



GOVERNMENT'S LETTER OF EXPECTATIONS

BETWEEN

THE MINISTER OF FINANCE
(AS REPRESENTATIVE OF THE GOVERNMENT OF BRITISH COLUMBIA)

AND

THE CHAIR OF THE BC LOTTERY CORPORATION
(AS REPRESENTATIVE OF THE CORPORATION)

FOR 2014/15

PURPOSE

This Letter of Expectations (the Letter) provides Government's annual direction to the Crown corporation and is an agreement on the parties' respective accountabilities, roles, and responsibilities. The Letter confirms the Corporation's mandate and priority actions, articulates the key performance expectations as documented in the Government's Expectations Manual for British Columbia Crown Agencies¹, and forms the basis for the development of the Corporation's Service Plan and Annual Service Plan Report. The Letter does not create any legal or binding obligations on the parties. It is intended to create an opportunity for dialogue between the parties and to support an open, positive and co-operative working relationship, resulting in the achievement of government's policy and performance expectations in a transparent and accountable manner.

CORPORATION ACCOUNTABILITIES - MANDATE

Government has provided the following mandate direction to the British Columbia Lottery Corporation under the *Gaming Control Act (2002)*:

- Conduct, manage and operate lottery gaming;
- Conduct, manage and operate casino gaming;
- Conduct, manage and operate commercial bingo gaming; and
- Conduct, manage and operate internet gaming.

¹ The Province of British Columbia's Crown Agency Accountability System (<http://www.gov.bc.ca/caro/publications/index.html>) establishes guiding principles for the governance of Crown corporations. The *Government's Expectations For British Columbia Crown Agencies* provides for a Government's Letter of Expectations (Letter) to be developed.

For those Crown corporations that are commercial entities, they are expected to earn positive returns for their shareholders, the people of British Columbia.

SPECIFIC CORPORATION ACCOUNTABILITIES

To achieve this mandate, the Corporation is directed to take the following specific 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;
- 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;
- 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";
- Ensure that the BC Centre for Gambling Research at the University of British Columbia is funded \$1 million in FY13/14, and \$250,000 for each of the following four years. This funding is in addition to its other operational obligations;
- 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. 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, and
 - Develop and deliver enhanced customer due diligence (CDD) as required by new Federal AML Regulations, which take effect February 2014;
- 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; and

- 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.

GENERAL CORPORATION ACCOUNTABILITIES

Over the past decades, British Columbians have come to expect high quality products and services delivered by their Crown corporations. The Province is well served by our Crown corporations and it is up to the Boards and Senior Management teams of these organizations to manage in the best interests of the Province and our citizens and conduct its affairs with the principles of integrity, efficiency, effectiveness, and customer service.

As a Crown corporation, it is critical that the operations of the entity be done as efficiently as possible, in order to ensure families are provided with services at the lowest cost possible.

Government sets broad policy direction to ensure the Corporation's operation and performance is consistent with the Government's Strategic Plan, found at:

http://www.bcbudget.gov.bc.ca/2013_June_Update/stplan/2013_June_Strategic_Plan.pdf
and as such, the Corporation will:

Ensure that the Corporation's priorities reflect Government's priorities of:

Strong Economy

A government that supports our economy by controlling spending to balance the budget, keeping taxes and government debt affordable and protecting B.C.'s hard-earned triple-A credit rating.

Jobs

A government that is focused on job creation and investment in the province.

Families

A government that works continuously to improve social programs that support families of every description, and improve the lives of British Columbians.

- Comply with Crown Agency Accountability System guidelines, policy, due dates and best practices, as set out from time to time and as applicable to the Corporation, found at <http://www.gov.bc.ca/caro/publications/index.html> including the Information and Events Calendar for commercial and service delivery Crown corporations, Government's Expectations Manual for British Columbia Crown Agencies and the Best Practices Guideline & Disclosure Requirements for Governing Boards of British Columbia Sector Organizations;
- Comply with all legislation and policies applicable to the Corporation including but not limited to:

- The executive compensation policies for Crown corporations. Found at:
http://www.fin.gov.bc.ca/psec/disclosedocs/crown_corporation_executive_compensation_july_2012.pdf;
 - Ensure Government is advised in advance of the release of any information requests by the Corporation under the *Freedom of Information and Protection of Privacy Act*;
 - Government's requirements to be carbon neutral under the *Greenhouse Gas Reduction Targets Act*;
- Follow the spirit and intent of the financial policy requirements in the Ministry of Finance Core Policy and Procedures Manual found at:
<http://www.fin.gov.bc.ca/ocg/fmb/manuals/CPM/CPMtoc.htm>
 - Participate in government's Core and Crown reviews, which may include the review of Crown mandates, and implement the recommendations of these reviews;
 - Ensure that any planned deficit spending or use of the retained earnings is approved in advance by Treasury Board; and
 - Inform Government immediately if the Corporation is unable to meet the performance and financial targets identified in its Service Plan.

GOVERNMENT RESPONSIBILITIES

Specific to the Corporation, Government will:

- Preserve the right to provide broad policy direction on gaming, while empowering the Corporation to implement policies, standards and guidelines that allow it to operate in a business-like manner within the legislative and policy structure for gaming established by Government;
- Continue the Gaming Policy and Enforcement Branch as the agency of Government responsible for the regulation of all gaming and horse racing within the province, while ensuring that within the gaming framework, the Corporation is able to implement its mandate and operate in a business-like manner;
- Maintain mechanisms to manage Government's proceeds from gaming and continue to work with the Corporation to communicate to the public how proceeds benefit British Columbians;
- Establish policy and funding mechanisms for programs to address problem and responsible gambling and inform the Corporation's activities in this area, and will provide the Corporation with Government's plan for responsible gambling;
- Work with the Corporation in addressing the recommendations made in the Provincial Health Officer's Report, entitled "Lowering the Stakes: A Public Health Approach to Gambling in British Columbia"; and

- Issue directives or orders, or sponsor submissions on behalf of the Corporation, that may be required to seek decisions or policy direction by the Executive Council or its committees, to aid the Corporation in fulfilling its mandate and achieving the performance targets in its Service Plan.

During the term of this Letter, Government may provide further policy direction to the Ministry of Finance who will communicate any such direction, including implementation expectations, to the BC Lottery Corporation as decisions are made.

AREAS OF SHARED ACCOUNTABILITY

Government and the Corporation are committed to transparency and accountability to the public and have planning, reporting and disclosure requirements in the *Budget Transparency and Accountability Act*, the *Financial Administration Act*, and/or the *Financial Information Act*.

On a quarterly basis, the Minister Responsible, Michael de Jong, Q.C.; the Deputy Minister, Peter Milburn; the Board Chair, Stuart D. B. Smith; and the Chief Executive Officer, Michael Graydon; will meet to discuss relevant and current corporation business. The meeting will be to review the achievement of the goals, objectives, performance measures, financial targets and risk assessments identified in the Corporation's Service Plan.

The parties agree that each will advise the other in a timely manner of any issues that may materially affect the business of the Corporation and/or the interests of Government, including but not limited to information on any risks to achieving financial forecasts and performance targets.

The Corporation and the Crown Agencies Resource Office will post the most recent signed copy of the Government's Letter of Expectations on their respective websites.

REVIEW AND REVISION OF THIS LETTER

The Minister of Finance is accountable for undertaking reviews of this Letter and monitoring its implementation. Government and the Corporation may agree to amend this Letter on a more frequent than annual basis.



Honourable Michael de Jong, Q.C.
Minister of Finance



Stuart D. B. Smith
Chair, BC Lottery Corporation

Jan. 9, 2014

Date

3/1/2014

Date

cc. Honourable Christy Clark
Premier

John Dyble
Deputy Minister to the Premier and Cabinet Secretary

Peter Milburn
Deputy Minister and Secretary to Treasury Board
Ministry of Finance

Cheryl Wenezenki-Yolland
Associate Deputy Minister
Ministry of Finance

Michael Graydon
Chief Executive Officer
BC Lottery Corporation