



**2018/19 – 2020/21
SERVICE PLAN**

February 2018



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Board Chair Accountability Statement



The 2018/19–2020/21 BCLC Service Plan was prepared under the Board’s direction in accordance with the *Budget Transparency and Accountability Act*. 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. The Board is responsible for the validity and reliability of the information included in the plan.

All significant assumptions, policy decisions, events and identified risks, as of February 5, 2018 have been considered in preparing the plan. The performance measures presented are consistent with the *Budget Transparency and Accountability Act*, 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.

A handwritten signature in black ink that reads "Bud Smith". The signature is written in a cursive, flowing style.

Bud Smith
Chair, Board of Directors

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Strategic Direction and Alignment with Government Priorities

Specific direction from Government to BCLC is provided in the [2018/19 Mandate Letter](#) directing BCLC to take specific actions, in accordance with Government policy and directives. These instructions and principles form part of our strategic context and, along with economic and market trends, inform the business choices we make and ensure public interest is being served.

Specifically, in the Mandate Letter, the Government of B.C. has outlined three strategic actions directing BCLC to: submit bi-annual progress reports on the implementation of the commitments that BCLC is responsible for in the *Plan for Public Health and Gambling*; implement government’s response to recommendations from the Peter German review of anti-money laundering policies and practices in the gambling industry and provide a quarterly report on the implementation of initiatives to mitigate money laundering and the use of proceeds of crime in B.C. gambling facilities; and, proactively share information with the Gaming Policy and Enforcement Branch to assist in its responsibility for the integrity of gambling and horse racing and provide the minister with advice on broad policy, standards and regulatory issues.

BCLC will conduct business that meets public expectations for social responsibility, public safety and gambling integrity. As a Crown corporation, BCLC is required to make smart, responsible investments to grow our business, while balancing our commitment to managing our operating costs in the best interest of the Province and the people of British Columbia.

BCLC is aligned with the Government’s key priorities.

Government Priorities	BCLC Aligns with These Priorities By:
Delivering the services people count on	<ul style="list-style-type: none"> • Promoting responsible gambling programs that encourage positive gambling choices (Objective 1.1) • Becoming leaders in diversity and inclusion (Strategy under Objective 2.1) • Defining and integrating the innovative experiences our players want (Strategy under Objective 4.1)
Good jobs and a strong, sustainable economy	<ul style="list-style-type: none"> • Being a partner for socio-economic growth in communities (Strategy under Objective 3.1) • Optimizing net income through investing to sustain the long-term health of our business (Goal 4)

Operating Environment

Since 1998 and up until 2010, BCLC had been operating in a largely supply driven environment, where the market was undersupplied and hence revenue increased as supply was added. As of 2010, the supply gap has been largely filled and the gambling industry has seen a shift from a supply driven to a demand driven environment.

This shift to a demand driven environment coupled with disruption in how people consume experiences physically and digitally across industries is driving a critical need for innovation,

challenging the status quo and investing in new and improved products and services.

Evolving customer experience expectations

Consumer behaviour is changing. Driven largely by advances in technology, consumers are demanding more from products, services and experiences.

Many consumers are seeking customization and are no longer content to sit passively and consume entertainment. They are seeking new and diverse experiences, which has led to new types of entertainment options, such as pop-up venues, themed bars and escape rooms. There has been a trend towards new partnerships that provide engaging experiences that integrate food and beverage with activities.

Social and mobile connectivity are changing how and where consumers are engaging with their entertainment. Mobile devices are providing a convenient outlet for those looking for the “quick escape” from their day, whether they are at home or away. In addition, the breadth and appeal of in-home entertainment is strengthening the desire to spend leisure time at home.

The hospitality industry competes for consumers’ share of time and money. Bringing people together for a social experience is a key ingredient to winning their loyalty. Consumers expect a high level of service and demand that offerings are freshened up over time.

BCLC will embrace the customer motivations driving these changes and address player needs by investing in new content and delivering a seamless customer experience across business delivery channels and touchpoints. In addition, we will continue to invest in and transform features and delivery of our core products as well as our existing gambling properties in order to meet and exceed our players’ expectations.

A key aspect of customer experience is the promotion of player health. We intend to develop a deeper understanding of our player base and the indicators of healthy play to create timely, targeted and relevant player communications and effective programming.

Changing shopping habits

The methods our customers use to get from place to place coupled with new service offerings from retailers are changing where, when and how we shop. While retail as a whole continues to grow, retailers are changing how and where they offer their products. Online and mobile platforms are intrinsic to that change; however, it is the integration of mobile and bricks-and-mortar platforms that creates the seamless experiences consumers seek.

Retailers are responding to consumer expectations. For example, grocery retailers are introducing new services such as ‘click and collect’ delivery that do not require consumers to enter the bricks-and-mortar-location. At the same time, online retailers are integrating bricks-and-mortar experiences into their business. This trend demonstrates the importance of creating seamless experiences that cross both business delivery channels.

People’s perspectives on transportation are fundamentally changing and this will influence retail habits. There is a cultural shift in the perception of car ownership. How cars are fueled and controlled

is changing how and when people get around. For example, electric car owners and car share users do not need to stop at gas and convenience stores, potentially impacting BCLC's distribution network.

As consumer travel and shopping habits change, BCLC will continue to transform where and how we serve players and offer our products.

Public support

BCLC depends on maintaining and growing community support to operate gambling on behalf of British Columbians. Research shows that being transparent and forthcoming about how the gambling industry maintains our integrity and contributes to the economy and communities increases public understanding and support for our business.

In addition, public and stakeholder consultation is a critical part of the municipal approval process required to renovate or build casino properties. BCLC continues to engage the public through timely, respectful and effective communication. The organization will communicate and promote how provincial gambling revenues benefit communities throughout the province and how BCLC is working to reduce gambling related harm through its player health strategy, which includes internationally recognized responsible gambling programs.

Competition for talent

The Provincial Government is projecting that, beginning in 2019 there will be a province-wide labour shortage, and by 2022, there will be at least a 28,400-person workforce deficit.¹ Statistics Canada is also reporting a projected decrease in the unemployment rate nationally as the labour force participation rate decreases due to the aging population.

The Conference Board of Canada's Employer Skills Survey² highlighted that employers in B.C. are worried about an upcoming experience gap. Skilled and experienced workers are set to retire, as those entering the workforce are perceived as having qualification deficits. The Conference Board of Canada indicates that the most anticipated challenges for B.C. employers will be recruiting in the market for:

- skilled trades
- computer and information science
- engineering and electronics
- business and management

This means it is a job seekers market and BCLC will need to focus on retention and knowledge transfer as key internal strategies.

Performance Plan

Goal 1: Player – we are creating an integrated player-focused entertainment company.

¹ [British Columbia 2022 Labour Market Outlook](#). See Appendix 1, table 2.

² [Skills for Success: Developing Skills for a Prosperous B.C.](#)

Objective 1.1: Promote responsible gambling programs that encourage positive gambling choices.

Key Strategies:

Influence Player Health.

BCLC is committed to reducing the negative health impacts our business may have on people and communities. BCLC has evolved its approach to responsible gambling by moving from a predominant focus of raising awareness of responsible gambling among players, to a broader focus of influencing player health through targeting players, games and the environment. Across all our games we are focusing on programming that encourages healthy gambling by providing information that allows for people to make informed choices and offering positive play programming. We are also identifying opportunities to reduce the risks of BCLC products via our offerings, approaches to advertising and marketing, and markets served. A major initiative this year will be the transfer of fiscal responsibility for GameSense Advisors (GSAs) in gambling facilities from the Gaming Policy and Enforcement Branch (GPEB) to BCLC. This accountability for full management responsibility will include extending GSA presence to all gambling facilities in the province, including all community gaming centres. This will essentially double the size of our GSA program over the next three years.

Performance Measures	2015/16 Baseline or Benchmark	2016/17 Actual	2017/18 Forecast	2018/19 Target	2019/20 Target	2020/21 Target
1.1a Player awareness of responsible gambling activities ¹	N/A	79%	78%	78%	N/A	N/A

¹ Data Source: Continuous online tracking study conducted by third-party research professional. Study uses market research industry standard techniques to randomize the sample while retaining gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada’s Census.

Linking Performance Measures to Objectives:

1.1a Player Awareness of Responsible Gambling Activities measures how effective we are at educating our players regarding responsible gambling tools and resources, so they can make positive gambling choices.

Discussion

We have updated our targets based on the actual results achieved in fiscal 2016/17 and expect that awareness of responsible gambling activities will remain relatively stable in the future due to continued provision of information at the point of sale. Based on recommendations made in the Crown Review Report on BCLC and the Plan for Public Health and Gambling, we expect to introduce new performance measures and targets of harm reduction after fiscal 2018/19 to better align with our player health strategy.

Objective 1.2: Improve the gambling entertainment experience everywhere players choose to engage with our products.

Key Strategies:

Improve the gambling entertainment experience with new content and enhanced facilities.

A major focal point of our strategy is improving the gambling experience through new content. Content refers to the entertainment experience that players seek when they engage with us and includes our games, amenities at our facilities and the relationships we have with our customers. BCLC will focus on gaining a more detailed understanding of customer preferences, the entertainment industry and gambling trends to increase BCLC's entertainment value. This understanding will help us make informed decisions on new content and the best way to engage our players in fun and entertaining experiences. Enhancing the content we offer will be key to realizing our vision and serve as a catalyst for future growth.

Improve customer relationships.

We will build on the customer relationship management (CRM) foundation currently being implemented to optimize customer communications across email, mobile push notifications and social touchpoints to engage in relevant, personalized conversations with our players. This will deliver customized and relevant BCLC promotions, content and service to players based on an improved understanding of interactions across all BCLC touchpoints. We will continue to enhance the services delivered through the customer support centre and embrace social responsibility in how we engage customers by integrating a player health lens into our CRM approach.

Optimize our points of distribution and simplify the way our players access and experience our products.

We will continue to leverage investments in our digital and technology infrastructure to deliver exciting games and experiences to players in our facilities and through our retailers. We will continue to ensure that current facilities are in the right locations and are delivering the experiences our customers expect in order to capture the full potential of each facility. BCLC's competitive advantage is that, unlike competitors who operate solely online or solely in bricks-and-mortar facilities, we manage products and channels in retail and hospitality centres, casinos, community gaming centres, on the web, and on mobile devices to create a customer entertainment experience. We will simplify the way our players access and experience our products. Our objective is to enhance the gambling experience everywhere that players choose to engage with our products.

Performance Measure Changes

BCLC will introduce The Player Experience Index in the 2019/2020 Service Plan, replacing the current Player Satisfaction measure. The Player Experience Index will provide a single measure that incorporates various elements of the customer experience, such as customer service, convenience, relevance and fairness. This measure will provide BCLC with an understanding of both the product and purchase experience, while offering actionable insights related to the customer experience.

BCLC will redefine the Player Participation measure in the 2019/2020 Service Plan. The redefined Player Participation measure will be reported as the average number of active BCLC players in British Columbia. A player is defined as active if they have played any BCLC game at least once during a reported period.

Performance Measures	2015/16 Baseline or Benchmark ³	2016/17 Actual	2017/18 Forecast	2018/19 Target	2019/20 Target	2020/21 Target
1.2a Player Satisfaction ¹	N/A	80%	80%	80%	N/A	N/A
1.2b Player Participation ¹	N/A	53%	52%	52%	N/A	N/A
1.2c Net Win per Capita ²	BCLC: \$501 LQ: \$307 OLG: \$378	\$503	\$516	\$510	\$512	\$516

¹ Data Source: Continuous online tracking study conducted by third-party research professional. Study uses market research industry standard techniques to randomize the sample while retaining gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

² Data Source: Net win is from BCLC's financial plan. B.C. population projections are from Statistics Canada (Table 052-0005). Actual population estimates are from Statistics Canada (Catalogue no. 91-215-X). Net win is calculated for lottery and bingo games by deducting prizes from gross sales. Casino game prizes are paid during game play and therefore casino revenue is already reported on a net win basis. Total BCLC net win is divided by B.C.'s total population based on Statistics Canada population figures to obtain per capita metrics. Population statistics are estimated based on a calendar year and not available on BCLC's fiscal year. The targets are indicative of the overall trends despite the timing difference. Population estimates and projections are updated annually.

³ Data Source: Benchmarks are calculated using Ontario Lottery and Gaming (OLG) and Loto-Québec's (LQ) fiscal 2015/16 financial statements provided in their published annual reports. BCLC figures represent 2015/16 actual results for comparability.

Linking Performance Measures to Objectives:

Player Satisfaction, Player Participation and Net Win per Capita tell us how successful we are at delivering accessible entertainment experiences to the population of B.C.

1.2a Player Satisfaction measures how successful we are in creating a focused entertainment company. The higher Player Satisfaction is, the more successful we are being at meeting players' gambling entertainment expectations.

1.2b 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. This measure is an indicator of how successful we are in creating entertaining and relevant experiences so players purchase our games. Increasing player participation indicates that we are located in places where our players choose to engage with our products.

1.2c Net Win per Capita tells us how successful we are in growing revenue in relation to the provincial population.

Discussion

BCLC's level of player satisfaction is already very positive and we are planning to maintain this high level in the upcoming years. Our products are purchased by over half the population of B.C. on a monthly basis and we intend to maintain this level of penetration in the coming year. Maintaining these high levels in periods of change requires that we continue to learn about customer preferences, enhance our content and utilize our customer relationship management capabilities to deliver entertaining games and experiences, whether it is in our facilities, through our retailers, or online.

Indexing to the total population for Net Win per Capita allows us to benchmark to other jurisdictions, as the age at which legal gambling is permitted varies between jurisdictions. Net Win per Capita will not grow if the population rate of growth is higher than the projected rate of net win growth. Since this measure is widely used in the gambling industry, consistent benchmarking is possible. BCLC has consistently outperformed the benchmark organizations. BCLC has been successful in attracting tourism to our facilities, which contributes to our net win; however, while tourism is not considered part of the population counts for B.C., including net win from tourism helps explain part of B.C.'s success in comparison to the benchmark organizations, whose figures also include net win from tourism.

In 2016/17, BCLC's Net Win per Capita increased over the previous year through innovation and capitalizing on strategic investments, primarily in the bricks-and-mortar and online channels of the slots category. This successfully offsets the volatility experienced in high-limit table game revenue and the expected normalization in jackpot rolls in Lotto Max and Lotto 6/49 from the previous year.

Solid slots performance is expected with the market continuing to respond favourably to strategic investments in this product category and to the opening of the new Parq facility in Vancouver (which replaced Edgewater Casino). The decrease in Net Win per Capita in fiscal 2018/19 results from the assumption that BCLC's casino business will experience an impact due to potential changes in anti-money laundering requirements.

Net Win per Capita starts to increase in fiscal 2019/20 due to new initiatives that are expected to be launched in the market.

Goal 2: People – we have the right talent to deliver exceptional business results.

We strive to demonstrate the value of our work by complying with a rigorous and standardized approach to performance management and employee compensation, within Public Sector Employers' Council guidelines. BCLC's talent strategy provides a framework to guide the application of all aspects of our human resource practices based upon the premise that it is "our people and culture that will deliver exceptional business results." BCLC will focus on the overall employee experience to enhance our employee value proposition to prepare for changing workforce demographics, and ensure BCLC has the right talent to deliver exceptional business results in an environment of changing demands and evolution of the business. The talent strategy provides the foundation to build organizational capacity and capability, incorporating a diverse and inclusive culture focused on employee engagement.

Objective 2.1: Build an engaged workforce and strong culture.

Key Strategies:

We know, understand and engage employees.

BCLC is creating a culture where the achievement of organizational goals is delivered through our employees. We are working to develop a greater understanding of our workforce and gather their diverse perspectives in order to support the creation of an engaging employee experience. We need

the diverse perspectives and contributions of all employees to be leading in the marketplace. We are driven by the perspective that when we put our employees first they will, in turn, put our customers first. When we put our customers first, our business will be stronger.

We will be leaders in diversity and inclusion.

BCLC is embedding diversity and inclusion practices into its culture. BCLC will focus on implementing inclusive leadership training and practices, removing unconscious bias in processes and systems, providing an inclusive employee value proposition and engaging with our communities.

Performance Measures	2016/17 Actual	2017/18 Forecast	2018/19 Target	2019/20 Target	2020/21 Target
2.1a Employee Engagement ¹	87%	85%	85%	85%	85%

¹ Data Source: Anonymous [online survey](#) among BCLC employees, conducted by a third-party market research professional using industry standard techniques. Employee Engagement is defined as the intellectual and emotional commitment employees have in an organization and reflects the dedication employees exert to contribute to the organization’s success.

Linking Performance Measures to Objectives:

2.1a A passionate and engaged workforce is more productive and will help to drive the success of our business, delivering the fun entertainment experiences our players expect. Entertainment experiences are the foundation for BCLC’s delivering exceptional business results.

Discussion

In 2016/17, we achieved an exceptionally high employee engagement score. Based on this result, we have made a slight increase to our future targets. We expect employee engagement to remain high based on our commitment to maintaining an engaged workforce through regular measurement and action. We will continue to invest in leadership and employee development. However, we recognize that maintaining the exceptionally high result may not be realistic over time and we have reflected this in our future targets.

Objective 2.2: Enhance our employee value proposition to prepare for changing workforce demographics.

Key Strategies:

Determine future talent acquisition and talent management experience.

BCLC will continue to focus on enhancing and refining our employee and leadership development programs to meet the ever-changing needs of our business. Future workforce needs will necessitate greater collaboration and partnership with educational institutions, university co-op programs and professional associations. Identifying and developing employees for critical roles within the organization will continue to ensure long-term success. In addition, attracting key talent through innovative recruitment strategies aligned with workforce planning, BCLC branding and marketing will be critical to delivering upon organizational goals.

We are creating an integrated, value added total rewards program.

For 10 consecutive years, BCLC has been selected as a top employer in British Columbia. Competition for qualified talent is strong and therefore we continue to pursue excellence in the programs, services and experiences we offer to our workforce. In order to compete within the marketplace to attract and retain talent, BCLC will redesign and implement its employee benefits plan, recognition and wellness programs while being consistent with Public Sector Employers’ Council guidelines. We will communicate the benefits of the employee value proposition for current and future employees. In addition, BCLC will develop the Human Resources Management System Roadmap to leverage the full range of capabilities offered by our existing software.

Performance Measures	2016/17 Actual	2017/18 Forecast	2018/19 Target	2019/20 Target	2020/21 Target
2.2a Employee Turnover Rate ²	5.5%	6%	6%	6%	6%

² Data Source: BCLC internal sources. Data is measured on a monthly basis with the year-end calculated by averaging the monthly rates. Employee Turnover Rate measures the combined percentage of voluntary and involuntary turnover relative to BCLC’s total headcount.

Linking Performance Measures to Objectives:

2.2a Employee Turnover Rate helps us determine how successful we are in attracting and retaining talent to drive the success of our business. It is an indicator of our competitiveness in the labour market as well as the effectiveness of our training, development and retention programs.

Discussion

In 2016/17, we achieved a lower than expected employee turnover rate. Future targets reflect our recent results as well as our historical average. Given BCLC’s strategic focus on employee engagement, BCLC will not report on Employee Turnover Rate in future service plans. It will continue to be reported in the BCLC Social Responsibility report.

Goal 3: Public – our business and the benefits it creates are understood, trusted and supported by British Columbians.

Objective 3.1: Awareness of BCLC positive contributions to the community.

Key Strategies:

We are a partner for socio-economic growth in communities.

BCLC strives to make business decisions that reflect and include local perspectives and provide benefits to the community that are broader than the bottom line.

Our games are fair, our facilities and platforms are safe and secure.

Sustaining net income depends on BCLC’s ability to build the public’s understanding, trust and support of our business by being a good corporate citizen, demonstrating integrity in what we deliver

and how we deliver it, and being transparent in how we manage and conduct our business. It is paramount the public understands our products are fair and our facilities are safe.

As a priority, BCLC strives to protect its casinos from money laundering threats through a comprehensive anti-money laundering program built to meet or exceed federal requirements under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and through formal cooperative efforts with police. BCLC is committed to continuously improving our anti-money laundering efforts by conducting extensive annual and independent reviews of its program and through a strong professional working relationship with the federal regulatory body responsible for anti-money laundering – the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). We are committed to working collaboratively to support GPEB to address recommendations that emerge from the Attorney General’s independent review of the Province’s Anti-Money Laundering regime currently underway.

We will continue to provide funding and information to the Joint Illegal Gaming Investigation Team (JIGIT).

Performance Measures	2016/17 Actual	2017/18 Forecast	2018/19 Target	2019/20 Target	2020/21 Target
3.1a Public Recognition of Positive Contributions ¹	73%	74%	74%	75%	75%

¹ Data Source: Continuous online tracking study conducted by third-party market research professional. Study 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.

Linking Performance Measures to Objectives:

3.1a BCLC’s success depends on maintaining and growing community support to operate gambling on behalf of British Columbians. This measure helps us gauge our success in building the public’s recognition of the positive contributions of our gambling business so that our business and its benefits are better understood, trusted and supported by British Columbians.

Discussion

We have increased our targets based on historical and forecasted information and our plans to continue to communicate the positive contributions of BCLC’s business.

Objective 3.2: BCLC is perceived as transparent.

Key Strategies:

We are open and accountable.

We are committed to sharing information with municipal, business and community stakeholders and the public about BCLC and the gambling industry to create awareness and understanding. We proactively disclose relevant information about BCLC via bclc.com and the BCLC Social Responsibility Report. We will proactively communicate major corporate initiatives and activities to

the public, the media and our employees in order to be transparent, accountable and build awareness and understanding of our organization.

Performance Measures	2016/17 Actual	2017/18 Forecast	2018/19 Target	2019/20 Target	2020/21 Target
3.2a Public Perceptions of BCLC’s Transparency ¹	64%	60%	61%	62%	64%

¹ Data Source: Continuous online tracking study conducted by third-party market research professional. Study 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.

Linking Performance Measures to Objectives:

3.2a To build the public’s trust and support of our business, it is important that we are transparent so that our business and its benefits are understood by British Columbians. Public perception of BCLC’s transparency helps us gauge our success in becoming increasingly open and accountable.

Discussion

We have adjusted our targets based on historical and forecasted information, upcoming activities and our openness and accountability strategy. We will continue to act with integrity, be proactive in communicating about our business and engage with municipal, business and community stakeholders and the public.

Goal 4: Profit – we will optimize net income through investing to sustain the long-term health of our business.

BCLC fosters a culture of cost-consciousness and is committed to operating efficiently and effectively to manage costs. As part of our mandate, we will optimize BCLC’s financial performance and sustain net return to the Province in accordance with government policy, directives under the *Gaming Control Act* and Treasury Board direction. Our mandate and business models offer BCLC the opportunity to garner strong profit margins and thus growing the top line revenue is the key to making a significant positive impact to our net income.

Objective 4.1: Generate net income for the benefit of all British Columbians efficiently.

Key Strategies:

Define and implement the innovative experiences our players want.

We will leverage investments in the PlayNow.com infrastructure to provide the digital connection with our bricks-and-mortar-environment in order to improve the player experience. We continue to monitor consumer trends so that we can deliver relevant products and experiences that meet player expectations and provide value for money. With player understanding as a core capability and working with best-in-class partners, we will continue to invest in content innovation to deliver engaging gambling experiences to our players and grow net income in a socially responsible manner.

Improve operational efficiency and effectiveness.

We will invest in systems and technology required to support the long-term health of the business.

Collaborate and leverage the capabilities of our vendors, service providers and retailers.

We will continue to work with our contracted casino and community gaming facility service providers and lottery retailers to distribute our games to customers with outstanding service. The distribution of our games in the province spans bricks-and-mortar locations as well as through the web on PlayNow.com. These services will continue to evolve to serve the dynamic nature of our customers.

We will also leverage the innovation around products and services from our many vendors to deliver our games in an effective and responsible manner in our regulated market.

Performance Measures	2016/17 Actual	2017/18 Forecast	2018/19 Target	2019/20 Target	2020/21 Target
4.1a Net Income (\$ millions) ¹	1,339.0	1,374.4	1,310.5	1,332.2	1,354.8
4.1b Comprehensive Cost Ratio (% of Net Win) ^{1,2}	42.0%	42.2%	44.5%	44.5%	44.6%

¹ Data Source: BCLC's financial plan, see page 16. Actual results are calculated in accordance with International Financial Reporting Standards (IFRS).

² The Comprehensive Cost Ratio (CCR) is the sum of direct, gaming support, operating, amortization and other costs (excluding interest and taxes) divided by net win and expressed as a percentage.

Linking Performance Measures to Objectives:

- 4.1a Net income is the total amount of income generated by BCLC and delivered to the Province. This measure is a direct indicator of our success in meeting our mandate to generate net income for the benefit of all British Columbians.

Discussion

BCLC net income benefits all British Columbians by funding public health care, education, charitable community programs, and other essential services the Province and our Host Local Governments recognize.

Fiscal 2017/18 targets have been increased to reflect the continued return on fiscal 2016/17 innovation and strategic investments primarily in the bricks-and-mortar (casino and community gaming centres) and online channels (PlayNow.com) that have strengthened the slots category and to incorporate the exceptional fiscal 2016/17 results of Keno and Scratch & Win in the Lottery business unit.

The decrease in fiscal 2018/19 net income reflects the assumption that BCLC's casino business will experience an impact due to potential changes in anti-money laundering requirements, in combination with making necessary investments to ensure the long-term health of the overall business.

Increasing net income starting in fiscal 2019/20 is primarily driven by new initiatives such as launching a Lotto Max game enhancement and opening and relocating Casino properties. These new initiatives are dependent on external forces that are not fully within BCLC's control. For example, the Lotto Max game enhancement requires collaboration and approval from other provincial lottery and

gaming organizations, and the opening and relocation of Casino properties is dependent on receiving municipal approval.

Linking Performance Measures to Objectives:

4.1b The Comprehensive Cost Ratio (CCR) is a cost ratio used to gauge operational efficiency.

Discussion

During 2016/17, CCR was amended to exclude interest so that it better reflects operational efficiency from areas within BCLC's control. Fiscal 2016/17 actual results have been restated for comparability purposes.

Increasing future year CCR targets are primarily a reflection of BCLC transitioning to a new Operational Services Agreement (OSA) with a revised commission structure for its casino and community gaming service providers. The OSA will drive better strategic alignment, strengthen accountability and drive incremental market growth in the long-term. Retailer and service provider commissions comprise the majority of the comprehensive cost base. As a result, CCR is most significantly impacted by BCLC's product mix sales as BCLC has a diversified portfolio of products which generate a wide range of gross margins. In addition, BCLC is continuing to make appropriate investments to ensure the long-term health of the business such as replacing lottery legacy systems and promoting player health.

Financial Plan

Summary Financial Outlook

Consolidated Corporate Operations

\$ Millions	2016/17 Actual	2017/18 Forecast	2018/19 Budget	2019/20 Budget	2020/21 Budget
Revenue	3,143.9	3,214.1	3,225.9	3,272.7	3,334.6
Prizes (Bingo and Lottery only)	741.3	733.7	748.1	754.5	768.5
Net Win	2,402.6	2,480.4	2,477.8	2,518.2	2,566.1
Direct Costs	749.8	775.6	802.6	813.9	827.6
Gaming Support Costs	38.6	41.8	43.7	44.8	46.0
Operating Costs	145.2	152.4	170.2	171.2	172.7
Amortization and Other	75.9	77.8	87.7	91.6	98.8
Total Costs	1,009.5	1,047.6	1,104.2	1,121.5	1,145.1
Net Income Before Taxes	1,393.1	1,432.8	1,373.6	1,396.7	1,421.0
Taxes	54.1	58.4	63.1	64.5	66.2
Net Income	1,339.0	1,374.4	1,310.5	1,332.2	1,354.8

Liabilities	496.3	517.2	536.6	563.3	568.5
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Accumulated Surplus / (Deficit)	(17.1)	(17.1)	(17.1)	(17.1)	(17.1)
Accumulated Other Comprehensive	(23.3)	(23.3)	(23.3)	(23.3)	(23.3)
Total Deficit	(40.4)	(40.4)	(40.4)	(40.4)	(40.4)

Capital Expenditures	86.2	90.0	105.0	105.0	90.0
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Key Forecast Assumptions, Risks and Sensitivities

Net income targets are updated through a reforecasting process that analyzes recent revenue trends for each product category to build a projection of baseline contribution margin (revenues less direct costs). Baseline costs for fiscal 2018/19 were estimated using a zero-based budgeting approach. Incremental revenues and costs from strategic initiatives are incorporated into baseline projections and result in the financial plan.

Revenue is projected to increase \$120.5 million or 1.2 per cent compounded annually over the three-year period (fiscal year 2017/18 - fiscal year 2020/2021). Prizes are estimated to increase by \$34.8 million or 1.6 per cent compounded annually over the three-year period, as a result of revenue

growth. Net win, which is revenue after prizes paid, is projected to increase by \$85.7 million or 1.1 per cent compounded annually over the three-year period.

Direct costs include private sector service provider and retailer commissions, lottery ticket and bingo paper printing, supplies and leases. These are driven by revenue projections of each product category. Direct costs are forecasted to increase \$52.0 million or 2.2 per cent compounded annually over the three-year period. The increase in direct costs is primarily a function of increase in net win, and also reflects increases due to BCLC transitioning to a new commission structure in its casino and community gaming division. As a result, a portion of direct costs are sensitive to changes in the timing of when service providers transition.

Gaming support costs are expenses that support revenue generation including systems support, data transmission, equipment installation, product delivery, sports odds-setting and internet-based software licence and service fees. These costs are projected to increase by \$4.2 million or 3.2 per cent compounded annually over the three-year period. Costs in this area are forecasted to increase in line with industry trends as BCLC continues to make investments in technology to sustain and enhance core systems that support our player experiences. Also, systems support costs associated with maintaining our online and mobile-enabled gambling site, PlayNow.com, are expected to rise to keep pace with upgrades to our players' desktop operating systems, browsers, security systems and mobile devices.

Changes in technology delivery are driving a market shift from owned and constructed assets to cloud-based services (cloud). BCLC is reviewing the applicability of cloud to its business and assessing the associated risks and opportunities. As a result, the potential impact of adopting cloud is not reflected in the financial projections. Should BCLC choose to transition to cloud, the expected long-term impact is an increase in BCLC's operating spend, offset with a decrease in BCLC's capital spend. In the short-term as organizations transition to cloud, a range of financial impacts can occur from many factors, including volatility in costs due to variable usage, degree of automation and systems management, increased costs due to increased business demands/growth and cost overlap with existing technology that may not be fully depreciated.

Operating costs include marketing investment, staffing costs, research and development, professional fees, rent, equipment and goods, communications and financial costs. Operating costs are projected to increase by \$20.3 million or 4.3 per cent compounded annually over the three-year period to support net win. Included in this increase are the estimated operating costs required to replace lottery legacy systems and to promote player health. The lottery legacy system replacement project involves the replacement of equipment and software identified as high-risk as they are near end-of-life and the majority of lottery revenue relies on this critical equipment and software. BCLC is also investing to promote player health by consolidating responsibility of all operations of the GameSense Advisor (GSA) program within BCLC. Up until this year the program has been co-managed between BCLC and GPEB whereby GPEB was responsible for funding administration and BCLC was responsible for day-to-day management. The decision was made to transition responsibility for expense and management control of the existing GSA program from GPEB to BCLC. We intend to expand the GSA program to all community gaming centres to address the recommendation of the *Plan for Public Health and Gambling* which will essentially double the size of our GSA program over the next three years.

BCLC's head office in Kamloops requires significant upgrades and maintenance. Avison Young (Commercial Real Estate Advisor) has been hired to assist in determining the next steps for the Kamloops head office property development including the evaluation of building needs and business requirements. As the project is currently in the requirements gathering and analysis phase, an estimate cannot be reasonably determined at this time and accordingly, costs have not been included in the projections.

Sensitivity Analysis

As indicated above, the business planning process involves a thorough analysis of revenue trends by product category to determine baseline organic growth assumptions. Incremental revenue is added from new and strategic initiatives. As a result, the three-year plan is sensitive to changes in sales mix along with risks associated with future initiatives, such as execution risk, market acceptance and success of new products and facilities.

Below is the table outlining the sensitivities at a net win level given the above factors.

	2018/19		2019/20		2020/21	
	High	Low	High	Low	High	Low
Net Win Target	2,478	2,478	2,518	2,518	2,566	2,566
Forecast Risks and Sensitivities						
1% change in Slot Growth Assumption	14	(14)	14	(14)	14	(14)
Potential Changes in Anti-Money Laundering Requirements	25	(28)	25	(28)	25	(28)
Volatility in Tables		(12)		(12)		(12)
Market adoption/success of new initiatives		(57)		(74)		(112)
Net Win Risk Adjusted	2,517	2,367	2,557	2,391	2,605	2,400

Management's Perspective on the Financial Outlook

Delivering on our net income commitments to Government continues to be challenging given market conditions and trends, especially in the already volatile high-limit table business. The overall gambling industry in B.C. is at a mature stage with stable net income and a modest growth outlook.

Our two major business units (lottery and casino) are mature and face market growth challenges. Revenues are flattening and margins are sensitive to shifts in product mix. Lottery revenues are heavily dependent on the national games' jackpot rolls, resulting in lottery revenue volatility. As well, revenues from these business units rely predominantly on a core, aging player base.

BCLC's gambling product portfolio depends heavily on the performance of our core six products (slots, tables, Lotto Max, Lotto 6/49, Keno, and Scratch & Win), which comprise more than 90 per cent of our total contribution margin (revenue less prizes and direct costs).

The projections presented above position BCLC to make the necessary investments to ensure the long-term health of the business. We continue our focus on innovation to retain our existing players by supporting and enhancing existing products (e.g. replacing lottery legacy systems) and to broaden our player base and engage new players by developing new content and experiences. These opportunities require time and investment before we will realize net income growth but are essential especially in light of potential changes in anti-money laundering requirements in casinos which would be expected to impact the high-limit table business.

One of these opportunities is the implementation of a new Operational Services Agreement (OSA) in our casino and community gaming division to achieve better strategic alignment with our service providers, strengthen accountability and drive incremental market growth. Although these changes will result in increased direct costs for BCLC, the terms of the OSA contracts are an effective method to secure service provider investment commitments across the province and are expected to sustain and grow revenue in the long-term from private sector investment in an enhanced facility offering and better aligned service provider performance.

BCLC is committed to managing our business responsibly in this ever-evolving environment. Investment decisions which enable future business growth and competitiveness are balanced with cost management in order to deliver our net income commitments to Government. We are continually managing costs and looking for ways to operate our business more efficiently and effectively.

Major Capital Projects

Currently there are no major capital projects (over \$50 million) approved through our business planning process.

Kamloops Head Office Property Development

BCLC's head office in Kamloops requires significant upgrades and maintenance. Avison Young (Commercial Real Estate Advisor) has been hired to assist in determining the next steps for the Kamloops head office property development including the evaluation of building needs and business requirements.

BCLC selected four pre-qualified proponents to respond to a Request for Proposal (RFP) for design build proposals for a potential new Head Office building in Kamloops. Following the evaluation of the RFP, BCLC plans to develop a detailed concept plan that will lead to a recommendation to the Province for a long-term building solution in Kamloops. BCLC anticipates it will present a concept plan to the Province in the summer of 2018. Therefore, it is likely that this will require action and funding in fiscal year 2018/19. The amounts are to be determined, dependent on the approval of a concept plan and subsequent action. As a reasonable estimate cannot be determined at this time, costs have not been included in the projections.

Significant IT Projects

Lottery Terminal Replacement

This project involves the replacement of retail lottery equipment and supporting systems identified as high-risk. This equipment is near end-of-life and supports the majority of lottery revenue. Management identified this project as a priority and this was further supported by Government in the 2014/15 Crown Review of BCLC which recommended replacement of key legacy systems. The capital estimate available at this time is approximately \$40 million over the next three fiscal years and the project is estimated to complete in fiscal 2020/21.

Appendix A: Hyperlinks to Additional Information

Corporate Governance

[Governance and Oversight](#)

[BCLC Senior Executive](#)

Organizational Overview

[Mission and Values](#)

[Who we are](#)

[What we do](#)

[Customer support](#)

Appendix B: Subsidiaries and Operating Segments

Active Subsidiaries

The consolidated financial statements of BCLC include a wholly-owned subsidiary, B.C. Lottotech International Inc. (“Lottotech”). The primary purpose of Lottotech is to purchase capital assets for BCLC. These assets are leased back to BCLC and the major expense is the amortization on the capital acquisitions as well as disposal costs on equipment. Increasing costs of equipment disposal are the primary drivers of the historical and projected net losses in Lottotech. As BCLC replaces lottery legacy equipment and other legacy investments, there will be associated disposal costs. The management and oversight of Lottotech is consolidated within BCLC operations and the Board reviews and approves capital budgets through the business planning process.

All BCLC capital expenditures (refer to Financial Plan) are planned to be purchased through Lottotech, with the only exception being employee costs related to developing assets or attributable to preparing the asset for its intended use.

Lottotech’s business activities are in alignment with BCLC’s mandate, strategic priorities and fiscal plan.

Summary Financial Outlook Table for Each Active Subsidiary

\$ Millions	2016/17 Actual	2017/18 Forecast	2018/19 Budget	2019/20 Budget	2020/21 Budget
Total Revenue	59.2	63.2	70.0	73.5	79.7
Total Expenses	59.0	63.0	69.8	73.3	79.5
Income from Operations	0.2	0.2	0.2	0.2	0.2
Other Income (Expenses)	(1.7)	(0.3)	(0.7)	(0.6)	(0.6)
Net Income (Loss)	(1.5)	(0.1)	(0.5)	(0.4)	(0.4)

Lottotech’s publicly available financial statements can be found in [BCLC’s 2016/17 Annual Service Plan Report](#).

Business Units' Income Statement

\$ millions	Actual	Forecast	Budget	Budget	Budget
	2016/17	2017/18	2018/19	2019/20	2020/21
Lottery					
Revenue	1,127.9	1,092.1	1,107.0	1,116.2	1,140.8
Prizes	<u>642.9</u>	<u>626.8</u>	<u>637.5</u>	<u>641.2</u>	<u>653.2</u>
Net win	485.0	465.3	469.5	475.0	487.6
Less: direct expenses	<u>83.1</u>	<u>82.6</u>	<u>84.8</u>	<u>85.1</u>	<u>87.2</u>
	<u>401.9</u>	<u>382.7</u>	<u>384.7</u>	<u>389.9</u>	<u>400.4</u>
Operating expenses:					
General Operating	44.6	45.2	56.2	54.7	53.4
Gaming Support	13.6	14.7	14.9	15.1	15.3
Amortization	7.8	7.6	10.6	14.4	18.1
Other	<u>0.3</u>	<u>2.0</u>	<u>1.6</u>	<u>1.7</u>	<u>1.7</u>
	<u>66.3</u>	<u>69.5</u>	<u>83.3</u>	<u>85.9</u>	<u>88.5</u>
Net Income Before Taxes	335.6	313.2	301.4	304.0	311.9
Taxes	<u>10.8</u>	<u>11.4</u>	<u>12.9</u>	<u>13.2</u>	<u>13.6</u>
Net income	<u>324.8</u>	<u>301.8</u>	<u>288.5</u>	<u>290.8</u>	<u>298.3</u>
e-Gaming					
Revenue	157.6	180.7	198.0	209.6	217.8
Prizes (Lottery and Bingo only)	<u>52.0</u>	<u>62.3</u>	<u>66.3</u>	<u>69.0</u>	<u>71.0</u>
Net win	105.6	118.4	131.7	140.6	146.8
Less: direct expenses	<u>18.4</u>	<u>22.5</u>	<u>28.5</u>	<u>30.3</u>	<u>31.6</u>
	<u>87.2</u>	<u>95.9</u>	<u>103.2</u>	<u>110.3</u>	<u>115.2</u>
Operating expenses:					
General Operating	16.0	14.6	16.6	16.8	17.0
Gaming Support	7.7	7.7	9.9	10.0	10.1
Amortization	6.4	6.3	4.0	4.0	4.4
Other	<u>(0.3)</u>	<u>0.4</u>	<u>0.7</u>	<u>0.7</u>	<u>0.8</u>
	<u>29.8</u>	<u>29.0</u>	<u>31.2</u>	<u>31.5</u>	<u>32.3</u>
Net Income Before Taxes	57.4	66.9	72.0	78.8	82.9
Taxes	<u>4.4</u>	<u>4.9</u>	<u>5.8</u>	<u>6.0</u>	<u>6.2</u>
Net income	<u>53.0</u>	<u>62.0</u>	<u>66.2</u>	<u>72.8</u>	<u>76.7</u>
Casino & Community Gaming					
Revenue	1,858.4	1,941.3	1,920.9	1,946.9	1,976.0
Prizes (Bingo only)	<u>46.4</u>	<u>44.6</u>	<u>44.3</u>	<u>44.3</u>	<u>44.3</u>
Net win	1,812.0	1,896.7	1,876.6	1,902.6	1,931.7
Less: direct expenses	<u>648.3</u>	<u>670.5</u>	<u>689.3</u>	<u>698.5</u>	<u>708.8</u>
	<u>1,163.7</u>	<u>1,226.2</u>	<u>1,187.3</u>	<u>1,204.1</u>	<u>1,222.9</u>
Operating expenses:					
General Operating	84.6	92.6	97.4	99.7	102.3
Gaming Support	17.3	19.4	18.9	19.7	20.6
Amortization	50.7	56.1	63.0	63.0	65.9
Other	<u>11.0</u>	<u>5.4</u>	<u>7.8</u>	<u>7.8</u>	<u>7.9</u>
	<u>163.6</u>	<u>173.5</u>	<u>187.1</u>	<u>190.2</u>	<u>196.7</u>
Net Income Before Taxes	1,000.1	1,052.7	1,000.2	1,013.9	1,026.2
Taxes	<u>38.9</u>	<u>42.1</u>	<u>44.4</u>	<u>45.3</u>	<u>46.4</u>
Net income	<u>961.2</u>	<u>1,010.6</u>	<u>955.8</u>	<u>968.6</u>	<u>979.8</u>

Operating Segments

Capital Expenditures for each Operating Segment

\$ Millions	2016/17 Actual	2017/18 Forecast	2018/19 Budget	2019/20 Budget	2020/21 Budget
Gambling Systems					
Lottery	11.5	12.0	43.5	35.0	20.0
eGaming	1.6	5.1	1.7	5.0	5.0
Casino & Community Gaming	64.0	63.7	44.8	53.5	53.5
Total Gambling Systems	77.1	80.8	90.0	93.5	78.5
Infrastructure & Corporate					
Systems	6.9	8.4	14.4	10.8	10.8
Corporate Facilities	2.2	0.8	0.6	0.7	0.7
Other Capital	9.1	9.2	15.0	11.5	11.5
Total Capital	86.2	90.0	105.0	105.0	90.0

Lottery

Lottery's key initiative is the replacement of legacy systems and equipment, which was recommended by Government in its 2014/15 Crown Review of BCLC, as the current infrastructure is near end-of-life. Other initiatives include the continued expansion of distribution into major grocery store chains through Lotto Express multilane technology.

eGaming

eGaming continues to expand PlayNow.com's casino gaming content and build applications to improve player experiences through mobile devices.

Casino and Community Gaming

Casino and community gaming's key initiatives are the rollout of the new OSA and to provide players with new and exciting games and entertainment options. This includes collaboration with private sector service providers to revitalize several existing casino properties throughout the province by renewing and refreshing amenities and the gambling mix to suit the market. An example of this initiative is the successful opening of the new integrated entertainment facility, Parq Vancouver.