, enhance internal control processes, further develop change management protocols and reinforce accountability.</p>

RISK	POTENTIAL IMPACT	C	L	ACTIONS PLANNED
<b>SOCIAL RESPONSIBILITY</b>				
<p><b>Risk:</b> If BCLC is not seen as being a socially responsible, transparent organization that brings value to the people of British Columbia, public acceptance of our mandate will decrease.</p> <p><b>Opportunity:</b> Providing benefits to the communities in which we operate and greater engagement with our players and all British Columbians.</p>	<p>If the public or other stakeholders lose confidence in BCLC there could be a reduction in player participation resulting in a decline in revenue. BCLC might have fewer opportunities for new initiatives that generate income for the Province and all British Columbians.</p> <p>Any negative incident may be widely reported in traditional or social media, potentially lead to litigation and could have a significant effect on the public perception of BCLC's commitment to social responsibility.</p>	○	○	<p>BCLC has an active stakeholder engagement program, including community relations events in many communities. The Responsible Gambling Awareness weeks will be held again in early January 2014, with six communities now involved.</p> <p>Other initiatives include BCLC's GameSense responsible gambling awareness program, Voluntary Self-Exclusion (VSE) programs and ongoing responsible gambling research. Mandatory Appropriate Response Training (ART) for front-line gaming staff at our facilities continues.</p> <p>BCLC recently created an Anti-Money Laundering and Risk Analysis department and is committed to exceeding both federal and provincial anti-money laundering regulations. There is close liaison with both provincial and local police forces.</p> <p>A Reputation Management strategy is under development, with internal and external consultation underway.</p>
<b>REGULATORY COMPLIANCE</b>				
<p><b>Risk:</b> There could be a significant burden from varying and changing statutory and regulatory requirements.</p> <p><b>Opportunity:</b> Stronger compliance programs could improve processes and increase public trust.</p>	<p>There is a potential for increased costs or loss of revenue as BCLC may need to change systems, processes or practices to respond to regulatory changes.</p> <p>BCLC may face challenges with regard to how it implements complex regulations that may be open to differing interpretation and judgement. Inadequate regulatory planning or compliance monitoring could also result in unintended errors or omissions.</p>	○	○	<p>Ongoing relationship management and dialogue with key regulators and ministries continues.</p> <p>There is transformation and ongoing process improvement programs conducted by divisions, internal audit and specialist parties to review and recommend improvements that result in streamlining necessary controls and removing duplication.</p> <p>Specialist expertise is sought where required, and BCLC plans to develop in-house expertise in key areas, such as taxation, and legal services.</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.

With the help of workforce planning strategies aligned to business needs, BCLC is committed to effectively utilizing and maximizing upon its human capital. We are investing in our workforce through continual refinements to our online learning management system and enhancements to our leadership and employee development programs. By implementing a change management framework we will be transforming how the organization responds to the rapidly changing external environment. In today's competitive marketplace, we need a responsive compensation plan and proactive recruitment strategy in order to attract and retain top talent and grow our business.

Through organizational redesign, we will ensure we meet the future needs of the business in providing the structure and culture to sustain and grow net income to the Province. Organizational redesign will result in BCLC meeting its operational, human resources and financial capacity to meet its planned results.

# 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 on and then analyzing performance. Our planning includes reviewing economic and marketplace indicators, our own past performance 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 reflected continued efforts to become more player-centric and transform our business in our goals and objectives. Our strategic plan is summarized in the table below.

Appendix 1 provides a comparison of our goals, objectives, and performance measures from the 2013/14–2015/16 Service Plan to this 2014/15–2016/17 Service Plan.

	<b>Corporate Goals</b> <i>where we want to be</i>	<b>Corporate Objectives</b> <i>what we need to achieve and why it is important</i>	<b>Performance Measures</b> <i>how we will measure our success</i>
Player	We are creating an integrated player-focused entertainment company.	Create fun, relevant player experiences within and across games channels and touch points.	Player Satisfaction Player Participation Player Awareness of Responsible Gambling Activities
		Grow and diversify the player base to strengthen our business.	Net Win
		Encourage healthy gambling choices.	Net Win per Capita
People	We will think differently, work together and act fast.	Make BCLC a great place to work so that we are inspired to do our best work and BCLC is a sought-after employer.	Employee Engagement Employee Turnover Rate
		Define our future workforce needs so we have the right people with the right skills at the right time.	
Public	Our business and the benefits it creates are understood and supported by British Columbians.	Our contributions to economic growth and communities are recognized by the public as a good thing.	Public Recognition of Positive Contributions Public Perception of BCLC’s Transparency
		The gambling entertainment choices we offer are delivered with integrity and transparency.	Level of Greenhouse Gas Emissions
Profit	We will grow net income through investing to sustain the long-term health of our business.	Define and integrate the innovative experiences our players want, delivered by our strategic partners.	Net Income
		Get to market faster with innovations so our games and services are more relevant.	Comprehensive Costs as % of Net Win

## how we measure our performance

BCLC establishes performance measures to determine how successful we are in achieving our goals. Our performance results for each measure are published each year in our Annual Service Plan report.

For Player Satisfaction, Player Participation, Player Awareness of Responsible Gambling Activities, Public Recognition of Positive Contributions and Public Perceptions of BCLC's Transparency, BCLC contracts with independent third-party market research professionals to conduct surveys, comparing our performance results against targets. We assess these results on a quarterly basis, analyzing the data to see if our plans are achieving the desired results.

BCLC Employee Engagement is also measured through independent third-party market research firm who conducts an annual survey with BCLC employees. The data and calculations for Employee Vacancy Rate and Employee Turnover Rate are obtained from BCLC internal records.

The data for Level of Greenhouse Gas Emissions is obtained from reports provided by external suppliers for electricity, natural gas, fleet fuel, paper suppliers as well as from internal reporting and calculated by BCLC.

For Net Win per Capita, Net Income and the Comprehensive Costs Ratio, financial information is obtained from BCLC's audited financial statements and from other internal reports. Population figures are sourced from BC Stats and Statistics Canada.

To provide insight into our level of success relative to other gambling operations, we benchmark BCLC's performance to other comparator organizations whose performance information is available publicly.

	<b>Performance Measures</b>	<b>2012/13 Actual</b>	<b>2013/14 Target</b>	<b>2013/14 Forecast</b>	<b>2014/15 Target</b>	<b>2015/16 Target</b>	<b>2016/17 Target</b>
<b>Player</b>	Player Satisfaction	85%	83%	83%	83%	84%	85%
	Player Participation <sup>2</sup>	69%	62%	57%	57%	58%	59%
	Player Awareness of Responsible Gambling Activities	78%	80%	67%	68%	69%	70%
	Net Win Per Capita	\$450	\$462	\$456	\$454	\$457	\$464
<b>People</b>	Employee Engagement	82%	80%	82%	82%	82%	82%
	Employee Vacancy Rate	4.4%	4.0%	4.0%	no longer used		
	Employee Turnover Rate <sup>3</sup>	10.6%	n/a	12.0%	14.0%	12.0%	12.0%
<b>Public</b>	Public Support for BCLC <sup>4</sup>	80%	80%	77%	no longer used		
	Public Recognition of Positive Contributions	60%	n/a	60%	60%	62%	65%
	Public Perception of BCLC's Transparency	51%	n/a	50%	50%	52%	55%
	Level of Greenhouse Gas Emissions (calendar year)	2012:1,403	2013:1,439	2013:1,400	2014:1,382	2015:1,326	2016:1,273
<b>Profit</b>	Net Income (millions)	\$1,127.6	\$1,172.0	\$1,172.0	\$1,193.0	\$1,216.0	\$1,256.6
	Comprehensive Costs Ratio (% of Net Win)	41.2%	42.5%	42.5%	41.9%	41.8%	41.4%

Our performance targets for the next three years are outlined in the following pages. A more detailed explanation of BCLC's performance management system and benchmarks for each measure is contained in Appendix 2.

2 2012/13 Player Participation results are based on survey results for the first three quarters of the year, excluding fourth quarter results due to a change in survey questions.

3 Employee Turnover Rate is a new measure for 2014/15, replacing Employee Vacancy Rate.

4 Starting Fiscal 2014/15, BCLC will transition from measuring Public Support for BCLC to measuring Public Recognition of Positive Contributions and Public Perceptions of BCLC's Transparency.

## goal 1: player

# we are creating an integrated player-focused entertainment company.

Objectives	Performance Measure
Create fun, relevant player experiences within and across games channels and touch points.	Player Satisfaction
Grow and diversify the player base to strengthen our business.	Player Participation
Encourage healthy gambling choices.	Player Awareness of Responsible Gambling Activities
	Net Win
	Net Win per Capita

## create fun, relevant player experiences

Our business centers on our player. There are many entertainment possibilities for our player to spend their discretionary dollars, and competition is tight. Learning what our player wants and then delivering the best player experience in meeting their expectations on customization, convenience and service will help make us a top entertainment choice. We will continue to listen to our players using the tools and technology to move to a player-centric organization, whether it be at our facilities, at retail or online.

## grow & diversify player base

We are focusing on increasing the number of players so that we strengthen our business through increasing the entertainment value of our products and amenities. We are moving towards having one view of the player regardless of where they play our games. This will help create a seamless experience and cultivate long-term player relationships. We will be leveraging PlayNow.com across all our channels and devices to make it more convenient for our players. Increasing the entertainment value experienced through new products and services will encourage increased play by infrequent players.

## encourage responsible play

Gambling is for entertainment, not to make money. The fact is, for a small percentage of players gambling can cross the line to addiction. That is why the Province has a responsible gambling strategy which promotes responsible gambling and addresses problem gambling through public awareness and education, research and training, and treatment and prevention. We believe the more educated players are, the better equipped they are to make healthy decisions about gambling. The GameSense communication and education program is world-class, to the extent that it is internationally recognized and other lottery jurisdictions in Canada are now adopting this program. At home, we have GameSense information centres at all our casinos and community gaming centres. In the fall of 2013, BCLC successfully received Level 4 re-accreditation, the highest level of certification by the World Lottery Association (WLA) for its responsible gaming programs.

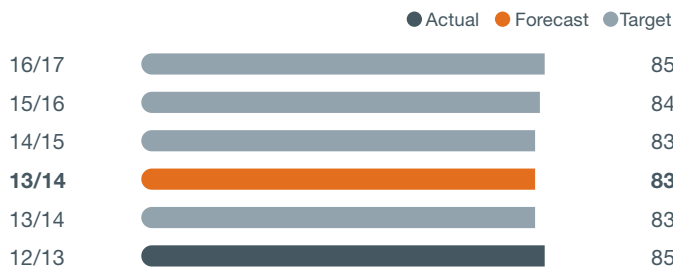
RG Check is an independent accreditation program that is being adopted by all our facilities by the end of 2013/14. This program reviews how our private sector service providers operate casino and community gaming centres against best practices and independent standards in responsible gambling.

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

Through BCLC, the Government of British Columbia is dedicating \$2 million over five years for a new, independent Centre for Gambling Research at the University of British Columbia. This centre will conduct research which will help inform the provincial responsible and problem gambling programs.

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

## player satisfaction (%)



### DESCRIPTION OF PERFORMANCE MEASURE

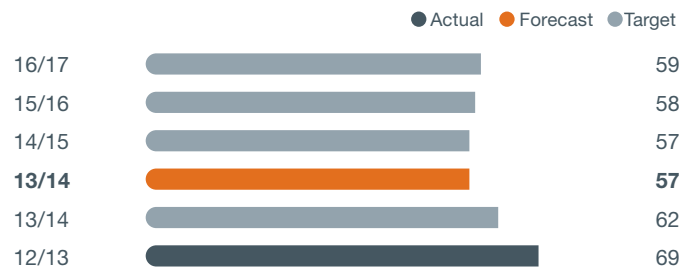
Player Satisfaction measures how satisfied players are with their experience in each of our gambling channels. The metric gauges BCLC's overall success in transforming to become more player-centric and in creating outstanding entertainment experiences players enjoy. BCLC's level of player satisfaction is very positive. We plan to continue with our player-centricity focused optimization initiatives. Through these initiatives and working with our service providers and improved retail experiences, we expect to grow player satisfaction and positively impact our longer term strategy of broadening the level of player participation and ultimately growing our revenue.

### SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

There has been no change to the measure from our 2013/14 service plan. While our results are already very high, our target is to grow the level of satisfaction in conjunction with broadening our player base.

In 2012/13, BCLC changed the market research firm that measures Player Satisfaction. The online methodology and survey question remained the same; however, the composition of the sample panels may differ which may shift results from five per cent to 10 per cent above or below previous results.

## player participation (% at least monthly)



*2012/13 Player Participation results are based on survey results for the first three quarters for the year, excluding fourth quarter results due to a change in survey questions.*

### DESCRIPTION OF PERFORMANCE MEASURE

Player Participation measures the percentage of adult British Columbians who play a BCLC game in any of BCLC's gambling channels at least once a month. By measuring player participation, we have a gauge of how successful we are in delighting our players so they play our games. Through optimizing our marketing programs and omni-channel initiatives, we plan to enhance the entertainment experience within and across all of our channels so that we attract infrequent players to broaden and diversify our player base and ultimately achieve revenue growth.

### SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

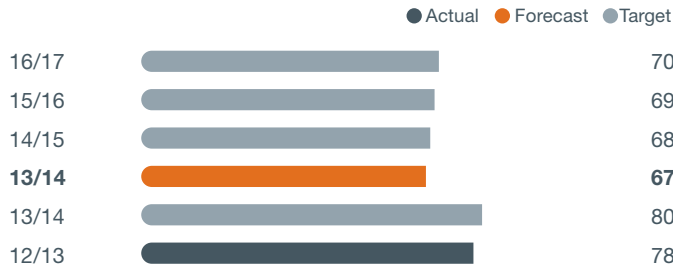
In the fourth quarter of 2012/13, changes were made to the survey questions for this measure. These new questions are helping us determine the difference between visits to our gambling facilities and playing the games we offer at Casino and Chances locations. Further, in 2012/13, BCLC changed the market research firm that measures Player Participation. The online methodology remained the same; however, the composition of the sample panels may differ which may shift results from five per cent to 10 per cent above or below previous results.

Targets were adjusted based on the change in question wording and historical and forecast information. Fewer high jackpot rolls on both the LOTTO MAX and Lotto 6/49 lottery games during the first two quarters of 2013/14 has resulted in lower than targeted player participation rates.

Our targets also reflect not only the methodology change, but also our plans to broaden our player base.



## player awareness of responsible gambling activities (%)



### DESCRIPTION OF PERFORMANCE MEASURE

Player Awareness of Responsible Gambling Activities measures the percentage of past year players who are aware of one or more of five of BCLC's responsible gambling activities. A key component of BCLC's gambling management is our commitment to strengthening responsible gambling programs and their delivery. This measure determines how effective we are at reaching players with our responsible gambling activities and messages so that players can make informed gambling choices.

### SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

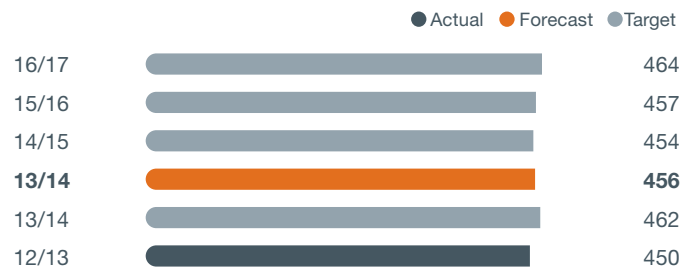
BCLC's results have been relatively stable since 2010/11. BCLC has begun making changes to how we measure this metric so that we continue to gain insights into our programs and their delivery. The "Know Your Limit Play Within It" message has had consistently high awareness and will remain part of our programming but has been removed from the calculation of awareness so that we can more clearly understand how well other activities are being received by our players.

In 2013/14, BCLC began to target its responsible gambling activities more specifically on selected player segments and decreased our mass advertising, which has negatively impacted our overall results. This change reflects our continuing refinements to effectively reach players.

In the fourth quarter of 2012/13, BCLC changed the market research vendor that measures Player Awareness of Responsible Gambling Activities. The online methodology and survey question remained the same, however, the composition of the sample panels may differ which may shift results from five per cent to 10 per cent above or below previous results.

As a result of these changes, BCLC has adjusted its targets downwards based on historical and forecast information as well as a focus on reaching specific population segments.

## 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. 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. The net win is divided by the total population based on publicly reported population figures to obtain per capita metrics. Latest population estimates and projections are updated annually. Net win per capita will not grow if the population rate of growth is higher than the rate of net win growth.

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, Ontario Lottery and Gaming Corporation, and the Canadian average. Benchmarking data is presented in Appendix 2. BCLC has consistently outperformed the benchmark organizations.

Net win per capita tells us how successful we are in growing revenue in relation to the provincial population.

### SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

There are no changes to the objective for this measure, however the targets have been updated as a result of our latest review of our financial performance. Targets for the next three years have been set based on our forecast performance for 2013/14 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. Note that latest population estimates are applied to appropriate past and future data.

## goal 2: people

# we will think differently, work together and act fast.

Objectives	Performance Measure
Make BCLC a great place to work so that we are inspired to do our best work and BCLC is a sought-after employer.  Define our future workforce needs so we have the right people with the right skills at the right time.	Employee Engagement  Employee Turnover Rate

## BCLC is a great place to work

BCLC is honoured that for seven consecutive years, we have been selected as a top employer in British Columbia, most recently in 2013. We continue to pursue excellence in the programs, services and experiences we offer to our workforce.

We need a passionate and engaged workforce to drive the success of our business, whether it be modernizing our legacy systems, researching, developing and implementing new products and services or working with our private sector service providers to enrich the player experience.

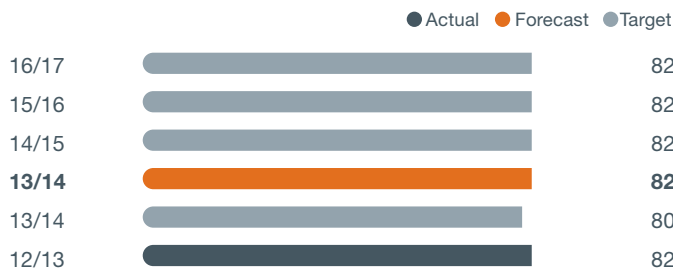
We listen to our employees through our annual employee engagement survey, and act upon the results to help us retain and attract the right talent. In the future we will begin implementing a Human Resources Management System that will create a single, integrated view of our workforce.

## The right people with the right skills at the right time

Our human resources programs will continue to nurture a culture and environment that supports BCLC's business strategy. Developing our employees so they continue to be our number one asset and are prepared for the rapidly changing external environment continues to be a key focus. We will continue to invest in leadership and employee development to provide the training and resources needed to sustain and grow the business.



## employee engagement (%)



### DESCRIPTION OF PERFORMANCE MEASURE

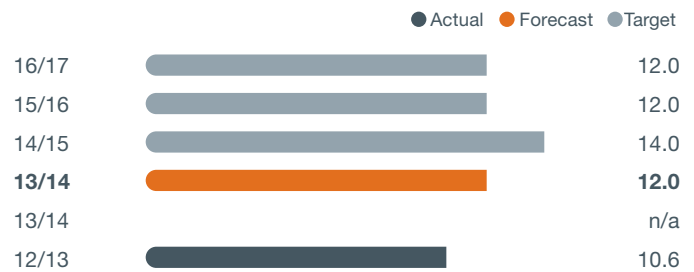
This performance metric measures the percentage of BCLC employees that are engaged. Employee engagement is defined as the intellectual and emotional commitment employees have in an organization. Employee Engagement reflects the effort and dedication employees exert to contribute to the organization's success. An inspired and engaged workforce will help drive the success of our business to deliver the great entertainment experiences our players expect.

### SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

There has been no change to the measure or how we measure Employee Engagement. BCLC's employee engagement level is very positive. Target changes are based on historical and forecast information.

As a result of achieving a higher than target engagement score, BCLC plans to maintain this higher score and so has adjusted its targets accordingly. This will be challenging to achieve while continuing transformation to a more player-centric organization.

## employee turnover rate (%)



### DESCRIPTION OF PERFORMANCE MEASURE

Employee Turnover Rate measures the combined percentage of voluntary and involuntary turnover relative to BCLC's total headcount. Employee Turnover Rate helps us determine how successful we are in attracting and retaining a workforce that drives the continuous transformation of our business in an ever-changing marketplace. It is a measure that gives us a gauge of our competitiveness in the labour market as well as the effectiveness of our training, development and retention programs.

### SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

Employee Turnover Rate is a new measure for 2014/15, replacing the previously used Employee Vacancy Rate.

As BCLC already measured the rate of employee turnover, we have past results; no target was set for 13/14. Future targets have been set based on increases in competition in the market for talented employees with the skills and abilities to meet our innovation needs.

### goal 3: public

# our business and the benefits it creates are understood and supported by British Columbians.

Objectives	Performance Measure
Our contributions to economic growth and communities are recognized by the public as a good thing.	Public Recognition of Positive Contributions
The gambling entertainment choices we offer are delivered with integrity and transparency.	Public Perceptions of BCLC's Transparency Level of Greenhouse Gas Emissions

More than \$1 billion 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 building understanding of our business through transparency to gain the trust and support of the public.

## be a good corporate citizen & demonstrate integrity

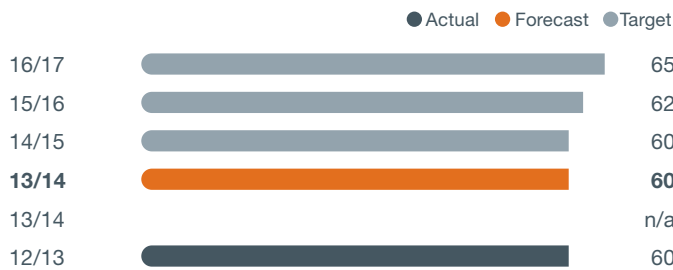
Our license to operate stems from public trust and support. We need to build the trust of our players, the public and our stakeholders. We care about our reputation and know it's critically important to the long-term success of our business. We will continue to build public trust and support by being a good corporate citizen and demonstrating integrity in what we deliver and how we deliver it. It is paramount the public understands that our products are fair and our facilities are safe. We will continue to strike the right balance in delivering a healthy bottom line and giving our players the tools and education to make responsible gambling choices.

## decrease our carbon footprint

We view sustainability as a key component of our corporate social responsibility and an integral part of our business. Our environmental programs span all aspects of our business, from reduction of energy consumption, through technology and other practical solutions to reduce travel, to management of our waste products to maximize re-use or recycling. We are also committed to sustainable procurement and have incorporated sustainability principles into our procurement practices and give favourable consideration in our selection and evaluation processes to those vendors, as well as their products and services, which emulate BCLC's commitment to sustainability and social responsibility. Our employees also promote sustainability with a very active Green Committee who will continue with future events such as Bike to Work week and a Day of Caring which offers the opportunity to volunteer to participate in an environmental project with a non-profit organization.

By keeping sustainability as a focus in our business, we have 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 Reductions Target Act*.

## public recognition of positive contributions (%)



### DESCRIPTION OF PERFORMANCE MEASURE

This metric measures the percentage of adult British Columbians who agree that BCLC makes positive contributions to the Province of British Columbia.

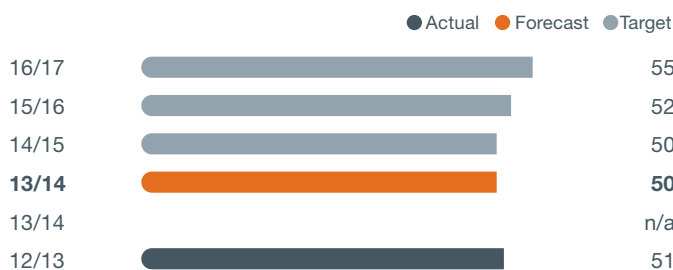
Public opinion determines our social license to operate. As we continue to transform our business to make gambling a widely embraced form of entertainment, it is important that the public understands and supports our business and the benefits it creates and this measure will help us gauge our success in building this understanding and support.

### SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

Public Recognition of Positive Contributions is a new measure for 2014/15. As BCLC already measured our performance in this area, we have results from previous years; no target was set for 2013/14. Targets were set based on plans to become more open about our business plans and the impact of those plans, so that our business and its benefits are better understood and supported by British Columbians.

Over the coming year, we will also be examining new metrics for their potential to provide us with improved insights into how the public feels about our business, the benefits it creates and the level of trust that results.

## public perception of BCLC's transparency (%)



### DESCRIPTION OF PERFORMANCE MEASURE

This metric measures the percentage of adult British Columbians who view BCLC as forthcoming and open with the public.

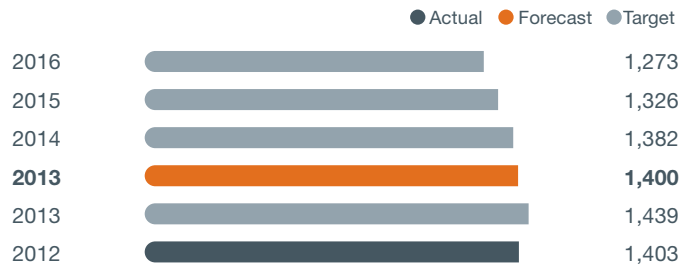
As we continue to transform our business to make gambling a widely embraced form of entertainment, the gambling entertainment choices we offer need to be delivered with integrity and transparency. Public Perception of BCLC's Transparency helps us gauge our success in becoming more open and forthcoming so that our business and its benefits are understood and supported by British Columbians.

### SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

Perception of BCLC's Transparency is a new measure for 2014/15. As BCLC already measured this metric, we have results from previous years; no target was set for 2013/14. Targets were set based on plans to become more open about our business plans and the impact of those plans, so that our business and its benefits are better understood and supported by British Columbians.

Over the coming year, we will also be examining new metrics for their potential to provide us with improved insights into how the public feels about our business, the benefits it creates and the level of trust that results.

## level of greenhouse gas emissions (CO<sub>2</sub>e tonnes by calendar year)



### DESCRIPTION OF PERFORMANCE MEASURE

Our reportable Greenhouse Gas Emissions (GHG) result from buildings, fleet vehicles and certain office paper supplies.

BCLC uses standard calculations provided by the Province to convert and report our GHG emissions in a standard format. This calculation is completed and reported in metric tonnes of carbon dioxide emissions (CO<sub>2</sub>e) by calendar year. Data is obtained from suppliers of electricity, natural gas, fleet fuel, paper suppliers and from internal procurement reporting.

Since 2010, BCLC has been required to meet the requirements for carbon neutrality set out in the *Greenhouse Gas Reductions Target Act* and pursue actions to minimize GHG emissions.

We view sustainability as a key component of our corporate social responsibility mandate and are advancing environmentally sustainable behaviors in our organizational culture as an integral component of business modernization. BCLC expects to meet its reduction target for 2013, although the decrease in emissions is not forecasted to be as significant as the decrease for 2012. The most appropriate approach for reducing emissions from our Kamloops office is being assessed and BCLC will continue to act to meet its long-term goal of a 33 per cent reduction in reportable emissions from a 2007 baseline year by 2020.

### SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

There has been no change to how the Level of GHG Emissions is measured and reported or to the targets for this measure.

## goal 4: profit

we will grow net income through investing to sustain the long-term health of our business.

Objectives	Performance Measure
Define and integrate the innovative experiences our players want, delivered by our strategic partners.	Net Income
Get to market faster with innovations so our games and services are more relevant.	Comprehensive Costs as % of Net Win

## grow net income through innovation & increase speed to market

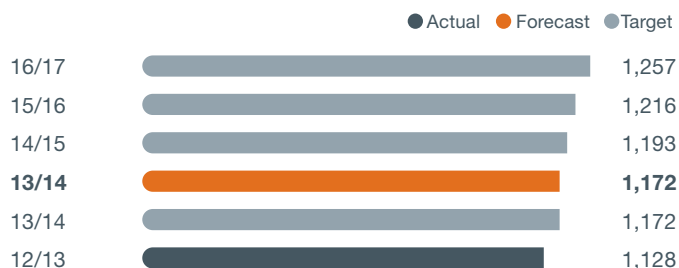
Our core portfolio of products (Slots, Tables, LOTTO MAX, Lotto 6/49, Keno and Scratch & Win) have contributed over \$2.75 billion (Revenue less Direct Costs) over the last five years. With this significant contribution to our bottom line, growing net income from our core portfolio through innovation will continue to be a priority.

Our ear is close to the ground in understanding consumer trends and what our player wants in convenience, personalization and service. With player understanding as our basis and best-in-class partners to work with, we will continue to invest in innovative products and services to grow net income.

We are continuing a multi-year journey in defining and implementing the business and technology architecture and roadmap to lay the foundation for our growth. Replacement of legacy systems to modernize our business also 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, enabling us to get to market faster.

## net income (\$ millions)



### DESCRIPTION OF PERFORMANCE MEASURE

Net income is the total amount of income generated from BCLC gambling and is income net of prizes, direct expenses, operating expenses and taxes. It is calculated in accordance with International Financial Reporting Standards (IFRS).

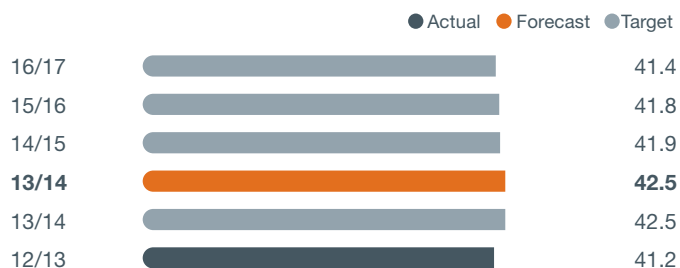
BCLC's net income is sent to the Province and used to benefit all British Columbians for funding of public health care, education and charitable and community programs. As a result of an agreement between the federal and provincial governments, the Government of Canada receives a portion of BCLC's net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

This measure is a direct indicator of our success in meeting our mandate to generate income for the benefit of all British Columbians.

### SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

Net income targets are updated based on a review of our latest financial performance and future growth opportunities. The forecasts take into account standard economic indicators used by the Province.

## comprehensive costs ratio (% of net win)



### DESCRIPTION OF PERFORMANCE MEASURE

The comprehensive 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 comprehensive costs ratio remains below all our benchmark comparators. For more details, see Appendix 2.

Our comprehensive 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.

### SIGNIFICANT CHANGES FROM PREVIOUS SERVICE PLAN

The comprehensive costs ratio is updated based on a review of our latest financial performance and future growth opportunities. The forecasts take into account standard economic indicators used by the Province.

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

Note that this ratio was formerly called operating costs ratio but the change is in name only to distinguish between general operating costs and this measure (which includes operating costs).

# 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.

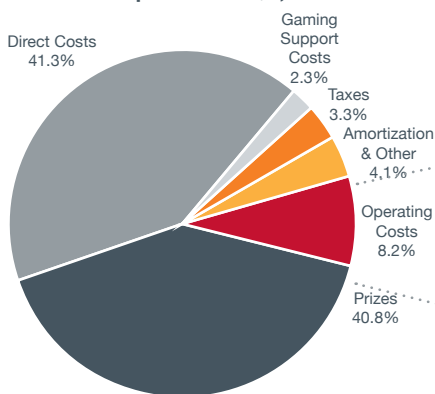
NOTE: The tables in this section factor in the change from HST to PST and GST in 2013/14.

## consolidated corporate operations

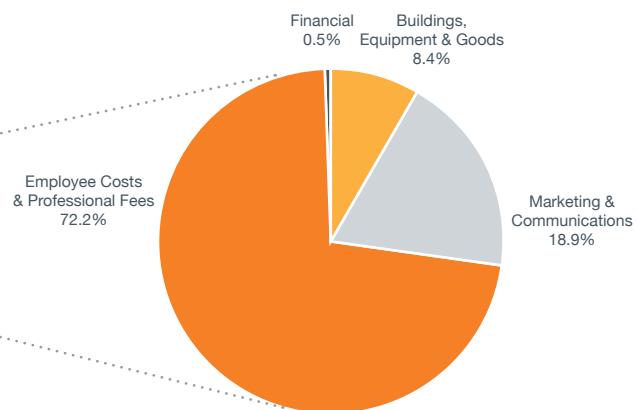
\$ Millions	2012/13 Actual	2013/14 Budget	2013/14 Forecast	2014/15 Budget	2015/16 Target	2016/17 Target
Revenue	\$ 2,731.9	\$ 2,803.0	\$ 2,785.3	\$ 2,798.4	\$ 2,838.4	\$ 2,902.7
Prizes	649.6	645.2	658.0	654.5	656.4	659.6
Net Win	2,082.3	2,157.8	2,127.3	2,143.9	2,182.0	2,243.1
Direct Costs	637.1	664.3	661.7	664.6	675.5	696.0
Gaming Support Costs	29.4	38.6	38.6	36.4	35.9	34.8
Operating Costs	136.7	139.4	139.4	131.6	129.1	125.2
Amortization and Other	54.7	75.5	65.2	65.3	70.5	73.5
Total Costs	857.9	917.8	904.9	897.9	911.0	929.5
Net Income Before Taxes	1,224.4	1,240.0	1,222.4	1,246.0	1,271.0	1,313.6
Taxes	96.8	68.0	50.4	53.0	55.0	57.0
Net Income	\$ 1,127.6	\$ 1,172.0	\$ 1,172.0	\$ 1,193.0	\$ 1,216.0	\$ 1,256.6
Debt	131.7	173.1	151.7	181.7	201.7	238.7
Capital Expenditures	96.6	120.0	88.0	90.0	90.0	110.0

\* Revenue includes gaming and non-gaming revenue.

2014/15 Total Expenditures: \$1,605.4 Million



2014/15 Operating Costs: \$131.6 Million



## **REVENUE**

Revenue is projected to increase by \$117.4 million or 4.2 per cent over the three-year period reflecting continued growth in all three gaming channels.

## **TOTAL EXPENDITURES**

Total expenditures, including prizes, total costs and taxes, are expected to increase by \$31.2 million or 3.3 per cent over the three-year period. Total expenditures for Fiscal 2014/15 are projected at \$1.6 billion.

## **PRIZES**

Prizes are estimated to increase by \$1.6 million over the three year period due to increased revenue.

Prizes as a percentage of revenue are decreasing from 23.6 per cent to 22.7 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 represents net revenue less prizes.

Net win is projected to increase by \$115.8 million or 5.4 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 \$34.3 million or 5.2 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.

## **OPERATING COSTS**

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

Operating costs are expected to decline slightly as a percentage of net win over the three year period.

## **AMORTIZATION AND OTHER**

Amortization is increasing by \$6.0 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, PlayNow.com, casino and community gaming business channels.

The "Other" category consists of interest expense for short-term borrowing, accrued employee benefits and proceeds from eGaming business-to-business. The anticipated increase of \$2.3 million is mainly a result of projected changes in interest rates.

## **CORPORATE ASSUMPTIONS**

Real GDP growth for the B.C. economy is assumed at an average 2.3 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 rates as forecast by the Ministry of Finance (rates as of January 2, 2014); interest rates have been assumed at 0.99 per cent for 2014/15, 1.39 per cent for 2015/16, and 2.38 per cent for 2016/17.

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	2012/13 Actual	2013/14 Budget	2013/14 Forecast	2014/15 Budget	2015/16 Target	2016/17 Target
Net Win	\$ 1,582.7	\$ 1,626.5	\$ 1,631.1	\$ 1,635.9	\$ 1,664.7	\$ 1,712.4
Total Costs	681.1	716.2	709.0	705.0	715.7	731.3
Net Income Before Taxes	901.6	910.3	922.1	930.9	949.0	981.1
Taxes	72.2	47.3	38.0	39.8	41.2	42.7
<b>Net Income</b>	<b>\$ 829.4</b>	<b>\$ 863.0</b>	<b>\$ 884.1</b>	<b>\$ 891.1</b>	<b>\$ 907.8</b>	<b>\$ 938.4</b>

Over the three-year planning period, net income before taxes is projected to increase by \$59.0 million, or 6.4 per cent. This growth will come from player card enhancements and increased database marketing efforts, the continuing development of existing casino properties like the Hard Rock Casino, and the opening of one new community gaming centre. The relocation and redevelopment of Edgewater is targeted for fiscal 2016/17.

### CASINO & COMMUNITY GAMING ASSUMPTIONS

- British Columbia casino marketplace capacity studies are accurate
- The planned openings, upgrades and relocation of existing casinos and of existing commercial bingo halls to community gaming centres will be on schedule
- The increase in table game play will continue
- The introduction of PlayNow.com games into our land-based facilities is completed on schedule
- The decrease in slot machine play does not continue, and play increases as a result of new player experience improvements and enhanced analytics that will provide new insights into player preferences and motivations, game selection and placement

## lottery & eGaming

\$ Millions	2012/13 Actual	2013/14 Budget	2013/14 Forecast	2014/15 Budget	2015/16 Target	2016/17 Target
Revenue	\$ 1,093.8	\$ 1,158.2	\$ 1,110.0	\$ 1,123.1	\$ 1,137.4	\$ 1,156.7
Prizes	594.2	626.9	613.8	615.1	620.1	626.0
Net Win	499.6	531.3	496.2	508.0	517.3	530.7
Total Costs	176.8	201.6	195.9	192.9	195.3	198.2
Net Income Before Taxes	322.8	329.7	300.3	315.1	322.0	332.5
Taxes	24.6	20.7	12.4	13.2	13.8	14.3
<b>Net Income</b>	<b>\$ 298.2</b>	<b>\$ 309.0</b>	<b>\$ 287.9</b>	<b>\$ 301.9</b>	<b>\$ 308.2</b>	<b>\$ 318.2</b>

Over the three-year planning period, Lottery and eGaming net income before taxes is expected to increase by \$32.2 million, or 10.7 per cent. Growth in this channel will come from the introduction of new products and product enhancements, the opening of five new Lotto Signature Stores, the build out of Lotto Express and the enhancement of digital signage. eGaming growth will come from the continuing operationalization of the casino/poker portfolios, the introduction of multi-jurisdictional bingo, and continued enhancements to sports betting and mobile gaming.

### LOTTERY & EGAMING ASSUMPTIONS

- Effective marketing focus on big lotto jackpots will increase awareness and interest that results in purchases by infrequent players
- Planned releases of products will be on schedule
- BCLC market forecasts for new products are accurate
- The estimated number and size of jackpot rolls on national lotto games will not vary significantly from historical averages
- 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

<b>\$ thousands</b>	<b>2012/13 Actual</b>	<b>2013/14 Budget</b>	<b>2013/14 Forecast</b>	<b>2014/15 Budget</b>	<b>2015/16 Target</b>	<b>2016/17 Target</b>
<b>Gambling Systems</b>						
Lottery	\$ 6,364	\$ 8,769	\$ 6,846	\$ 6,720	\$ 10,640	\$ 15,000
eGaming	9,969	6,769	5,269	5,700	8,180	10,000
Gaming Management System	34,146	28,897	24,889	30,800	5,211	–
Casino and Community Gaming	29,351	45,341	32,331	29,100	35,699	50,000
	79,830	89,776	69,335	72,320	59,730	75,000
<b>Infrastructure, Corporate</b>						
Systems & Transformation	15,248	24,376	14,314	14,680	18,000	25,000
Corporate Facilities	1,554	5,848	4,351	3,000	12,270	10,000
	16,802	30,224	18,665	17,680	30,270	35,000
<b>Total New Capital</b>	<b>\$ 96,632</b>	<b>\$ 120,000</b>	<b>\$ 88,000</b>	<b>\$ 90,000</b>	<b>\$ 90,000</b>	<b>\$ 110,000</b>

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

### **Lottery**

In the lottery channel, major initiatives include the continued expansion of lottery distribution into major chain stores through the Lotto Express multilane technology, the opening of five new Lotto Signature stores and the rebranding of the lottery network.

### **eGaming**

Investment in eGaming will be focused on enhancements to bingo, poker and lotto as well as optimizing the PlayNow.com experience for tablets and mobile devices, and for use in age-restricted gambling facilities.

### **Gaming Management System**

BCLC is in year three of a multi-year project to replace the casino gaming management system that supports the annual generation of \$1.6 billion in revenue and over \$800 million in net income. A new technology architecture and platform will provide a foundation for modernization, sustainable, moderate growth and more flexible, responsive player relations. The project is projected to require \$104 million in capital to complete. Costs incurred to January 7, 2014 are \$58.8 million.

### **Casino & Community Gaming**

In addition to its significant investment in the new gaming management system, this channel will also refresh its slot machines and table games at existing facilities, and introduce PlayNow.com into many of our gambling facilities to optimize this infrastructure and technology investment.

### **Corporate**

BCLC will continue to invest in the replacement of legacy systems and the modernization of core technology and business infrastructure.

The cost of purchases made in U.S. dollars has been based on an exchange rate three year average of \$1.08 CDN to \$1 USD.

## 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
- Market expectations may vary for new business initiatives including product and service innovations
- Economic issues impacting adult consumers' disposable income and entertainment spending
- Shifts in consumer preferences impacting product mix and profitability
- Competition from unregulated cross-border 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 unexpectedly<sup>5</sup>, and large fluctuations in the Canadian/U.S. exchange rate<sup>6</sup> will affect the cost of equipment and supplies purchased from foreign vendors.

<b>\$ thousands</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
One-year delay in opening/relocating planned gambling facilities	\$ 2,200	\$ 7,600	\$ 16,200
Interest rates may rise 1.0%	1,700	1,900	2,100
The Canadian/U.S. exchange rate may change	1,000	1,000	1,000

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

<b>\$ millions</b>	<b>2014/15 Target</b>	<b>2015/16 Target</b>	<b>2016/17 Target</b>
High	\$ 1,210	\$ 1,244	\$ 1,283
<b>Target</b>	<b>1,193</b>	<b>1,216</b>	<b>1,257</b>
Low	1,118	1,131	1,145

5 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).

6 For the period covered by this Service Plan, Canadian/U.S. exchange rates are assumed to average \$1.08 CDN to \$1 USD. The exchange rate risk is based on a \$0.05 change in the rate, applied to \$20 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.

A summary of how BCLC is working to fulfil government's expectations can be found below. The full Government's Letter of Expectations can be found at: [Government's Letter of Expectations](#).

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## GOVERNMENT DIRECTION

## BCLC ACTIONS

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, for delivery of the Strategy, specifically in the areas of research, education and awareness.

Social responsibility is a cornerstone of our business. Our efforts continue to be focused on enhancing responsible gambling programs through research, public education, and responsible gambling awareness. The Province and BCLC fund independent responsible gambling research at the University of British Columbia, and BCLC continues to work collaboratively with the Gaming Policy and Enforcement Branch (GPEB), to ensure that our vision, strategy, and activities are aligned with Government direction and that we are in compliance with all regulations governing the regulated activities of the corporation.

We are also committed to continuous improvement in the Voluntary Self-Exclusion (VSE) program and have 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.

In addition to our social responsibility related to gambling, we are striving to reduce reportable greenhouse gas emissions from the 2007 baseline by 33 per cent by 2020 as directed by government.

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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.

We will operate our business within the legislative, regulatory, and policy framework established by the Province of British Columbia. We continue to comply with all policy directives issued by the Minister, including directives and standards issued by GPEB.

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Support GPEB in the development of government's response and action plan addressing as appropriate, the recommendations made in the Provincial Health Officer's Report, entitled "Lowering the Stakes: A Public Health Approach to Gambling in British Columbia".

We are collaborating with GPEB in the development of government's response and action plan.

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## GOVERNMENT DIRECTION

## BCLC ACTIONS

Ensure that the BC Centre for Gambling Research at the University of British Columbia is funded \$1 million in FY 13/14, and \$250,000 for each of the following four years. This funding is in addition to its other operational obligations.

We are committed to this important research endeavor and the required funding.

Continue to 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 Strategy.

We continue to strengthen anti-money laundering compliance programs through offering cash alternatives at our facilities. We have implemented a number of cash alternative options for players and will continue to do more to support this important initiative.

Specifically, the Corporation will:

- Develop, obtain approval, and deliver alternatives that allow patrons access to funds inside gaming facilities,
- Actively promote the cash alternative options to patrons, through a targeted marketing program,
- Lead the industry Anti-Money Laundering (AML) working group, which consists of BCLC, GPEB and service providers,
- Establish capacity, within the BCLC Corporate Security & Compliance Division, to better inform the AML initiative through analysis of cash usage and trends,
- Develop and deliver enhanced customer due diligence (CDD) as required by new Federal AML Regulations, which take effect February 2014

We are taking a proactive approach towards managing Anti-Money Laundering (AML) challenges and are in the process of creating an Anti-Money Laundering and Operational Analysis Unit. This unit will bring an analytical lens to cash usage and trends as well as examine how we conduct business from a compliance and player risk analysis perspective. This group will work closely with internal stakeholders as well as GPEB to build on and implement new cash alternatives in gambling facilities.

The new AML & Operational Analytical Unit will also conduct, consolidate and oversee AML activities, as well as provide support throughout the enterprise. We will begin to use cutting edge analytical tools that will not only help to better understand our players' behavior, but help identify the players who should be scrutinized more closely or out-right banned. This will also support our efforts in meeting *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* regulatory requirements in the area of enhanced customer due diligence (CDD) which come into effect February 2014.

BCLC leads an AML working group which consists of GPEB and Casino Service Providers.

A marketing plan to move patrons into cash free options is underway.

## GOVERNMENT DIRECTION

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 seeking new revenue opportunities that are consistent with the Province's legal and policy frameworks.

Continue to optimize the performance, security, integrity and efficiency of the Corporation through the corporation's business optimization program, the modernization of infrastructure, process and technology, and the continued implementation of the new casino gaming management system. Specifically, the Corporation will present the Province with a detailed plan for each of the foregoing, including details of the assumptions and estimates used to determine the fiscal impacts. This detailed plan must be approved by the Province, for the purpose of improving the efficiency/effectiveness of the gaming experience and cost of administration in British Columbia.

## BCLC ACTIONS

Within the Province's legal and policy frameworks, we respond to customer and marketplace demands by 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 also enhance financial performance through increased emphasis on business optimization initiatives while practicing diligent cost management.

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, workforce planning and financial systems will also contribute to enhanced performance.

We will present the Province with a detailed plan of the corporation's business optimization program, including assumptions and estimates as this information becomes available.

appendix 1:

# service plan goals & performance measures comparison

what we plan to do differently, and why

This year, we reworded our corporate goals and objectives as well as strategies to provide more clarity.

The following table compares the goals in our 2013/14 Service Plan to this 2014/15 Service Plan.

	<b>2013/14–2015/16 Service Plan Goals</b>	<b>2014/15–2016/17 Service Plan Goals</b>	<b>Comments</b>
Player	We will put players first to create the entertainment experiences they enjoy.	We are creating an integrated player-focused entertainment company.	As BCLC transforms the business and moves towards becoming more player-centric, we are working across our three distribution channels so that we provide our players with the best and most relevant entertainment experiences.
People	We will think differently, work together and act fast.	We will think differently, work together and act fast.	No change.
Public	We will build public trust and support for BCLC.	Our business and the benefits it creates are understood and supported by British Columbians.	We will continue to work on building an understanding of and support for our business with a focus on the benefits it creates for the Province and British Columbians.
Profit	We will grow net income and invest in the long-term health of our business.	We will grow net income through investing to sustain the long-term health of our business.	The long-term health of the business continues to be an important focus as we replace legacy technology and invest in new systems that will provide us with the capabilities we need to make our business more effective.

The following chart compares the performance measures in our 2013/14-2014/15 Service Plan to the performance measures in this Service Plan.

	<b>2013/14–2015/16 Service Plan Performance</b>	<b>2014/15–2016/17 Service Plan Performance</b>	<b>Comments</b>
Player	Player Satisfaction Player Participation Player Awareness of Responsible Gambling Activities Net Win Net Win per Capita	Player Satisfaction Player Participation Player Awareness of Responsible Gambling Activities Net Win Net Win per Capita	No changes
People	Employee Engagement Employee Vacancy Rate	Employee Engagement Employee Turnover Rate	BCLC has replaced its Vacancy Rate measure with Turnover Rate in order to focus on our ability to attract and retain the talented people we need to keep our business successful.
Public	Public Support for BCLC Level of Greenhouse Gas Emissions	Public Recognition of Positive Contributions Public Perceptions of BCLC’s Transparency Level of Greenhouse Gas Emissions	We have replaced the Public Support for BCLC metric with two new measures, Public Recognition of Positive Contributions and Public Perception of BCLC’s transparency, to provide improved insight into how the public feels about our business and the benefits it creates.
Profit	Net Income Operating Costs (% Net Win)	Net Income Comprehensive Costs (% Net Win)	The name of the metric used to assess our level of effectiveness has been changed to better reflect the breadth of costs included in the analysis.

# how we measure and benchmark our performance

## how our performance metrics are measured

This appendix gives additional information on how our performance metrics are measured. Details of what we use each measure for and the targets for the next three years are in the Our Performance 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)
- Svenska Spel, the Swedish lottery, which is widely regarded as the most innovative international lottery and Internet gambling jurisdiction

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	Player Satisfaction	<p>A third-party research professional conducts a continuous tracking study to measure Player Satisfaction 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 the B.C. adult population with respect to gender, age and region. The annual target sample size is 3,000 survey participants.</p> <p>Players who played in one of BCLC’s gambling channels at least once every three to five months are asked to rate their satisfaction with their last experience in each channel on a 10-point scale. For each player, an average satisfaction score is calculated using their satisfaction scores in all channels they play in.</p> <p>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. We have not externally benchmarked the measure as we have not identified comparable data published by other gambling jurisdictions.</p>	<p>The survey to measure Player Satisfaction is independently conducted by a third-party research firm. The survey uses market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada’s Census.</p>
	Player Participation	<p>A third-party research professional conducts a continuous tracking study to measure Player Participation 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 the B.C. adult population with respect to gender, age and region. The annual target sample size is 3,000 survey participants.</p> <p>Participants are asked how frequently they play our games in any of BCLC’s channels. The result is an aggregate score for those players who played at least once a month.</p> <p>Player Participation is internally benchmarked on a time series basis. We have not externally benchmarked the measure as we have not identified comparable data published by other gambling jurisdictions.</p>	<p>The survey to measure Player Participation is independently conducted by a third-party research firm. The survey uses market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available via Statistics Canada’s Census.</p>



		How We Measure and Benchmark	Data Reliability											
Performance Measures	Player Awareness of Responsible Gambling Activities	<p>A third-party research professional conducts a continuous tracking study to measure Player Awareness of Responsible Gambling Activities 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 the B.C. adult population with respect to gender, age and region. The annual target sample size is 3,000 survey participants.</p> <p>Participants are asked to indicate their awareness of five of BCLC's responsible gambling activities. The result is a net percentage of BCLC players who are aware of at least one of the five initiatives.</p> <p>Player Awareness of Responsible Gambling Activities is internally benchmarked on a time series basis. We have not externally benchmarked the measure as we have not identified comparable data published by other gambling jurisdictions.</p>	<p>The survey to measure Player Awareness of Responsible Gambling Activities is independently conducted by a third-party research firm. The survey uses market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.</p>											
	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><b>BCLC</b></td> <td></td> <td><b>447</b></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>	<b>BCLC</b>		<b>447</b>	Canada Average		399	OLG		363	LQ		339
<b>BCLC</b>		<b>447</b>												
Canada Average		399												
OLG		363												
LQ		339												
	Employee Engagement	<p>Employee engagement is measured by an annual anonymous online survey among BCLC employees, conducted by a third-party research professional on our behalf.</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 agreed with the statements in the top two points of the scale.</p> <p>Employee Engagement is internally benchmarked on a time series basis. We have not externally benchmarked the measure due to the BCLC specific nature of the survey questions.</p>	<p>The survey to measure Employee Engagement is independently conducted by a third-party research firm, using market research industry standard techniques.</p>											
	Employee Vacancy Rate	<p>This metric provides the average number of vacant positions as a proportion of BCLC's total headcount. It is measured on a monthly basis. The year-end result is calculated by averaging the monthly rates.</p> <p>Employee Vacancy Rate is internally benchmarked on a time series basis. We do not externally benchmark, as other gambling jurisdictions and B.C. crown corporations do not publish equivalent figures.</p>	<p>Employee Vacancy Rate is calculated internally by our Human Resources team. The total headcount is the total number of approved positions. The number of vacancies is the number of approved positions currently vacant in the organization.</p>											

		How We Measure and Benchmark	Data Reliability
Performance Measures	Employee Turnover Rate	<p>This metric provides the average number of the combined voluntary and involuntary turnover as a proportion of BCLC's total headcount. It is measured on a monthly basis. The year-end result is calculated by averaging the monthly rates.</p> <p>Employee Turnover Rate is internally benchmarked on a time series bases. We do not externally benchmark, as other gambling jurisdictions or B.C. crown corporations do not publish equivalent figures.</p>	<p>Employee Turnover Rate is calculated internally by our Human Resources team. The total headcount is the total number of approved positions. Voluntary turnover is the number of BCLC employees who have left the corporation on their own accord. Involuntary turnover is the number of BCLC employees who have been terminated from their role at BCLC.</p>
	Public Support for BCLC	<p>A third-party research professional conducts a continuous tracking study to measure Public Support for BCLC 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 the B.C. adult population with respect to gender, age and region. The annual target sample size is 3,000 survey participants.</p> <p>Participants are asked to rate their overall impression of BCLC on a 4-point scale from "Very Favourable" to "Very Unfavourable". Participant responses in the top two box scores, i.e. those rating "Very Favourable" and "Somewhat Favourable", are then aggregated and expressed as a percentage to get the aggregate percentage of support for BCLC.</p> <p>Public Support for BCLC is internally benchmarked on a time series basis. We have not externally benchmarked the measure as we have not identified comparable data published by other gambling jurisdictions.</p>	<p>The survey to measure Public Support for BCLC is independently conducted by a third-party research firm. The survey uses market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.</p>
	Public Recognition of Positive Contributions	<p>A third-party research professional conducts a continuous tracking study to measure Public Recognition of Positive Contributions 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 the B.C. adult population with respect to gender, age and region. The annual target sample size is 3,000 survey participants.</p> <p>Participants are asked to rate their level of agreement with the statement "BCLC makes positive contributions to the province of B.C." on a 7-point scale. Participant responses in the top three box scores are then aggregated and expressed as a percentage to get the aggregate percentage.</p> <p>Public Recognition of Positive Contributions is internally benchmarked on a time series basis. We have not externally benchmarked the measure as we have not identified comparable data published by other gambling jurisdictions.</p>	<p>The survey to measure Public Recognition of Positive Contributions is independently conducted by a third-party research firm. The survey uses market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.</p>
	Public Perception of BCLC's Transparency	<p>A third-party research professional conducts a continuous tracking study to measure Public Perception of BCLC's Transparency 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 the B.C. adult population with respect to gender, age and region. The annual target sample size is 3,000 survey participants.</p> <p>Participants are asked to rate their level of agreement with the statement "BCLC is forthcoming and open with the public" on a 7-point scale. Participant responses in the top three box scores are then aggregated and expressed as a percentage to get the aggregate percentage.</p> <p>Public Perception of BCLC's Transparency is internally benchmarked on a time series basis. We have not externally benchmarked the measure as we have not identified comparable data published by other gambling jurisdictions.</p>	<p>The survey to measure Public Perception of BCLC's Transparency is independently conducted by a third-party research firm. The survey uses market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.</p>
	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. It is used by the Province to ensure BCLC is meeting the provincial reduction requirements and for benchmarking against other Crown agencies.</p> <p>We obtain our data from the suppliers of electricity, natural gas, fleet vehicle fuel and paper from internal 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 the Ministry of Environment annually at the end of June.</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>

**How We Measure and Benchmark**

**Data Reliability**

Net Income

Net income is income after prizes, direct and operating expenses and taxes have been deducted, and determined in accordance with International Financial Reporting Standards.

Net income is internally benchmarked on a time series basis.

Net income is not benchmarked with other jurisdictions due to differences in the types of gambling offered, the differing gambling models and population levels.

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.

Performance Measures

Operating Costs as a % of Net Win

Our comprehensive 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.

For our benchmark comparators, operating costs 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.

BCLC's comprehensive costs ratio remains below Canadian 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.

Direct expenses, gaming support costs and operating costs 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.

For our benchmark comparators, net win and operating costs figures are taken from the audited statements of accounts, as published in the annual reports of the comparator organizations.

**2010/11 comprehensive cost ratio (%)**

OLG		64.4
Svenska Spel		48.3
LQ		45.1
<b>BCLC</b>		<b>41.5</b>



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