Obsolescent Assets/Asset Disposal

Purpose

The purpose of this policy is to standardize the meaning of obsolete, unusable, and surplus Assets and to outline BCLC’s treatment of such Assets.

For Assets identified as being obsolete, unusable, or surplus, this policy provides direction for initiating the Asset Disposal process.

SCOPE

This policy is limited to Assets as defined in the Definitions section of this document.

This is a corporate policy applicable to all employees.

CONTEXT

This policy aligns with BCLC’s Social Responsibility Charter and Environment Policy. Responsible disposal includes the protection of confidential or sensitive information that an Asset may contain. In this regard, employees are responsible for ensuring they comply with BCLC’s Information Security – General policy and the Confidentiality section of the Standards of Ethical Business Conduct for BCLC Employees. Employees must also ensure they are in compliance with BCLC’s Records Management policy before destroying any records that an Asset may contain.

POLICY STATEMENT

When disposing of an Asset, the following options (in order of preference) are to be evaluated before choosing the one that is believed to be the most favourable for BCLC:

- Transfer to another business unit within BCLC, including the transfer of parts upon deconstruction of an Asset;
- Trade-in on a successor asset;
- Sale through a competitive bid process;
- Auction or advertised sale;
- Deconstruction into saleable or recyclable parts;
- Donation;
- Destruction or scrap:
  - Disposal through approved re-cycle vendors;
  - Energy recovery landfill (if available); or
  - Landfill (last resort).
Obsolete Assets/Asset Disposal

Corporate Procurement must be notified about any Asset that has been identified as an Unusable Asset, an Obsolete Asset, or a Surplus Asset. Corporate Procurement determines the manner of Disposal of all tangible Unusable Assets, Obsolete Assets, or Surplus Assets. Corporate Finance determines the manner of Disposal of all intangible Unusable Assets, Obsolete Assets or Surplus Assets. Exception from these requirements is permitted in the following circumstances:

- The method of Disposal is stipulated in the conditions of the Asset’s purchase agreement; or
- Procedures, pre-approved by Corporate Procurement and aligned with this policy, document the Disposal process to be followed (including material types, accountabilities, and manner of Disposal). E.g., field equipment inventory maintained through a third-party vendor.

The proposed Disposal of an Asset with the greater of a net book value or an estimated residual fair market value of less than $100,000 at the time of Disposal can be authorized by the manager of the business unit with responsibility for the Asset. The proposed Disposal of an Asset with a net book value or an estimated residual fair market value equal to, or more than, $100,000 at the time of Disposal requires a higher level of authorization. The level of authorization required for the Disposal of an Asset is set at the same level as the spending authorizations within BCLC’s Spending and Signing Authority policy.

In alignment with the Standards of Ethical Business Conduct for BCLC Employees and Contractors, and to avoid actual or perceived conflicts of interest, neither employees nor contractors are permitted to purchase or acquire Assets directly from BCLC or BCLII, unless specifically allowed under another BCLC policy.

ROLES AND RESPONSIBILITIES

Business Units
It is each department manager’s duty to identify Assets that are unusable, obsolete, or surplus within his or her area of responsibility. Business units are responsible for:

- Notifying Procurement upon identifying an Unusable Asset, an Obsolete Asset, or a Surplus Asset, unless a procedure for Disposal has been pre-approved by the Procurement department. The notification must contain the Asset details and the applicable authorization recorded on a Request for Disposal form (a sample of the form is attached as Appendix A to this policy); and
- Notifying Corporate Finance about the Asset Disposal by providing Corporate Finance with a copy of the completed Request for Disposal form.

Corporate Procurement
Upon notification of the existence of an Unusable Asset, an Obsolete Asset, or a Surplus Asset, Corporate Procurement is responsible for:

- Determining the appropriate means of Disposal to be used for tangible Assets while aligning with
BCLC’s commitment to environmental sustainability;
• Determining if it is necessary to obtain Senior Management involvement prior to Disposal; and
• Providing direction to assist with coordination of the Disposal.

Corporate Finance
Corporate Finance is responsible for:

• Determining the appropriate means of Disposal for intangible Assets;
• Appropriately accounting for an Asset’s Disposal, in accordance with IFRS, upon receiving notification about the Asset Disposal;
• Creating an invoice for a third party where Assets have been Disposed of through re-sale;
• Annually reconciling its Disposal Request Form records for the year with Procurement copies; and
• Meeting annually with the divisions and business units to identify Asset owners and gather Asset Disposal information.

DEFINITIONS
For the purpose of this policy the following definitions apply:

Asset – means a tangible or intangible item of economic value owned by BCLC or BCLII. Examples of an Asset include, but are not limited to:

• Equipment;
• Software;
• Intellectual property;
• Other capital assets; and
• Casino slot machine or table game parts.

Examples of items not considered Assets include, but are not limited to:

• Office supplies; and
• Consumables.

BCLII – means BC Lottotech International Inc., a wholly owned subsidiary of BCLC.

Consumables – means small-value items, typically with a high usage, consumption, or turnover rate. Examples include:

• Point of sale consumables, such as selection slips and roll stock used for Lottery terminal equipment;
• Spare parts inventory; and
• Promotional items.
Obsolete Assets/Asset Disposal

Disposal – includes the sale, trade-in, donation, transfer, recycling, destruction, abandonment, deletion, or scrapping of an Asset.


Obsolete Asset – means an Asset that:

• Cannot be used because it is no longer compatible with other Assets or systems, or supportable in ongoing use;
• No longer operates and repairs are not cost-effective;
• Can no longer be used safely; or
• No longer meets BCLC’s Corporate Social Responsibility (“CSR”) standards.

Surplus Asset – means an Asset that, while neither an Unusable Asset nor an Obsolete Asset, will not be used in the foreseeable future because, even taking into account a requirement for backup or operational redundancy, it is superfluous.

Unusable Asset – means an Asset having no further use or value to a business unit in its present state (including those Assets that might be useful to another business unit or external entity).

COMPLIANCE

Except in a case where an employee obtains an Asset directly from BCLC, non-compliance with this policy will be addressed in accordance with BCLC’s Progressive Discipline policy.

In a case where an employee obtains an Asset directly from BCLC without authorization under a BCLC policy, disciplinary actions up to and including termination may be taken.

Exceptions to this policy may be made on a case-by-case basis with the written approval of the Vice President, Finance and Corporate Services and Chief Financial Officer, or the President and Chief Executive Officer.

RELATED MATERIAL

Request for Disposal form

POLICY OWNERSHIP

Contact Position          Director, Corporate Finance
Policy Owner Position     Director, Corporate Finance
Approving Body            Vice President, Finance and Corporate Services and Chief Financial Officer
# Obsolete Assets/Asset Disposal

## REVISION HISTORY

<table>
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<tr>
<th>Version Number</th>
<th>Approval Date</th>
<th>Approved by</th>
<th>Amendment</th>
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<tr>
<td>4.0</td>
<td>Sep 9, 2016</td>
<td>Vice President, Finance and Corporate Services</td>
<td>Changes made to clarify application of the policy to intangible assets and to include surplus assets within the scope of the policy. Amended the definition of obsolete assets and added new definition for surplus assets. The required level of authority for approving asset disposals has been aligned with the Spending and Signing Authority policy. Roles and responsibilities updated to reflect current practice. Policy direction on employees acquiring assets directly from BCLC has been clarified. Content reorganized to align with the corporate policy template and writing guidelines and to provide additional clarity on the application of policy exceptions. New compliance section added to address policy non-compliance and policy exemptions that may arise. Change in policy ownership from Director, Corporate Procurement to Director, Corporate Finance.</td>
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<td>3.2</td>
<td>Jun 2, 2015</td>
<td>Director, Corporate Procurement</td>
<td>Minor amendment to update hyperlinks to related materials.</td>
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<tr>
<td>3.1</td>
<td>Jan 29, 2015</td>
<td>Vice President, Corporate Security and Compliance</td>
<td>Minor amendment to footer text. This document was re-classified from 'Internal' to 'Public' in order to comply with a directive from the Public Sector Employers’ Council. An exemption to policy approval requirements was made due to exceptional circumstances.</td>
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| 3.0            | May 24, 2013   | Vice President, Finance and Corporate Services  | Amends and replaces Procurement policy 11.1 Obsolete Material and Equipment including the following changes:  
  - Title changed to avoid confusion with consumable.  
  - Added a definition of asset to avoid confusion with consumables.  
  - Rewritten to make it clear that all asset disposals are to be channelled through Procurement for consistency in application |
## Obsolete Assets/Asset Disposal

- Added employees prohibited from acquiring BCLC assets.
- Added language to permit exemptions.
- Reformatted to current policy template.
- Added new form – Request for Disposal.

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<th>Officer</th>
<th>Notes</th>
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<td>Vice President, Finance</td>
<td>No record</td>
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<td>Vice President, Finance</td>
<td>Inaugural</td>
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Appendix A

Request for Disposal Form (Sample of eForm)

Identify all assets that require disposal by completing the following table:

<table>
<thead>
<tr>
<th>Name:</th>
<th>Business Unit:</th>
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<tbody>
<tr>
<td>Location of Asset(s):</td>
<td>Date:</td>
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</table>

<table>
<thead>
<tr>
<th>Asset(s) Description</th>
<th>Make / Model</th>
<th>S/N (electronics only)</th>
<th>Quantity</th>
<th>Condition</th>
<th>Estimated value at time of purchase:</th>
<th>Cost Centre</th>
<th>Comments:</th>
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<tbody>
<tr>
<td>Select one</td>
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If applicable, provide additional information as follows:

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<tr>
<th>Original Purchase Date/Age:</th>
<th>Gaming Equipment/Parts (?):</th>
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<tr>
<td></td>
<td>Yes ☐ No ☐</td>
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</tbody>
</table>

<table>
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<tr>
<th>Is Software included (?):</th>
<th>Is there any confidential or private information or BCLC intellectual property included (?):</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes ☐ No ☐</td>
<td>Yes ☐ No ☐ Don't Know ☐</td>
</tr>
</tbody>
</table>

Other Information:

Authorization Signature | Position

Notes:
Appendix A

Request for Disposal Form (Sample of eForm)

- If applicable, please include any literature, photographs, or other information that may help with the disposal or sale of the asset(s).

- Submit completed form to special purpose mailbox: **ALL- Asset Disposal**

For Procurement Use Only

<table>
<thead>
<tr>
<th>Asset Disposal Determination:</th>
<th>☐ Sell</th>
<th>☐ Donate</th>
<th>☐ Recycle</th>
<th>☐ Scrap</th>
<th>☐ Other</th>
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<tr>
<td>Remarks:</td>
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