



The Best Place on Earth

SHAREHOLDER'S LETTER OF EXPECTATIONS

BETWEEN

**THE MINISTER OF PUBLIC SAFETY AND SOLICITOR GENERAL
(AS REPRESENTATIVE OF THE SHAREHOLDER,
THE GOVERNMENT OF BRITISH COLUMBIA)**

AND

**THE GENERAL MANAGER,
LIQUOR DISTRIBUTION BRANCH
(AS REPRESENTATIVE OF THE LIQUOR DISTRIBUTION BRANCH)**

PURPOSE

This Shareholder's Letter of Expectations between the Shareholder and the British Columbia Liquor Distribution Branch (LDB) is an agreement on the respective roles and responsibilities of each, and serves as the basis of agreement between the Shareholder and the LDB on corporate mandate including high-level performance expectations, public policy issues and strategic priorities¹. It will be reviewed annually and updated as required. The Shareholder's Letter of Expectations is the basis for the development of the LDB's Service Plans and Annual Service Plan Reports. The Letter applies to the Shareholder and the LDB. This Letter does not create any legal or binding obligations on the part of the Shareholder or the LDB but rather is intended to define and promote a positive and co-operative working relationship.

¹ The Province of British Columbia's Crown Agency Accountability System (CAAS) ([http://www.gov.bc.ca/cas/down/shareholder's_expectations_manual_\(version%208\)_june_2_06.pdf](http://www.gov.bc.ca/cas/down/shareholder's_expectations_manual_(version%208)_june_2_06.pdf)) establishes guiding principles for the governance of Crown corporations. The CAAS also identifies roles and responsibilities for the Shareholder and Crown corporations, and provides for a Shareholder's Letter of Expectations (Letter) to be jointly developed.

LDB ACCOUNTABILITIES

Government has provided the following mandate direction to LDB:

- Under the *Liquor Distribution Act*, to manage the importation, distribution and retailing of beverage alcohol in the province of British Columbia.

In responding to government's performance expectations and the general and specific frameworks and direction of the Shareholder, the LDB will:

- Conduct its affairs to achieve its mandate and the performance expectations and objectives of the Shareholder, including establishing and implementing corporate strategies, policies, programs, plans and financial outcomes that are consistent with the Shareholder's general direction and consistent with principles of efficiency, effectiveness, and customer service;
- Prepare Service Plans with clearly articulated goals, objectives, strategies and performance measures and targets, and Annual Reports that detail progress toward achieving those goals, and post both documents on its website;
- Display all annual Statement of Financial Information schedules prepared under the *Financial Information Act* in an easily accessible location on its website (some of this information is included in annual reports and does not need to be otherwise displayed);
- Conduct its operations and financial activities in a manner consistent with the legislative, regulatory and policy framework established by the Shareholder;
- Develop and implement strategies to manage risks identified in the Service Plan;
- Provide the Shareholder with reports and other information that would enable the Shareholder to carry out its responsibilities;
- Provide information to the Shareholder if the LDB is unable to meet the targets identified in its Service Plan;
- Support the Shareholder's ActNow BC initiative by implementing practices which promote a healthier lifestyle, physical activity, and healthy food choices;
- Comply with the Shareholder's requirements to make the public sector carbon neutral by 2010, including: accurately defining, measuring, reporting on and verifying the greenhouse gas emissions from LDB's operations; implementing aggressive measures to reduce those emissions and reporting on these reduction measures and reduction plans; and offsetting any remaining emissions through investments in the Pacific Carbon Trust, which will invest in greenhouse gas reduction projects outside of LDB's scope of operations; and
- Encourage staff involvement in developing ideas and new solutions to meet government's environmental and climate change objectives, including recycling and energy conservation programs and fleet and traffic management initiatives, and report on results achieved.

In addition, the Shareholder directs the LDB to take the following specific actions:

- Meet the LDB 2007/08 - 2009/10 Service Plan budget and performance targets, including net income.
- Inform the Shareholder on a regular basis of any major changes occurring or likely to occur in the beverage alcohol market, or within the LDB itself, that may impact on the LDB's achievement of its Service Plan targets either negatively or positively;
- Operate the business of the LDB in an efficient and effective manner for the benefit of its customers and clients;
- Implement financial reporting that clearly segregates retail and distribution operations to enable transparent disclosure of costs at the retail and wholesale levels;
- Comply with the financial policies/guidelines provided by the Shareholder for mark-up, taxation, the extent to which LDB may own capital assets, and LDB contributions to the Shareholder;
- Comply with the Shareholder's and the Liquor Control and Licensing Branch's direction to rationalize and improve the regulatory framework for the importation, distribution and retailing of beverage alcohol products in British Columbia; and
- Comply with the Shareholder's and the Liquor Control and Licensing Branch's direction to deliver social responsibility programs and service delivery rules and regulations.

SHAREHOLDER'S RESPONSIBILITIES

The Shareholder is responsible for the legislative, regulatory and public policy framework in which Crown corporations operate. In order to meet these responsibilities and support achievement of government's performance expectations, the Shareholder will:

- Establish, review, revise and communicate Crown corporations' mandates;
- Establish the overall and Crown-specific financial frameworks under which Crown corporations operate (borrowing, investment, and payment to the Shareholder);
- Issue performance management guidelines, including guidelines for service planning and annual reports (<http://www.gov.bc.ca/cas/rpts/>);
- Provide strategic input and advice to Crown corporations in the development of their Service Plans and Annual Reports;
- Provide broad policy direction and confirmation of general frameworks/principles to Crown corporations, within which the Crown corporations may establish and apply specific policies/processes;
- Advise Crown corporations of government's priorities, strategic decisions and public policy and performance objectives and expectations that may impact the Crown corporations; and

- Issue directives or orders or sponsor submissions on behalf of Crown corporations that may be required to seek decisions or policy direction by the Executive Council or its committees, in order to facilitate Crown corporations fulfilling their mandates and achieving the performance targets outlined in Crown corporations' Service Plans;

The Shareholder has developed policies for ministries and Crown corporations for Capital Asset Management (<http://www.fin.gov.bc.ca/tbs/camf.htm>) and Board remuneration policies for Crown agencies. The shareholder has also issued Best Practice Guidelines for board governance and disclosure (<http://www.fin.gov.bc.ca/ooop/brdo/corporateguidelines.pdf>). During the term of this Letter, the Shareholder may provide policy direction to the Crown agency sector, and will communicate any such direction, including implementation expectations, to Crown corporations as decisions are made.

The Shareholder will also, on a continuing basis, monitor the achievement of the goals, objectives and targets identified in Crown corporations' Service Plans.

Specific to the Corporation, the Shareholder:

- Approves LDB's mandate, as an agent of the Shareholder, to manage the importation, distribution and retailing of beverage alcohol in the Province of British Columbia under the *Liquor Distribution Act* and to support the role of the private sector in the retailing of beverage alcohol in the Province;
- Continues the LDB as an agent of the Crown;
- Confirms the role of the Minister of Finance as fiscal agent to the LDB, providing the LDB with access to government financing and banking services; and
- Preserves its right to provide broad policy direction and confirmation of general frameworks/principles, within which LDB may establish and apply specific policies/processes, in the following areas:
 - financial policies/guidelines with respect to mark-up, taxation, the extent to which LDB owns capital assets, and contributions to the Shareholder;
 - regulatory framework, with oversight from the Liquor Control and Licensing Branch, for the importation, distribution and retailing of beverage alcohol products in British Columbia through the *Liquor Distribution Act*; and
 - consumer protection and service delivery rules and regulations in co-ordination and co-operation with the Ministry of Public Safety and Solicitor General.
- Provides direction on the level of involvement of the LDB in the liquor distribution system in British Columbia in each of wholesale, retail, and enforcement, and confirm rules and criteria for private sector involvement;
- Provides direction to the LDB regarding the respective roles and responsibilities of LDB and the Liquor Control and Licensing Branch regarding regulatory functions;

- Provides direction to LDB on environmental policy to govern LDB's container recycling operations;
- Enters into agreements with Canada and other provinces as required under the Importation of *Intoxicating Liquors Act* and the *Excise Act* and specify the role of LDB in those agreements;
- Introduces any new legislation and / or regulation that may be required for the LDB to implement the Shareholder's direction; and
- Ensures that the appropriate consultation and notification occurs on significant policy and legislative issues that may impact LDB.

AREAS OF SHARED ACCOUNTABILITY:

Communications

It is agreed by both the Shareholder and the LDB that, to ensure effective and efficient day-to-day communications and relationship building, officials representing both parties will be tasked with implementing the contents of this Letter and keeping the Minister Responsible informed of progress in a timely fashion.

Reporting

The Shareholder and the LDB are committed to enhanced transparency and accountability to the public. The Shareholder has put in place a public reporting structure set out in the *Budget Transparency and Accountability Act*, the *Financial Administration Act*, and the *Financial Information Act*. The Shareholder has provided the LDB with a reporting calendar which sets out financial and performance reporting requirements (<http://www.gov.bc.ca/cas>). The LDB agrees that it will meet these financial and performance reporting requirements. If government determines that changes to the reporting requirements are necessary, the Shareholder will communicate these to the LDB.

It is agreed by both the Shareholder and the LDB that there will be advance discussion and review of key strategic documents such as Service Plans, Quarterly Financial Reports and Annual Reports. These discussions will be completed sufficiently in advance of deadlines to ensure effective and timely input by the Shareholder.

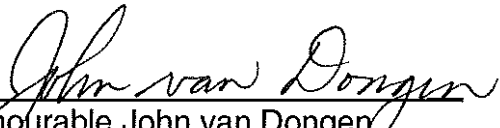
In addition to these financial and performance reporting requirements, the LDB agrees to provide information to the Shareholder related to risks and opportunities anticipated in achieving financial forecasts.


The Shareholder and the LDB agree that, as a matter of course, each will advise the other in a timely manner of any issues that may materially impact the business of the LDB or the interests of the Shareholder.

It is agreed that the LDB will post the most recent signed copy of the Shareholder Letter of Expectations on its website. Crown Agencies Secretariat will also post a signed copy of the Letter on its website.

Review and Revision of this Letter

The Minister of Public Safety and the Solicitor General is accountable for undertaking reviews of this Letter and monitoring its implementation. The Crown Agencies Secretariat is responsible for co-ordinating the overall process for preparing Shareholder's Letters of Expectation, and may assist the Minister in undertaking reviews of this Letter and monitoring its implementation. If deemed necessary by either party, the Shareholder and the LDB will discuss any issues and may agree to amend this letter.


Honourable John van Dongen
Minister of Public Safety and Solicitor General


Jay Chambers, General Manager
BC Liquor Distribution Branch

April 14, 2008
Date

APRIL 7, 2008
Date

cc. Honourable Gordon Campbell
Premier

Jessica McDonald
Deputy Minister to the Premier and Cabinet Secretary

Chris Trumpy
Deputy Minister and Secretary to Treasury Board
Ministry of Finance

Molly Harrington
Assistant Deputy Minister and
Chief Executive Officer
Crown Agencies Secretariat

David Morhart
Deputy Minister
Ministry of Public Safety and Solicitor General

Karen Ayers
Assistant Deputy Minister
Liquor Control and Licensing Branch
Ministry of Public Safety and Solicitor General