

CROWN AGENCIES SECRETARIAT

TRANSITION BRIEFING MATERIAL – October 2022

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MINISTRY PROFILE

Ministry:

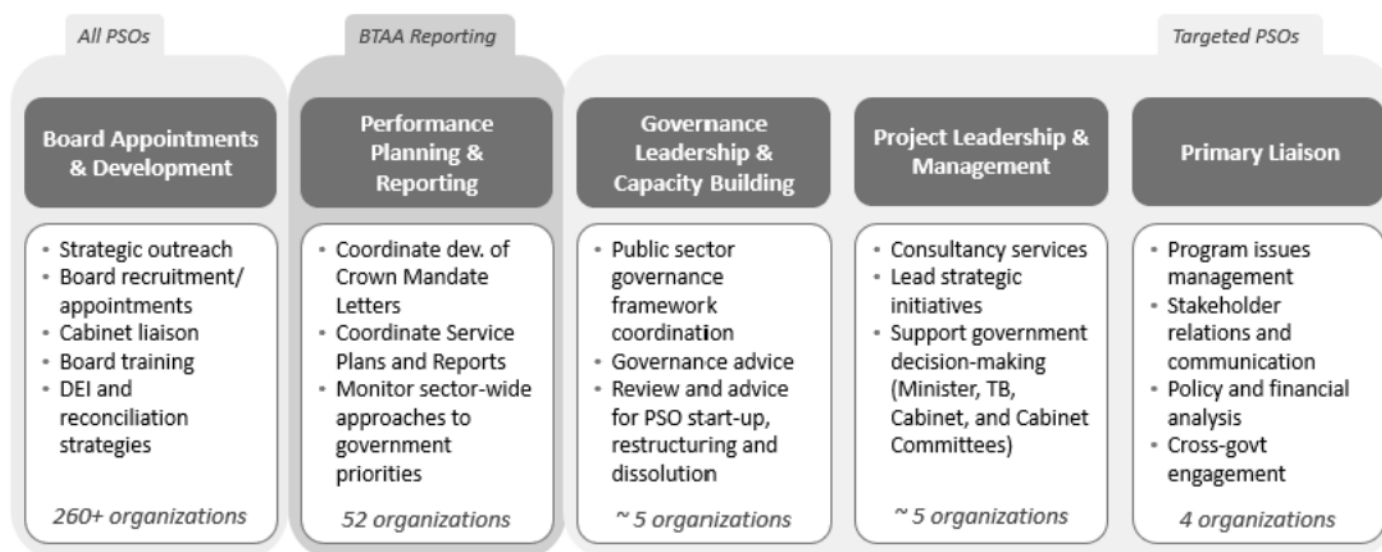
The work that the Crown Agencies Secretariat (CAS) leads with Crown agencies directly supports government's priorities, such as improving affordability for British Columbians and ensuring good jobs and livelihoods for citizens. CAS's ongoing work will help establish a culture of collaboration, transparency and accountability across the Crown sector, enabling government to be nimble and responsive when issues emerge.

Ministry Mandate:

CAS is a central agency that supports public sector organizations (PSOs) to operate effectively, in the public interest, and aligned with government's strategic direction and priorities. There are approximately 250 PSOs in BC. They include Crown agencies, boards, commissions, tribunals, advisory bodies, independent authorities and societies. PSOs deliver public services to the people of BC and collectively provide stewardship of almost two-thirds of the provincial budget. They are accountable to the public through a responsible government minister.

CAS supports specific Crown agencies that are strategically important to government including the oversight of the Liquor Distribution Branch (LDB), British Columbia Lottery Corporation (BCLC), B.C. Ferry Authority (BCFA), and the Insurance Corporation of British Columbia (ICBC). CAS is also actively supporting a range of other ministries with their Crowns on an advisory basis, including the Ministry of Attorney General and Minister Responsible for Housing, Ministry of Energy, Mines and Low-Carbon Innovation, Ministry of Transportation and Infrastructure and Ministry of Tourism, Arts, Culture and Sport. CAS includes the Crown Agencies and Board Resourcing Office (CABRO), which provides oversight of governance, training, corporate accountability and appointments to all Crown corporations, agencies, boards and commissions.

CAS was established in November 2020 to provide strategic oversight and support to Crown agencies and the Crown sector. CAS adopts a collaborative approach to supporting and advising ministries and their public sector organizations, working in partnership with the organizations and their responsible ministries to manage and resolve issues and leverage opportunities. CAS offers a range of services summarized below, with examples provided in Appendix A:



Glossary: PSO is Public Sector Organization; BTAA is *Budget Transparency and Accountability Act*

Full Time Equivalents (FTEs):

46 Cabinet Confidences; Government Financial Information
does not include the Liquor Distribution Branch (LDB))

it

Executive Organizational Chart:



**LDB is a separate entity from the Crown Agencies Secretariat, but reports through to the Associate Deputy Minister.*

Budget:

| Core Business Area | 2021/22 Restated Estimates | 2022/23 Estimates | 2023/24 Plan | 2024/25 Plan |
|-----------------------------------|----------------------------|-------------------|--------------|--------------|
| Operating Expenses (\$000) | | | | |
| Crown Agencies Secretariat | 2,589 | 7,034 | 6,962 | 6,871 |

Note that the Crown Agencies Secretariat's budget is included as a line in the 2022/23 - 2024/25 Ministry of Finance's Service Plan. Cabinet Confidences; Government Financial Information

Cabinet Confidences; Government
Financial Information

Budget does not include the LDB.

Appendix A – Examples of CAS' Work

| PSO | Board Appointments & Development |
|-----------------------------|---|
| All PSOs | <ul style="list-style-type: none"> Processed up to 950 public appointments for approx. 260+ PSOs, including chair appointments. Annually designed, coordinated or participated in 100 + board interview panels across all sectors. Developing the Diversity, Equity and Inclusion (DEI) Board Appointment Strategy (in progress). Developing the Reconciliation Training Strategy per DRIPA Action Plan 3.1 (in progress). Delivers training/development related to governing in the public interest (e.g., online training program, annual conference for board chairs and directors) |
| PSO | Performance Planning and Reporting |
| BTAA reporting PSOs | <ul style="list-style-type: none"> Per BTAA requirements, administered the preparation and publication of Service Plans and Annual Service Plan Reports for 30 PSOs and 22 ministries, including coordination of content development from the Premier's Office, TBS (PBO and FPE) and other central agencies. |
| PSO | Governance Leadership & Capacity Building |
| All PSOs | <ul style="list-style-type: none"> Revised the PSO governance and accountability framework and developed new Best Practice Guidelines for Governing Boards, Advice/Recommendations |
| PSO Creation | <ul style="list-style-type: none"> Provided advice and significant supports to responsible ministries on the creation of PSOs (e.g., Anti-racism Data Council, Stronger BC Young Leaders Council, ESG Centre of Excellence, etc.). |
| BC Transit | <ul style="list-style-type: none"> Supporting MOTI in building up a new governance structure and engagement between ministry and Crown executive. |
| Royal BC Museum | <ul style="list-style-type: none"> Advice/Recommendations |
| BC Housing | <ul style="list-style-type: none"> Working with MAG to implement governance-related recommendations from the EY review of BC Housing Financial Controls and Operations and overseeing BC Housing's work to implement the recommendations. Worked with MAG to develop a new governance structure and provided secretariat function. |
| PSO | Project Leadership & Management |
| BC Housing | <ul style="list-style-type: none"> Initiated and led contract management for 3rd party review of BC Housing Operations and financial systems capacity. CAS oversaw completion and release of the review. |
| BC Rail | <ul style="list-style-type: none"> Cabinet Confidences |
| PSO | Primary Liaison |
| Insurance Corporation of BC | <ul style="list-style-type: none"> Cabinet Confidences |

Appendix A – Examples of CAS' Work

| | |
|-------------------------------|--|
| | <ul style="list-style-type: none"> • Daily communications support, including media requests, news releases and events, Minister statements, key messages and speaking notes, as well as issues management. |
| BC Lottery Corporation | <ul style="list-style-type: none"> • Cabinet Confidences • Supporting minister responsible on replacement of Gaming Control Act. |
| BC Liquor Distribution Branch | <ul style="list-style-type: none"> • Cabinet Confidences • Led government's engagement with Business Technical Advisory Panel, including cross-government coordination and secretariat support. • Ongoing issues management support, e.g., supply chain issues caused by severe weather events, government directive to ban the sale of Russian liquor products, BCGEU job action and restart of distribution networks. |
| BC Ferry Authority | <ul style="list-style-type: none"> • Oversaw creation of business plan to assist the BCFA in identifying the resources it requires to transition to become a more independent, self-sufficient operating entity and deliver on its public interest oversight capacity. |

EXECUTIVE MEMBER BIOGRAPHY



Name: Cheryl May

Title: Associate Deputy Minister

Division: Crown Agencies Secretariat

Ministry: Ministry of Finance

Cheryl was appointed Associate Deputy Minister of the Crown Agencies Secretariat in the Ministry of Finance in January of 2022. In this role, Cheryl leads work related to the governance and oversight of crown corporations and directly oversees a number of crown corporations of strategic importance to government. The Crown Agencies Secretariat manages government board appointments across the public sector, coordinates the planning and reporting required of ministries and crown corporations, and provides advice and support to ministries and crowns regarding governance practices.

Prior to this Cheryl was the Assistant Deputy Minister of the Office of Housing and Construction Standards in the Ministry of Attorney General and Responsible for Housing and prior to that was an Assistant Deputy Minister in the Ministry of Child and Family Development. Cheryl has led numerous legislative and policy initiatives throughout her career with the public service.

Cheryl holds a Bachelor's degree in Social Work and a Master's degree in Public Administration.



EXECUTIVE MEMBER BIOGRAPHY



Name: Kim Horn

Title: Executive Lead, Crown Agency Policy & Strategic Initiatives

Division: Crown Agencies Secretariat

Ministry: Ministry of Finance

Kim has been with the Crown Agencies Secretariat since it was initially established in November 2020 and was appointed Executive Lead of Crown Agency Policy and Strategic Initiatives in early 2022. Throughout her tenure with CAS, Kim has held oversight responsibilities for the Liquor Distribution Branch, BC Lottery Corporation, and Insurance Corporation of British Columbia in addition to supporting the BC Ferries file.

Before her current role working within the Crown Agencies Secretariat, Kim led the initial stages of the pandemic response for the K-12 education sector on behalf of the Ministry of Education. Prior to this role, Kim was the Executive Director of Funding and Financial Accountability within the Ministry of Education for five years, where she had overarching responsibility for the administration of over \$6B in funding for public and independent school systems in BC and delivering on a range of new program funding and compliance initiatives in that role.

Kim has been with the BC Public Service for almost 15 years, having worked in a variety of different roles within both ministries and central agencies, generally involving complex governance structures and challenging stakeholder landscapes.

Kim holds a Master's degree in Public Administration from Queen's University.



EXECUTIVE MEMBER BIOGRAPHY



Name: Toby Louie

Title: Executive Lead, Crown Agency Policy & Legislation

Division: Crown Agencies Secretariat

Ministry: Ministry of Finance

Toby Louie joined the Crown Agencies Secretariat as an Executive Lead in April 2022. In the role, he is responsible for overseeing the Insurance Corporation of BC and supporting other crown agencies of strategic importance to government.

Previously, Toby served as the Executive Director and Corporate Secretary for the BC Ferry Authority, the sole-voting shareholder for BC Ferries.

Toby has been in the BC public service for 30 years, almost entirely in the justice and public safety sector and served in various policy, planning, and communications roles. His past responsibilities included leading consumer protection policy; overseeing delegated consumer protection agencies; managing a ministry's legislation program; leading ministry strategic planning; developing corporate policy and strategic initiatives; and issues management.

Toby graduated from the University of Victoria with a Bachelor of Arts in Economics and a Master's degree in Public Administration.



EXECUTIVE MEMBER BIOGRAPHY



Name: Vanessa Geary

Title: Senior Executive Lead, Crown Agency Board Resourcing

Division: Crown Agencies Secretariat

Ministry: Ministry of Finance

Vanessa has been with the Crown Agencies Secretariat since July 2021 and oversees the recruitment and recommendation of candidates for appointments to crown corporations, agencies, boards and commissions. Vanessa brings a focus on diversity, equity, inclusion, and alignment with the United Nations Declaration on the Rights of Indigenous Peoples to Public Sector Organization governance support and training.

Vanessa is a values-based leader focused on creating and implementing innovative solutions that result in progressive change. She has held senior leadership roles in complex and politically sensitive environments including the Office of the Premier, the Office of the Mayor of the City of Vancouver, the British Columbia General Employees' Union (BCGEU) and Vancity, a member-owned financial co-operative.

Active in her community for over 30 years, Vanessa is involved in numerous environmental, social justice, student, and community organizations including serving on the Boards of the Eastside Culture Crawl Society and McLaren Housing Society and chairing the Mole Hill Community Housing Society.

Vanessa holds a Bachelor of Arts in International Relations and a Master of Arts, School of Community and Regional Planning from the University of British Columbia.



EXECUTIVE MEMBER BIOGRAPHY



Name: John Thomson

Title: Executive Lead, Crown Agency Policy & Strategic Initiatives

Division: Crown Agencies Secretariat

Ministry: Ministry of Finance

John has been with the Crown Agencies Secretariat since February 2022. Before working in the BC Public Service, John worked for 17 years in the Alberta Public Service where his last role was Assistant Deputy Minister of Housing from August 2016 to August 2020.

Over his career in provincial public service, John has worked in the Ministries of Finance, Housing, Health, Executive Council, and Human Services managing government programs, leading a number of policy teams, corporate strategy teams, and large strategy projects.

John holds a Master's degree in Leadership and Training from Royal Roads University, as well as a Bachelor's of Science, and a teaching diploma from the University of Victoria.



EXECUTIVE MEMBER BIOGRAPHY



Name: Blain Lawson

Title: CEO and General Manager, Liquor Distribution Branch

Division: Crown Agencies Secretariat

Ministry: Ministry of Finance

Blain Lawson has been the General Manager and Chief Executive Officer of the BC Liquor Distribution Branch (LDB) since 2013, overseeing a retail and wholesale beverage alcohol business and, since 2018, a retail and wholesale non-medical cannabis business. Both lines of business operate province-wide within a mixed public-private model. The LDB has a workforce of nearly 5,600 full- and part-time employees.

During his nearly ten years at the LDB, Blain has overseen several large business transformation initiatives across the organization, including the separation of the LDB's wholesale and retail lines of business in 2015, the launch of LDB Cannabis Operations in 2018 and the implementation of hospitality pricing in 2021, a significant policy change that permitted liquor hospitality customers to purchase product from the LDB at wholesale price.

Blain's background in the retail sector has been extensive; he served as president and CEO for Coast Wholesale Appliances where he was successful at moving the organization forward through challenging economic times, and led the conversion of the company from an Income Trust to a Corporation. Prior to that, Blain worked at Hudson's Bay in Toronto for just over a decade, heading Merchandising for home furnishings and décor, pharmacy, men's and children's apparel and licensed departments. He also led and managed the Home Outfitters division, setting the strategic direction and overseeing operations.

Blain was born and raised in Brockville, Ontario and is a graduate of Carleton University.

Crown Agencies Secretariat
30-60-90

| Issue | Status/Key Milestones/Next Steps |
|---------|----------------------------------|
| 30 Days | |
| 60 Days | |

Cabinet Confidences

| |
|---------|
| 90 Days |
|---------|

Cabinet Confidences

CORE BUSINESS / PROGRAM AREAS / BUSINESS PROCESSES

ADM Responsible:

- John Thomson, Executive Lead, Stakeholder Engagement and Communications
- Kim Horn, Executive Lead, Crown Agency Policy and Strategic Initiatives
- Toby Louie, Executive Lead, Crown Agency Policy and Legislation

Core Business/ Program Area Description/Critical Business Processes:

The Crown Engagement and Strategic Initiatives (CESI) team provides primary oversight for the following agencies:

- Liquor Distribution Branch (LDB),
- British Columbia Lottery Corporation (BCLC),
- B.C. Ferry Authority (BCFA), and
- Insurance Corporation of British Columbia (ICBC).

CESI is also actively supporting a range of other ministries with their Crowns on an advisory basis, including:

- Ministry of Attorney General and Minister Responsible for Housing (BC Housing)
- Ministry of Energy, Mines and Low-Carbon Innovation (BC Oil and Gas Commission, and Columbia Power Corporation and Columbia Basin Trust, and BC Hydro)
- Ministry of Transportation and Infrastructure (BC Transit, BC Rail)
- Ministry of Tourism, Arts, Culture and Sport (Royal BC Museum)

Working in collaboration with the Crown Agencies Board Resourcing Office, CESI is responsible for leading a range of services, including:

- Integrated financial, policy and communications oversight for select Crown agencies.
- Analytical services including expertise in public sector finance, policy, communications and stakeholder engagement, governance, and performance planning and reporting.
- Identification and management of risks and opportunities in the Crown sector.
- Advisory/consultative services as requested by ministries or Crowns including issues management.

Budget:

Cabinet Confidences; Government Financial Information
\$5.208M

Full Time Equivalents (FTEs):

19 Cabinet Confidences; Government Financial Information

Related Legislation:

Liquor Distribution Branch:

- Liquor Distribution Act
- Cannabis Distribution Act

British Columbia Lottery Corporation:

- Gaming Control Act (responsibility of PSSG, MMA and MIRR)



Insurance Corporation of British Columbia:

- Insurance Corporation Act (responsibility of PSSG)
- Insurance (Vehicle) Act (responsibility of PSSG)
- Motor Vehicle Act (responsibility of PSSG and MoTI)
- Commercial Transport Act (responsibility of PSSG and MoTI)

Organizational Chart:



CORE BUSINESS / PROGRAM AREAS / BUSINESS PROCESSES

ADM Responsible:

- Vanessa Geary, Senior Executive Lead

Core Business/ Program Area Description/Critical Business Processes:

The Crown Agencies and Board Resourcing Office (CABRO) co-ordinates the legislated performance, planning and reporting annual cycle for Crown Corporations under the *Budget Transparency and Accountability Act*, oversees the recruitment and recommendation of candidates for appointments to Crown corporations, agencies, boards and commissions, provides governance advice and training to ministries and public sector organizations (PSOs), and delivers an appointee training program. CABRO is the secretariat for the Appointment Orders Cabinet Committee, issues cross government drafting instructions for appointments and coordinates the Order in Council appointments for Cabinet agendas.

Key roles include:

- overseeing appointments to approximately 250 PSOs with nearly 2000 appointees, with commitment to reflecting the province's diversity in Provincial appointments;
- overseeing the development of Cabinet submissions and coordination of Deputy Minister and Minister approvals of Crown corporations, Health Authorities and Post-Secondary Institutions mandate letters;
- overseeing the development, approvals and publication of service plans and annual service plan reports for ministries and Crown corporations through the annual budget and public accounts processes;
- providing public sector governance policy guidance including establishing best practices and maintaining the Public Sector Governance Framework;
- advising on the creation, dissolution and mandate reviews of PSOs;
- providing training on governance, public sector transparency and accountabilities, strategic Government priorities, performance planning and reporting;
- maintaining and updating the Government's Crown Agency Registry.

Budget: \$1.439M

Full Time Equivalents (FTEs): 11

Related Legislation:

- *Budget Transparency and Accountability Act* (BTAA)
- *Financial Information Act*
- *Financial Administration Act*
- *Balanced Budget and Ministerial Accountability Act*
- *Information Management Act* (IMA)
- *Public Service Employers' Act* (PSEA)

The above legislation guides CABRO's work, but falls under the responsibility of the Ministry of Finance. Board structure and appointment processes for PSOs are defined in either the enabling legislation for the organization



(e.g. *Hydro and Power Authority Act* for BC Hydro, *Insurance Corporation Act* for ICBC), or in the constitution or by-laws of PSOs without stand-alone enabling legislation.

Organizational Chart:



Crown Agencies and Board Resourcing Office (CABRO) Top Issues

Issue 1: Governing In the Public Interest Conference, November 10, 2022

The **Governing In the Public Interest Conference** is a training and networking event for provincially appointed public sector board members. The first one was held in 2019. This year's agenda will include important themes such as Equity and Inclusion, Reconciliation and Decolonization, and Alignment with Government. Approximately 300 participants are expected.

Next steps: Conference is being held on Thursday, November 10 at the Vancouver Convention Centre.

Issue 2: Best Practice Guidelines for B.C.'s Public Sector Boards

The **Best Practice Guidelines for B.C.'s Public Sector Boards** is a foundational resource that lays out the Province's public sector governance and accountability framework, including alignment with government priorities and current global and domestic governance best practices. This publication was developed for the benefit of board members of B.C. public sector organizations, which include crown agencies, boards, commissions, councils and all forms of broader public sector bodies. The last time these guidelines were updated was 2005.

Next steps: review and approvals. ^{Advice/Recommendations}

Issue 3: Declaration Act Action Plan, Item 3.1

Item 3.1 in the Declaration Act Action Plan: Develop essential training in partnership with Indigenous organizations, and deliver to the B.C. public service, public institutions and corporations that aims to build foundational understanding and competence about the history and rights of Indigenous Peoples, treaty process, rights and title, the UN Declaration, the B.C. Declaration Act, the dynamics of proper respectful relations, Indigenous-specific racism, and meaningful reconciliation. (*Public Service Agency, Ministry of Finance – Crown Agencies and Board Resourcing Office*)

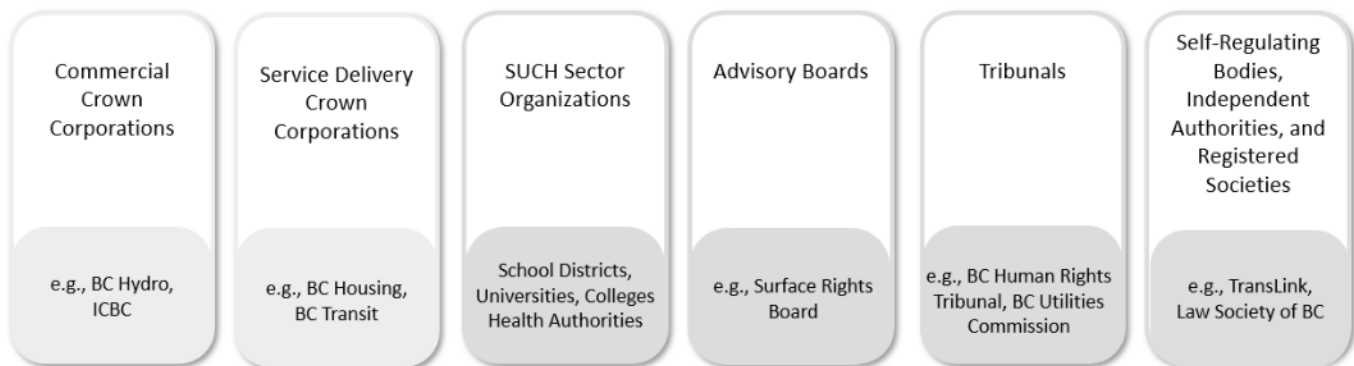
Diversity, equity and inclusion in recruitment to public sector boards continues to be a priority. This includes increasing Indigenous representation with recognition of the distinction based approach outlined in the Declaration Act Action Plan. CABRO has consulted with the PSA to ensure coordination in responding to Action 3.1 and has contracted with an external consultant to undertake a series of interviews with existing Indigenous board members to better understand what they see as the training needs and to shape the approach to the development of training, including content and methodology.

Next steps: finalization of report on interviews, develop training materials/modules with continued partnership.



Public Sector Organizations (PSOs) Sector Overview

- PSOs deliver programs, goods and services for British Columbians on behalf of government and support government in advancing strategic priorities (e.g., reconciliation, equity, climate initiatives, etc.).
- As a central agency focused on the PSO sector, CAS performs an important role in identifying opportunities and mitigating risk for government through its work with PSOs and responsible ministries. CAS' unique role provides an overall perspective of the PSO sector helping to support ministries align the sector with government priorities.
- The PSO sector encompasses 260+ organizations, led by over 2,000 people appointed by government, and employing over 415,000 British Columbians.
- There are six general categories of PSOs:



- Government is the sole shareholder for most Crown Corporations and in most cases is responsible for appointing some or all of their board members.

PSO sector opportunities and risks

- Although PSOs are separate legal entities, the public often views them as part of government, leading to both reputational risks and opportunities.
- Most PSOs are consolidated within the Government Reporting Entity (GRE), contributing to financial opportunities and risks for the Province.
- Many PSOs deliver services and generate revenue on behalf of government; some PSOs require substantial funding from government. Government must direct and oversee PSO activity to ensure operational and financial alignment to its strategic direction and policies.
 - In FY 2021/22, commercial Crowns accounted for 7.5% of government revenue.
 - In FY 2021/22, taxpayer-supported agencies (including service delivery Crowns and SUCH sector organizations) represented 61.7% of government's total operating expenses. Of this, health authorities and hospital societies accounted for 29.2% and school districts accounted for 10.5%
- PSOs are responsible for most of the investment in large capital assets (e.g., buildings, infrastructure), accounting for a cumulative 96% of provincial capital spending in FY 2021/22.
- In FY 2021/22, commercial Crowns were responsible for \$28.3 billion of self-supported debt. Taxpayer supported PSOs were responsible for \$18.6 billion of taxpayer-supported debt (27.9% of total taxpayer supported debt).



PSO types and key financial indicators

Commercial Crown Corporations: Government business enterprises that deliver goods and services on a commercial, for-profit basis. They fully fund their own operations and collectively generate substantial revenue for the government. (ex. BC Hydro, Insurance Corporation of BC, BC Lottery Corporation)

Headcount (estimate): 15,000

Financial Summary (2021/22):

| | <i>Revenue</i> | <i>Capital Spending</i> | <i>Self-Supported Debt</i> | <i>Gov't Investment/ Financial Assets</i> |
|----------------------------|----------------|-------------------------|----------------------------|---|
| \$ | \$5.42 billion | \$3.73 billion | \$28.3 billion | \$39.4 billion |
| % of total for Province | 7.5% | 38.3 % | N/A | 61.4% |

Service Delivery Crown Corporations: Separate legal entities that deliver goods and services based on government policies, providing social and economic benefits to B.C. residents. The majority receive all or most of their funding from the government. (ex. BC Housing, Destination BC)

Headcount (estimate): 12,000

Financial Summary (2021/22):

| | <i>Operating Expenses</i> | <i>Capital Spending</i> | <i>Taxpayer-Supported Debt</i> |
|----------------------------|---------------------------|-------------------------|--------------------------------|
| \$ | \$8.54 billion | \$2.16 billion | \$15.8 billion |
| % of total for Province | 12% | 22.2% | 23.7% |

SUCH Sector: School districts, public post-secondary institutions, and health authorities are separate legal entities that receive government funding and also may collect some fees for services. Under the *Budget Transparency and Accountability Act*, these education and health sector organizations are explicitly excluded from regular reporting requirements that apply to other PSOs. (ex. University of British Columbia, Fraser Health Authority)

Headcount (estimate): 389,000

Financial Summary (2021/22):

| | <i>Operating Expenses</i> | <i>Capital Spending</i> | <i>Taxpayer-Supported Debt</i> |
|----------------------------|---------------------------|-------------------------|--------------------------------|
| \$ | \$35.3 billion | \$3.46 billion | \$2.79 billion |
| % of total for Province | 49.7% | 36% | 4% |

Advisory Boards / Tribunals: Smaller purpose-based organizations, often providing oversight or niche services. Advisory boards support ministers and government, tribunals have adjudicative functions, usually in specific areas to reduce loads on courts. Their financials are included in ministry estimates. (ex. Patient Care Quality Review Boards, BC Utilities Commission, BC Human Rights Tribunal)



Others: Other types of PSOs include independent authorities (e.g., BC Ferries Authority), self-regulating organizations (e.g., College of Physicians and Surgeons), and registered societies. Many of these organizations are not in the GRE and do not have the same reporting requirements as other PSOs.



CORE BUSINESS / PROGRAM AREAS / BUSINESS PROCESSES

ADM Responsible: Blain Lawson, General Manager and CEO

Core Program Area Description:

The Liquor Distribution Branch (LDB) is one of two branches of government that provide oversight of the beverage alcohol and cannabis industries; the other is the Liquor and Cannabis Regulation Branch (LCRB).

To fulfill its responsibilities to government and the people of BC, the LDB generates revenue, ensures accountability of key business partners, and develops and implements programs and services to encourage the responsible consumption of beverage alcohol and cannabis.

As a wholesaler, the LDB works with stakeholders on the liquor side of the business including manufacturers, agents and suppliers, and services over 10,000 wholesale customers such as hospitality licensees, private retailers. The LDB also operates 198 BCLIQUOR stores. On the cannabis side of the business, the LDB works with approximately 150 licensed producers to supply just over 420 private retailers and operates 34 BC Cannabis Stores (as of August 10, 2022).

Budget:

The LDB's net income and contribution to government was \$1,189 million in 2021/22, 8.2 per cent above target.

| | 2021/22 | Anticipated 2022/23 *based on Service Plan | Anticipated Trends 2023/24 to 2024/25 |
|-----------------------------|---------|--|--|
| Revenue (\$ millions) | 4,355 | 4,561 | Increasing to 4,802 in 2024/25 |
| Net Income (\$ millions) | 1,189 | 1,166 | Increasing to 1,226 in 2024/25 |

Full Time Equivalents (FTEs):

| | 2021/22 | Anticipated 2022/23 *based on Service Plan | Anticipated Trends 2023/24 to 2024/25 |
|------|---------|--|--|
| FTEs | 4,234 | 4,510 | Increasing to 4,576 in 2024/25 |

Related Legislation:

The *Liquor Distribution Act* (LDA) and the *Cannabis Distribution Act* (CDA) establish the General Manager's responsibility to:

- determine the localities in which government stores are established in British Columbia;
- establish all necessary warehouses for storing product;
- provide for constructing, acquiring or leasing in the name and on behalf of the government premises for warehouse and store purposes, and for obtaining furnishings, fixtures and supplies; and



- perform all other acts required to properly and efficiently administer the General Manager's responsibilities as defined by the minister and under the LDA and CDA.

Under the LDA, revenue generated must be first applied to the administration of the LDA and the balance paid into the consolidated revenue fund (i.e., general revenue). Under the CDA, cannabis revenue must be applied to administration of the CDA and any balance remaining must be paid into the consolidated revenue fund. If revenue is insufficient for the administration of the CDA, the General Manager must apply liquor revenue for that purpose.

Organizational Chart:





276776

R. Blain Lawson
General Manager and Chief Executive Officer
BC Liquor Distribution Branch
Ministry of Finance
3383 Gilmore Way
Burnaby BC V5G 4S1

Dear Mr. Lawson:

On behalf of Premier Horgan and the Executive Council, I would like to extend my thanks to you for the dedication, expertise and skills with which you serve the people of British Columbia.

Every public sector organization is accountable to the citizens of British Columbia. The expectations of British Columbians are identified through their elected representatives, the members of the Legislative Assembly. Your contributions advance and protect the public interest of all British Columbians and through your work, you are supporting a society in which the people of this province can exercise their democratic rights, trust and feel protected by their public institutions.

You are serving British Columbians at a time when people in our province face significant challenges as a result of the global COVID-19 pandemic. Recovering from the pandemic will require focused direction, strong alignment and ongoing engagement between public sector organizations and government. It will require all Crowns to adapt to changing circumstances and follow Public Health orders and guidelines as you find ways to deliver your services to citizens. This mandate letter, which I am sending in my capacity as Minister responsible for the BC Liquor Distribution Branch (LDB), on behalf of the Executive Council, communicates expectations for your organization. It sets out overarching principles relevant to the entire public sector and provides specific direction to the LDB about priorities and expectations for the coming fiscal year.

.../2



I expect that the following five foundational principles will inform your agency's policies and programs:

- **Putting people first:** We are committed to working with you to put people first. You are uniquely positioned to advance and protect the public interest and I expect that you will consider how the LDB's decisions maintain, protect and enhance the public services people rely on and make life more affordable for everyone.
- **Lasting and meaningful reconciliation:** Reconciliation is an ongoing process and a shared responsibility for us all. Government's unanimous passage of the *Declaration of the Rights of Indigenous Peoples Act* was a significant step forward in this journey – one that all Crown agencies are expected to support as we work in cooperation with Indigenous peoples to establish a clear and sustainable path to lasting reconciliation. True reconciliation will take time and ongoing commitment to work with Indigenous peoples as they move towards self-determination. Guiding these efforts, Crown agencies must also remain focused on creating opportunities that implement the Truth and Reconciliation Commission through your mandate.
- **Equity and anti-racism:** Our province's history, identity and strength are rooted in its diverse population. Yet racialized and marginalized people face historic and present-day barriers that limit their full participation in their communities, workplaces, government and their lives. The public sector has a moral and ethical responsibility to tackle systemic discrimination in all its forms – and every public sector organization has a role in this work. All Crown agencies are expected to adopt the Gender-Based Analysis Plus (GBA+) lens to ensure equity is reflected in your operations and programs.
- **A better future through fighting climate change:** Announced in December 2018, the CleanBC climate action plan puts our province on the path to a cleaner, better future by building a low-carbon economy with new clean energy jobs and opportunities, protecting our clean air, land and water and supporting communities to prepare for carbon impacts. As part of the accountability framework established in CleanBC, and consistent with the *Climate Change Accountability Act*, please ensure your organization aligns operations with targets and strategies for minimizing greenhouse gas emissions and managing climate change risk, including the CleanBC target of a 50% reduction in public sector building emissions and a 40% reduction in public sector fleet emissions by 2030. Your organization is expected to work with government to report out on these plans and activities as required by legislation.

.../3



- **A strong, sustainable economy that works for everyone:** I expect that you will identify new and flexible ways to achieve your mandate and serve the citizens of British Columbia within the guidelines established by the Provincial Health Officer and considering best practices for conducting business during the pandemic. Collectively, our public sector will continue to support British Columbians through the pandemic and economic recovery by investing in health care, getting people back to work, helping businesses and communities, and building the clean, innovative economy of the future. As a public sector organization, I expect that you will consider how your decisions and operations reflect environmental, social and governance factors and contribute to this future.

As the Minister Responsible for the LDB, I expect that you will make substantive progress on the following priorities and incorporate them in the goals, objectives and performance measures in your 2021/22 Service Plan:

- Continue to work with government and Business Technical Advisory Panel (BTAP) members to evaluate and implement permanent and temporary policy and regulatory changes to support sectors impacted by the COVID-19 pandemic.
- Continue to identify and deliver greater benefits to consumers and industry by implementing the approved recommendations from the BTAP report received by government on April 30, 2018, and by finding efficiencies at the LDB liquor distribution centres.
- Continue to establish LDB Cannabis Operations wholesale and retail lines of business and support government's key priorities of protecting public health and safety, promoting social responsibility and eliminating the illicit market.
- In collaboration with stakeholders, continue to reinforce BC Liquor Stores' focus on corporate social responsibility by promoting awareness of the risks associated with alcohol misuse.
- Optimize the LDB's financial performance and sustain net returns to the Province of British Columbia in accordance with government policy, Treasury Board directives and the appropriate legislation and regulation.

.../4



The signed Mandate Letter is to be posted publicly on your organization's website in spring 2021.

I look forward to continuing to work with you to build a better B.C.

Sincerely,



Selina Robinson
Minister

April 9, 2021

Date: _____



R. Blain Lawson
General Manager, LDB

Date: April 12, 2021

cc: Honourable John Horgan, Premier

Lori Wanamaker, Deputy Minister to the Premier, Cabinet Secretary and Head of the BC Public Service

Heather Wood, Deputy Minister and Secretary to Treasury Board, Ministry of Finance

Douglas S. Scott, Deputy Minister, Crown Agencies Secretariat, Ministry of Finance

Mary Sue Maloughney, Assistant Deputy Minister, Liquor and Cannabis Regulation, Ministry of Public Safety and Solicitor General



BC Liquor Distribution Branch

2022/23 – 2024/25 Service Plan

February 2022



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Published by BC Liquor Distribution Branch



General Manager and CEO Accountability Statement



The 2022/23 – 2024/25 BC Liquor Distribution Branch (LDB) Service Plan was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*.

The plan is consistent with government's strategic priorities and fiscal plan. I am accountable for the contents of the plan, including what has been included in the plan and how it has been reported. I am responsible for the validity and reliability of the information included in the plan.

All significant assumptions, policy decisions, events and identified risks, as of January 30, 2022, have been considered in preparing the plan. The performance measures presented are consistent with the *Budget Transparency and Accountability Act*, the LDB'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 the LDB's operating environment, forecast conditions, risk assessment and past performance.

A handwritten signature in dark ink, appearing to read 'R. Blain Lawson'. The signature is stylized with a large, sweeping 'L' and a long horizontal stroke extending to the right.

R. Blain Lawson
General Manager and Chief Executive Officer



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Strategic Direction and Alignment with Government Priorities

In 2022/2023, public sector organizations will continue to align with and support the Government of British Columbia efforts in responding to the COVID-19 pandemic with a focus on protecting the health, social and economic well-being of British Columbians. Building on our economic, environmental, and social strengths while looking to seize opportunities to improve outcomes for all British Columbians will be an important aspect of each Crown Agency's work as we respond to COVID-19 and recover from devastating floods and wildfires. The policies, programs and projects developed over the course of this service plan period will align with the five foundational principles established by Government in 2020: putting people first, working toward lasting and meaningful reconciliation, supporting equity and anti-racism, ensuring a better future through fighting climate change and meeting our greenhouse gas reduction targets, and supporting a strong, sustainable economy that works for everyone.

This 2022/23 service plan outlines how the LDB will support the government's priorities including the foundational principles listed above and selected action items identified in the most recent Crown Agency [Mandate Letter](#).



Operating Environment

Economic Growth Statement

B.C.'s economy has rebounded from the impacts of the COVID-19 pandemic that began in 2020, despite significant pandemic variant and climate-related events. A strong health response, high vaccination rates, increased infrastructure investments and supports for British Columbians struggling through the pandemic has helped the province rebound. While the recovery has broadened over the past year, it remains uneven with sectors like tourism, hospitality and live recreation events not fully recovered. The path of the ongoing economic recovery in B.C. and its trading partners remains highly uncertain. However, rebuild efforts from the November 2021 floods are expected to provide some support to economic activity in the province. The Economic Forecast Council (EFC) estimates that B.C. real GDP expanded by 5.1 per cent in 2021 and expects growth of 4.2 per cent in 2022 and 2.7 per cent in 2023. Meanwhile for Canada, the EFC projects national real GDP growth of 4.1 per cent in 2022 and 2.8 per cent in 2023, following an estimated gain of 4.7 per cent in 2021. As such, B.C.'s economic growth is expected to be broadly in line with the national average in the coming years. The pandemic has increased risks to B.C.'s economic outlook, such as the emergence of further variants of concern, inflationary supply chain disruptions, extended travel restrictions, and the continued impact of the slower recovery in some sectors of the B.C. economy. Further risks include ongoing uncertainty regarding global trade policies, and lower commodity prices.

Supporting Government's five foundational principles

The Provincial Government has outlined five foundational principles, which include: putting people first, lasting and meaningful reconciliation, equity and anti-racism, a better future through fighting climate change, and a strong sustainable economy that works for everyone. The LDB will continue to develop and implement initiatives that support the Government's commitment to these principles. Several initiatives have been determined for the LDB's cannabis line of business that support lasting and meaningful reconciliation. This includes the implementation of a cannabis direct delivery program for small-scale nurseries and cultivators, including those owned by Indigenous Nations. The LDB is also developing a B.C. Indigenous Cannabis Product Program to promote greater visibility of Indigenous cannabis producers and their products to both wholesale and retail customers.

A continued focus on reducing the LDB's environmental footprint, in support of Government's goal of fighting climate change, will result in the implementation of a number of operational efficiencies, such as the optimization of transportation vehicles and routes to reduce our carbon footprint. The LDB also continues to work on the elimination of paper throughout our operations through processes that reduce overprinting and increase use of online tools, and the continuation of recycling programs in BC Liquor Stores (BCLS) and BC Cannabis Stores (BCCS).

An ongoing and expanding commitment to diversity and inclusion programs at the LDB will support the Government's goals of equity, anti-racism, and putting people first. The implementation of a Corporate Social Impact Strategy that is reflective of the needs of our employees, customers, and community members will provide an opportunity for the LDB to



positively affect change from a social, environmental, and economic standpoint to the benefit of all British Columbians.

Impact of COVID-19 on operations

The COVID-19 pandemic has continued to impact LDB operations and work practices across all lines of business. Cleaning and safety protocols that were put in place in all BCLS and BCCS at the beginning of the pandemic in March 2020 were maintained to ensure the safety of employees, customers, and the most vulnerable. The LDB continues to review these protocols regularly to ensure they continue to align with the latest public health guidelines. Employees who were able to work remotely continued to do so, supported by investment in information technology equipment and resources. Vaccine mandates for public service employees, including all LDB employees, help safeguard LDB workplaces from the continued threat of COVID-19.

In the coming fiscal year, the LDB will continue to consider and implement initiatives – temporary and permanent – that will support customers and suppliers impacted by current and potential future crises, such as the recent weather events and the evolving pandemic, while meeting Government’s net income targets to support public services like health care and education.

The combined effect of COVID-19 and the severe weather events experienced in 2021 have impacted all aspects of the LDB’s business, and as a result, several performance targets in this year’s service plan for 2022/23 and beyond have been adjusted accordingly. Target adjustments are highlighted in the footnotes and explained further in discussion sections throughout this document.

Business Technical Advisory Panel

In April 2018, Government received the Business Technical Advisory Panel (BTAP) report and recommendations related to liquor policy. Recognizing the impact that the COVID-19 pandemic has continued to have on the hospitality and liquor industries, Government prioritized the enactment of several of BTAP’s recommendations and continues to lead others through the analysis stage, while some recommendations are awaiting direction from Government on whether/how to proceed.

The LDB will continue to work with other Government partners, including the Liquor and Cannabis Regulation Branch (LCRB), the Ministry of Agriculture, Food and Fisheries (AFF) and the Crown Agencies Secretariat (CAS) and other ministries as appropriate, to analyze and consider the potential health, public safety, social, financial, and labour impacts on industry associated with the BTAP recommendations and implement them where appropriate. The BTAP process is an effective method for Government and industry to discuss BTAP’s original recommendations, as well as to collaborate on recovery efforts related to COVID-19.

Development of cannabis line of business

The LDB is the sole wholesale distributor and public retailer of non-medical cannabis. Efforts to further establish the wholesale line of business will ensure an efficient supply chain and support



for private cannabis stores entering and operating in the marketplace. The LDB will also continue to focus on supporting local B.C. cannabis producers, including Indigenous Nations.

The network of BCCS will continue to be established in line with Government direction and working with local governments and municipalities to understand and align with their bylaws and business requirements. The BCCS network will continue to be cautious and thoughtful in its operations and align to Government's key priorities of protecting public health and safety, promoting social responsibility, eliminating the illicit market and positively impacting the overall net returns to the Province.

Performance Planning

Goal 1: Grow LDB's financial performance

Objective 1.1: Meet Government's financial objectives

Key Strategies

- Grow sales by improving wholesale and retail customer experience.
- Enhance product selection and ensure a robust supply chain.
- Effectively manage operating expenses while sustaining net returns to the Province.

| Performance Measure(s) | 2020/21 Actuals | 2021/22 Forecast | 2022/23 Target | 2023/24 Target | 2024/25 Target |
|---|--------------------|---------------------|-------------------|-------------------|-------------------|
| 1.1a Net income (in \$ millions) ¹ | 1,160.9 | 1,153.3 | 1,166.3 | 1,197.9 | 1,225.5 |

Data source: Data Source: BCLS and BCCS sales data is collected from both computerized point-of-sale cash register systems and on-line sales systems and stored in Head Office databases. Sales made directly to customers by authorized representatives on behalf of the LDB are transmitted to the LDB and stored in databases. LDB financial statements are audited annually by the Office of the Auditor General, annually. LDB expense data is captured, stored, and reported by the LDB's financial system.

¹ 2022/23 and 2023/24 targets have been updated to reflect future projected industry outlook for both liquor and cannabis.

Linking Performance Measure to Objective

1.1a Net income is the LDB's contribution to the Government from sales of beverage alcohol and non-medical cannabis in the province. Using this as a performance measure is an accurate way of determining if the LDB has met the financial targets approved by Government.

Discussion

The LDB regularly reviews market conditions, sales trends, and any recent policy changes, incorporating this information into future forecasts. The 2022/23 target and future years' targets have been updated to reflect the latest sales trends, product mix, and inflation observed in the LDB's current operational environment and future projected industry outlook for liquor and cannabis. See "Key Forecast Assumptions, Risks and Sensitivities" on page 25 for a list of the assumptions used in LDB's forecast.



Goal 2: Maintain focus on customer experience

Objective 2.1: Maintain a high level of retail and wholesale customer satisfaction

BCLS Retail Division Strategies:

- Improve customer satisfaction by exploring ways to provide a more consistent BC Liquor (BCL) brand and customer experience across all sales channels (in-store, on-line, etc.).
- Continue to renovate BCLS, but with modernized BCL branding to enhance the customer experience by providing brighter, more welcoming store appearances, refrigeration, and optimization of store layout, product assortment and product placement.
- Continuously enhance customer service through on-going employee training, and regularly reviewing customer traffic trends to optimize staffing levels and to ensure delivery of a customer-centric culture across the retail store network.

| Performance Measure(s) | 2016/17 Baseline | 2021/22 Forecast | 2022/23 Target | 2023/24 Target | 2024/25 Target |
|-----------------------------------|---------------------|---------------------|-------------------|-------------------|-------------------|
| 2.1a Retail customer satisfaction | 83% | n/a | 86% | n/a | 87% |

Data source: The LDB contracts with professional survey companies to conduct the retail customer service surveys. This Performance Measure is a measurement of the proportion of respondents who expressed an overall satisfaction with BCLS.

Linking Performance Measure to Objective

2.1a Every two years, BCLS retail customers are surveyed by a professional survey company to determine customer satisfaction. The results of these surveys allow the BCLS chain to compare retail customer satisfaction over time and determine if a high level of satisfaction is being maintained.

Discussion

In response to an increasingly competitive market, BCLS is undertaking a multi-year approach to create a consistent, engaging, and relevant brand and customer experience to differentiate itself from competitors.

BCLS is looking to create a consistent customer experience by centralizing its customer inquiries to a single BCLS call centre to enable the LDB to identify common customer issues and emerging themes, improving its ability to address and resolve them on a wider scale across more BCLS' customers.

Launching BCLS' social media channels (Facebook & Instagram) in late 2020 has contributed to customer satisfaction through engaging interaction, responsive customer service, and advertising deals, product releases, and special events. BCLS' social media presence continues to gain momentum, which is expected to positively impact survey results over time. Customer service and satisfaction experienced on-line and in-person at stores will continue to be an area of ongoing focus as Liquor Retail Operations continue to review its in-store service standards,



identify and execute improvement opportunities, and improve the customer journey and experience from on-line through to in-store.

There are 12 planned minor/major store renovations for 2022/23 to modernize its stores with new BCL branding, enhancing the customer experience by providing brighter, more welcoming store appearances and improved refrigeration, optimizing the store layouts, product assortment, and product placement with the overall goal of maintaining current and attracting new customers as new private stores continue to enter the market and increase competition

Liquor Wholesale Division Strategies:

- Continuously provide enhanced customer service through efficient order processing and fulfillment.
- Support a customer-centric culture within the warehouse team and continue to provide employee training opportunities.

| Performance Measure(s) | 2016/17 Baseline | 2021/22 Forecast | 2022/23 Target ¹ | 2023/24 Target | 2024/25 Target |
|--------------------------------------|---------------------|---------------------|--------------------------------|-------------------|-------------------|
| 2.1b Wholesale customer satisfaction | 68% | n/a | 73% | n/a | 78% |

Data Source: The LDB contracts with professional survey companies to conduct the wholesale customer service surveys.

¹ 2022/23 target has been adjusted taking to account the impacts that external factors (beyond the LDB's control) have had on its operations and the ongoing uncertainty that remains.

Linking Performance Measure to Objective

2.1b The wholesale customer satisfaction survey was completed in January 2021 and showed a 68 per cent wholesale customer satisfaction rate. The next LDB survey will be conducted in 2022/23 and will survey customers on service levels, delivery services, responsiveness to customer inquiries and order changes, customer experience consistency, and communications.

Discussion

Every two years, LDB Liquor Wholesale Operations customers (public and private retail stores, rural agency stores, bars and restaurants) are surveyed by a professional survey organization to evaluate customer satisfaction. The results of these surveys allow the Wholesale Division to compare wholesale customer satisfaction over time and to determine if a high level of satisfaction is being maintained.

The target for 2022/23 of 73 per cent, a change from the previously published target, represents an adjustment to better-reflect the environment within which the LDB is currently operating. Specifically, the impact of COVID-19 and adverse weather conditions on the LDB's operations, including wholesale operations, have been significant. Liquor Wholesale Operations continues to focus on internal operational changes and efficiencies in its recovery approach from these significant impacts in order to meet customer expectations.



Initiatives in response to results surfaced in the customer satisfaction survey are underway with the goal of improving customer satisfaction. The discovery study of a product information management system, a foundational technology capability, is in progress to support an improved e-commerce and order management system. When implemented, customer satisfaction levels are expected to be positively impacted as improvements in product information availability, end-to-end product visibility, and the online ordering experience are achieved which are increasingly important given the recent supply chain disruptions due to the ongoing COVID-19 pandemic and extreme weather events.

Cannabis Division Strategies (Wholesale and Retail):

- Satisfy wholesale and retail customers by providing an excellent and safe experience, along with a broad and competitively priced assortment of products that meet customer expectations.
- Deliver a positive onboarding experience for private retail stores.

| Performance Measure(s) | 2020/21 Baseline | 2021/22 Forecast | 2022/23 Target | 2023/24 Target | 2024/25 Target |
|--|-----------------------------|-----------------------------|---------------------------|---------------------------|---------------------------|
| 2.1c Retail customer satisfaction ¹ | 86% | 92% | 90% | 90% | 90% |
| 2.1d Wholesale customer satisfaction ^{2, 3} | 71% | 70% | 85% | 85% | 85% |

¹ Data Source: BCCS. placed customer survey tablets in five stores as a pilot project. Tablets will be rotated throughout the chain.

² Data Source: Private cannabis retailers participated in an online survey.

³ Targets for 2022/23 and 2023/24 were adjusted to take into account the impacts that external factors (beyond control of LDB) have had on its operations and the ongoing uncertainty that remains.

Linking Performance Measure to Objective

2.1c Tablets in free-standing lecterns were placed at five BCCS locations on a three-month rotational basis to gather varying geographical and demographical data to conduct its customer satisfaction survey. The results of these surveys allow the BCCS chain to compare retail customer satisfaction over time, and determine if a high level of satisfaction is being maintained.

2.1d The Cannabis Wholesale Division conducted its annual online survey of private retail stores in July 2021 to determine wholesale customer satisfaction. Results are compared over time to determine if a high level of satisfaction is being maintained and to identify opportunities for improvement.

Discussion

The LDB's Cannabis Division includes both retail and wholesale lines of business. The Cannabis Retail Division continues to focus on establishing its BCCS brand, operating 33 stores and serving 27 markets, and building relationships with customers through providing an excellent and safe customer service experience with the goal of maintaining a high level of customer satisfaction.



BCCS implemented enhancements to the in-store shopping experience that have been positively received by customers, including improved price tags and merchandising and updated educational panels. Continually reviewing service standards and customers' shopping experiences in-store at BCCS will be an area of focus as BCCS aims to meet customer expectations.

The Cannabis Wholesale Division is responsible for onboarding new private retailers and for developing and refining procedures and policies to best serve this customer segment. The Cannabis Customer Care Centre (CCC) provides support for day-to-day operational issues for all retail customers, including private retailers, and BCCS. Additionally, the CCC answers inquiries from customers of the BC Cannabis Stores online store and actively tracks all customer complaints, issues, and satisfaction to report them regularly to executive management.

Feedback from the prior-year private retail store satisfaction survey formed the basis of several enhancements in Cannabis Wholesale operations, including a reduction in beverage shipping rates, an increased notification period for wholesale price changes, updates to stock rotation logic, and a reduction in inbound customer care calls. These changes are expected to lead to positive feedback in the areas of order fulfillment, delivery, and customer care in 2022/23. The Wholesale Customer Satisfaction targets for 2022/23 and 2023/24 remain optimistic, but were updated slightly from the [2021/22 – 2023/24 LDB Service Plan](#) to reflect the ongoing impacts that COVID-19 and adverse weather conditions are having on the LDB's operations, as well as the still-evolving nature of the legal cannabis regime in BC.

A number of current and new initiatives are underway to address less-than-satisfactory customer feedback in the areas of product assortment, pricing, and some elements of the website experience, such as a program aimed at improving B.C.-based product assortment delivered from cultivator direct to stores, an initiative which supports the operations of small, local cultivators. Process changes to how licensed processors can adjust product prices in response to actual market demand have improved their operational agility of and have reduced the likelihood of inconsistent or inaccurate pricing information on LDB-operated cannabis websites.

The number of private retail stores being supplied by the Wholesale Division increased by 101 stores in 2021/22 compared to the prior year. As of November 24, 2021, 384 private store licenses had been issued by the LCRB and 370 of them had successfully registered and placed an order for non-medical cannabis.



Goal 3: Improve workplace quality and employee excellence

Objective 3.1: Create a work environment that encourages greater employee engagement

Key Strategies

- Enhance employee learning through in-house foundational leadership and employee training, and other professional development opportunities.
- Provide education in respectful workplace behaviour and accountability frameworks to create a safe, healthy and harassment-free work environment across the organization, as well as a culture of integrity and ethical conduct.
- Build a culture of inclusiveness through employee education and engagement initiatives focused on diversity and inclusion awareness, with a strong focus on Indigenous history and culture.
- Enhance employee experience and engagement through recognition, virtually accessible engagement initiatives, and community charitable giving campaigns.
- Improve the ways employees work to create a more connected and modern workforce.

| Performance Measure(s) | 2017/18 Baseline | 2021/22 Forecast | 2022/23 Target | 2023/24 Target | 2024/25 Target |
|--------------------------|---------------------|---------------------|-------------------|-------------------|-------------------|
| 3.1a Employee engagement | 69 | 71 | n/a | 71 | n/a |

Data Source: Work Environment Survey (WES) conducted by BC Stats for the LDB. The WES is conducted every two years. This Performance Measure is a measurement of respondents' overall level of engagement on a 100-point scale.

Linking Performance Measure to Objective

3.1a The LDB measures employee engagement every two years by surveying employees about their work environment through the Work Environment Survey (WES). The results of this survey provide a useful snapshot of employee engagement across the LDB and are directly related to the objective.

Discussion

Areas of focus within the LDB for improving workplace quality and employee excellence are concentrated on WES measurables in the areas of job suitability, staffing practices, teamwork, employee empowerment, and workplace tools.

The LDB has a number of initiatives, underway and planned, that will support overall employee engagement, including the following:

- To continue supporting employees in supervisory and management roles, the Organizational Development and Change department (OD&C) developed an Essential Leader Series aimed at enhancing leadership competencies within the organization and is set to open this program up to all leadership levels within the organization beginning in 2022.



- The roll out of My Peak Performance Plan (MyP3), an employee-created development plan that promotes a growth-centric culture.
- To continually reinforce the importance of a bullying- and harassment-free workplace, content covering anti-racism, cultural agility, and unconscious bias is built into mandatory education programs for all employees.
- The LDB's new Diversity, Equity and Inclusion (DE&I) plan aims to build a workforce that is culturally reflective of our diverse province and inclusive of points of view from Indigenous peoples, minority communities, immigrants, persons with disabilities, and the LGBTQ2S+ community.
- As a complement to the LDB's DE&I plan, the LDB's new five-year Indigenous Learning Strategy directly supports Government's foundational principle of lasting and meaningful reconciliation.
- Implementation of the LDB's Modern Workplace Program also continues into 2022/23. This program improves the ways employees work from a people, process, and technology perspective.

Success in these areas of employee development, engagement, and workplace tools is expected to result in an increase in the WES drivers of job satisfaction and commitment to public service.



Goal 4: Increase business effectiveness

Objective 4.1: Improve operating efficiencies in a market of constant change

BCLS Retail Division Strategies:

- Continue to improve assortment and demand planning tools by implementing technology to provide the right product in the right location for consumers.
- Provide efficient, quality service to customers by continuing to utilize training programs to better equip store employees with product knowledge and selling skills.
- Continue with long-term efforts to update BCLS retail systems to reflect customer expectations of a modern retailer, improve efficiency and provide a customer-centric retail experience

| Performance Measure(s) | 2017/18 Baseline | 2021/22 Forecast | 2022/23 Target ¹ | 2023/24 Target | 2024/25 Target |
|---------------------------------|---------------------|---------------------|--------------------------------|-------------------|-------------------|
| 4.1a BCLS sales per square foot | \$1,402 | \$1,452 | \$1,455 | \$1,477 | \$1,483 |

Data Source: BCLS sales data is collected from computerized point-of-sale cash register systems and stored in Head Office databases.

¹ 2022/23 and future years targets have been adjusted to represent an increase in total square footage due to store relocation and expansions.

Linking Performance Measure to Objective

4.1a This indicator is based on the annual dollar sales of all stores divided by the total of all stores' square footage. This measures how well BCLS utilizes floor space and is linked to how efficiently the BCLS chain is operating.

Discussion

As B.C.'s immunization plan rolled out across the province and COVID-19 restrictions imposed on the hospitality sector were eased in various regions, liquor retail sales began to revert back to pre-pandemic levels. BCLS anticipates steady sales-per-square-foot growth over the next few years as a result of various marketing strategies aimed at driving traffic to stores, enhancing the customer experience and service delivery, and upgrading stores with optimal product selection to meet consumer demands.

The adjusted forecast and targets represent an increase in total square footage due to a store relocation and multiple store expansions that are offset by the slowing down of sales. While sales are growing, the increase in sales per square foot is not expected to be as steep as in previous years for this reason. This trend is also reflected in the adjusted targets for 2022/23 and 2023/24.

Liquor Wholesale Division Strategies:

- Continue to improve service levels to customer base through increased on-hand inventory, improved forecasting and communications with vendors and customers.



- Continue to modernize technology systems and business processes, including the use of current and cost-effective technology, to improve service and relationships with customers, suppliers and employees.
- Roll-out plans for improved productivity and reduce cost-per-case as both distribution centres stabilize.

| Performance Measure(s) | 2017/18 Baseline | 2021/22 Forecast | 2022/23 Target | 2023/24 Target | 2024/25 Target |
|--|---------------------|---------------------|-------------------|-------------------|-------------------|
| 4.1b Distribution Centre labour cost per case shipped ¹ | \$1.99 | \$1.96 | \$1.89 | \$1.86 | \$1.86 |
| 4.1c Distribution Centre order fill rate | 89% | 95% | 95% | 95% | 95% |

Data Source: Orders and shipments processed by the LDB Distribution Centres are captured and stored by computer applications designed for this purpose.

¹ Targets for 2022/23 and 2023/24 have been adjusted to take into account the impacts that external factors (beyond control of LDB) have had on its operations and the ongoing uncertainty that remains.

Linking Performance Measure to Objective

4.1b This performance measure is calculated by dividing distribution centre labour expenses by total case shipments. A decreased cost per case indicates efficiencies have been achieved, resulting in less labour being utilized to ship product, which results in operational savings for the LDB and, therefore, the Province.

4.1c This performance measure is the percentage of each order filled completely by the LDB Distribution Centres and is calculated by dividing the number of ordered items that are filled completely by the total number of items ordered.

Discussion

LDB's operational costs continue to be impacted by external factors including the pandemic, wildfires, and floods that created global supply chain constraints, operational changes such as meeting the increased demand on bottle pick stock keeping unit (SKU) assortment, challenges in recruitment, retention and attendance management, and the deferral in implementing advanced warehouse management system (WMS) capabilities. The prolonged nature of these impacts is expected to cause the cost per case to exceed those previously published in the 2021/22 – 2023/24 LDB Service Plan. Adjustments to the 2022/23 and 2023/24 targets have been made to account for the above factors. Several key initiatives including updates to the functionalities of the warehouse management system and process improvements are in discovery. When implemented, efficiencies are expected to stabilize, and contain costs and maintain service levels.

The LDB has achieved a higher-than-baseline order fill rate through improved and efficient inventory management when the product is available from the vendor, enabling delivery of the right product at the right time and resulting in higher customer satisfaction. As the current global and local supply chain constraints continue, resulting in product unavailability or late arrival, it is expected that the rate will come in below the target.



LDB will continue partnering with retailers and vendors to improve forecasting and planning and to manage the impact of supply chain disruptions as efficiently as possible, ensuring product is available and can be supplied to meet the needs of customers. Future targets will balance the effective management of inventory and the minimization of product stock-outs.

Cannabis Division Strategies (Wholesale and Retail):

- Optimize financial performance.
- Responsibly rollout and operate its chain of BCCS to improve access to regulated, non-medical cannabis across the province.
- Continue to increase wholesale product assortment to attract customers from the illicit market.

| Performance Measure(s) | 2019/20 Baseline | 2021/22 Forecast | 2022/23 Target | 2023/24 Target | 2024/25 Target |
|---|---------------------|---------------------|-------------------|-------------------|-------------------|
| 4.1d BCCS sales per square foot ^{1,4} | \$781 | \$753 | \$800 | \$800 | \$800 |
| 4.1e BCCS.com order fill rate ² | 99.7% | 98.5% | 99.0% | 99.0% | 99.0% |
| 4.1f Wholesale (B2B) order fill rate ³ | 98.9% | 97.0% | 99.0% | 99.0% | 99.0% |

¹ Data Source: BCCS sales data is collected from computerized point-of-sale cash register systems and stored in Head Office databases. It is based on total square footage, not sales floor space.

^{2,3} Data Source: Orders and shipments processed by the Richmond Distribution Centre are captured and stored by computer applications designed for this purpose.

⁴ Targets for 2022/23 and 2023/24 have been adjusted to take into account the impacts that external factors (beyond control of LDB) have had on its operations and the ongoing uncertainty that remains.

Linking Performance Measure to Objective

4.1d This indicator is based on the annual dollar sales of all BCCS divided by the total of all stores' footage, gauging efficiency of the retail line of business. Targets have been updated to reflect more accurate market data, which was not available before legal stores were established and operating.

4.1e This indicator is the percentage of consumer online orders that are filled completely and shipped within 24 hours (excluding weekends and holidays) by the Richmond Distribution Centre. It is calculated by dividing the number of ordered items that are filled completely and shipped on-time by the total number of items ordered. A higher order fill rate leads to increased on-time delivery and higher consumer satisfaction.

4.1f This indicator is the percentage of order lines placed by wholesale customers that are fulfilled in full. It is calculated by dividing the number of order lines placed by BCCS and private retail stores that were fulfilled in full (no shortages) by the total number of order lines placed by those customers. This indicator determines if customers were able to receive inventory displayed as available, and also serves as a gauge for picking issues and distribution centre inventory inaccuracies. A higher percentage means that customers are receiving what they ordered and are not experiencing issues with their orders due to human error or system problems.



Discussion

The LDB opened ten additional BCCS in 2021/22 . With the opening of new stores in larger, higher density markets, BCCS expects to see overall improvements in sales per square foot in 2022/23 compared to 2021/22 forecast. The 2022/23 and 2023/24 targets have been adjusted from what is published in the 2021/22 – 2023/24 LDB Service Plan in response to the persistence of the illicit market, and the increase of licensed private retailers in saturated markets, that add pressure on the BCCS network to remain competitive.

Increased product assortment (from 971 SKUs in 2019 to 1,725 SKUs in 2020) has impacted pricing competitiveness compared to the illicit market and added complexity to inventory management at the RDC and delivery methods to both wholesale and retail customers. The LDB is looking to maximize transportation effectiveness, provide flexibility, and manage cost certainty for the next three years by diversifying its transportation contracts to supplement its primary partners with secondary service providers across the province. Plans are underway to better serve BCCS online customers with local delivery service beginning in early 2022.

The LDB is currently implementing several key initiatives aimed at supporting Indigenous communities and small B.C.-based cultivators to enter the legal cannabis marketplace. A marketing program, the B.C. Indigenous Cannabis Product program, aimed at highlighting cannabis product from B.C.-based Indigenous producers in licensed private cannabis retail stores and BCCS (in-store and online) was launched in January 2022 to help consumers easily identify Indigenous products and make informed purchasing decisions. BCCS will use in-store displays and signage to spotlight B.C.- and Indigenous products to demonstrate its commitment to that end.

The LDB continues to monitor risk to its cannabis business as the market matures and licensed producers facing cash flow and other financial difficulties dissolve or restructure.



Goal 5: Support corporate social responsibility

Objective 5.1: Encourage the responsible use of beverage alcohol and non-medical cannabis

BCLS Retail Division Strategies:

- Prevent sales to minors or intoxicated persons in BCLS through staff education and enforcement of ID-checking requirements.
- Reinforce social responsibility through the display of promotional material and signage at BCLS and social media channels.
- Promote awareness of responsible use by continuing co-operative programs with suppliers and other stakeholders and partners, and approving supplier promotional materials to ensure compliance.
- Continue working with government partners including the LCRB; the Ministry of Agriculture, Food and Fisheries; and the Crown Agencies Secretariat to analyze and consider the potential health, public safety, social, financial and labour impacts on industry associated with the BTAP recommendations and implement them where appropriate.

| Performance Measure(s) | 2020/21 Baseline | 2021/22 Forecast | 2022/23 Target | 2023/24 Target | 2024/25 Target |
|---|---------------------|---------------------|-------------------|-------------------|-------------------|
| 5.1a Store compliance with ID-checking requirements ¹ | 100% | 100% | 100% | 100% | 100% |
| 5.1b Customer awareness of LDB Corporate Social Responsibility programs ^{2, 3} | 76% | n/a | 80% | n/a | 80% |

¹ Data Source: The Liquor and Cannabis Regulation Branch (LCRB) administers an ID compliance checking program and provides the results of BCLS compliance to the LDB.

² Data Source: The LDB contracts with professional survey companies to conduct retail customer surveys.

³ 2022/23 and future targets have been adjusted to account for changing in customer shopping behavior, as well as the impacts that external factors (beyond control of LDB) have had on its operations and the ongoing uncertainty that remains.

Linking Performance Measure to Objective

5.1a Encouraging the responsible use of beverage alcohol is done, in part, by BCLS' compliance with ID-checking requirements to ensure that alcohol is not being sold to minors. Therefore, BCLS' compliance with ID-checking requirements is an appropriate performance measure.

5.1b Every two years, BCLS retail customers are surveyed by a professional survey company to gauge customer recall of promotional posters and other in-store materials related to the BCLS' corporate social responsibility programs. The results of this survey provide a useful indicator of how well the LDB is achieving its objective of encouraging the responsible use of beverage alcohol.



Discussion

BCLS continue to ensure the enforcement of the ID-checking program through employee training and awareness. A continuous target of 100 per cent has been set to reflect the critical importance to the LDB of preventing sales to minors. BCLS compliance in 2021/22 is forecasted to be on target at 100 per cent, based on current to-date compliance data from LCRB.

BCLS promotes awareness of the risks associated with alcohol misuse through in-store campaigns, promotional posters, digital channels and in collaboration with stakeholders and community partners. Future targets have been adjusted to 80 per cent to account for changes in customer shopping behaviour, such as spending less time browsing in-store and making less frequent shopping trips. During this time, COVID-related safety signage took priority in-stores as well.

Cannabis Retail Division Strategies:

- Prevent sales to minors in BCCS through staff education and enforcement of ID-checking requirements.
- Develop and deliver unique monthly digital campaigns that encourage the responsible use of non-medical cannabis. These are delivered in BCCS, the e-commerce channel and through social media platforms.
- Explore new performance measures going forward to assess customer awareness of and satisfaction with BCCS corporate social responsibility programs.

| Performance Measure(s) | 2019/20 Baseline | 2021/22 Forecast | 2022/23 Target | 2023/24 Target | 2024/25 Target |
|---|---------------------|---------------------|-------------------|-------------------|-------------------|
| 5.1c Store compliance with ID-checking requirements | 100% | 100% | 100% | 100% | 100% |

Data Source: It is assumed that similar to liquor, LCRB will be administering an ID compliance checking program in cannabis stores and will provide the results of BCCS compliance to the LDB.

Linking Performance Measure to Objective

5.1c Encouraging the responsible use of non-medical cannabis is done, in part, through BCCS compliance with ID-checking requirements – therefore, BCCS compliance with ID-checking requirements is an appropriate performance measure.

Discussion

BCCS is committed to ensuring that the ID-checking program is enforced to prevent sales to minors through on-going employee training and awareness. This is aligned with both the federal and provincial governments, which have made social responsibility one of the key priorities of cannabis legalization. To reflect the importance of store compliance with ID-checking requirements, a continuous target of 100 per cent has been set.



Objective 5.2: Minimize the impact of LDB operations on the environment

Performance measures for waste diversion are measured and grouped by lines of business: liquor retail and wholesale; non-medical cannabis retail and wholesale; and Corporate office and central dry goods distribution centre.

Key Strategies:

- Reduce the overall amount of waste generated by LDB's operations in liquor and cannabis wholesale and retail, and at its head office location.
- Increase waste diversion rates through expansion of recycling streams where possible and continued employee training and awareness campaigns.
- Continue to report annually on greenhouse gases and purchase carbon offsets as part of BC's Carbon Neutral Government Program.
- Align LDB operations with the CleanBC Roadmap to 2030 through continued efforts to develop and implement programs that reduce greenhouse gases.

| Performance Measure(s) | 2019/20 Baseline | 2021/22 Forecast | 2022/23 Target | 2023/24 Target | 2024/25 Target |
|--|---------------------|---------------------|-------------------|-------------------|-------------------|
| 5.2a Waste diversion rate at LDB liquor distribution centres (DDC, KDC) and BCLS | 80% | 93% | 93% | 93% | 94% |
| 5.2b Waste diversion rate at LDB's cannabis distribution centre and BCCS | 67% | 89% | 88% | 89% | 91% |
| 5.2c Waste diversion rate of LDB's Head Office and Burnaby dry goods distribution centre | 79% | 86% | 81% | 82% | 87% |

Data Source: Diversion rates for the Delta Distribution Centre, Kamloops Distribution Centre, Richmond Distribution Centre, Head Office, and Metro Vancouver BCLS are determined based on measured weights reported by contracted waste and recycling service providers. Rates for BCLS outside of Metro Vancouver and BCCS are determined by estimated weights provided by a contracted waste and recycling service providers.

Linking Performance Measure to Objective

Waste diversion rates represent the weight of material diverted from the landfill through composting and recycling, as a percentage of the total weight of waste material generated. It is an appropriate measure to use when considering the LDB's objective of minimizing the impact of operations on the environment.

Discussion

The combined waste diversion rate for the Delta and Kamloops distribution centres and BCLS in the Metro Vancouver region was calculated by collecting weight in tonnes throughout the fiscal plan period. The waste categories diverted from landfill at the Delta Distribution Centre (DDC) include mixed containers, paper, organics, electronics, Styrofoam, wood, metal, cardboard, and soft plastics. Cardboard, wood, and mixed paper generated at the Kamloops Distribution Centre (KDC) were diverted from landfill and Metro Vancouver BCLS diverted cardboard, soft plastics, and organics.



The LDB is continuing to develop contractual requirements for its waste collection service providers across the province with the goal of improving LDB's ability to collect and compare data and produce more precise reports.

Waste diversion at the distribution centres includes a high volume of and significantly heavier materials, such as cardboard and wood, compared to BCLS. Additionally, waste services at a number of BCLS are overseen by property managers who do not disclose its waste collection and diversion data with the LDB.

Incremental increases in the rate of diversion will be accomplished through continued employee education and the expansion of recycling programs in BCLS and distribution centres. Two stores have been chosen for a pilot program based on their volume of waste generated. The goal for this pilot program is to understand trends, and identify employee educational best practices so that similar initiatives can be rolled out across the province.

The change to a recyclable soft plastic shrink wrap used where feasible improved overall diversion at the cannabis Richmond Distribution Centre (RDC). The waste categories diverted from landfill at RDC include mixed containers, paper, organics, electronics, Styrofoam, wood, metal, and cardboard. It is expected that a significant percentage of waste materials generated at the distribution centre will continue to be diverted from landfill and slightly increase over time through reviews and analysis with waste management providers. LDB's Cannabis Wholesale Division targets a 95 per cent pallet recovery rate and shrink wrap recycling by way of transportation carrier contracts to further reduce its environmental impact.

Several BCCS stores operate in communities where collection of certain recyclables is not supported or diversion of organics to commercial grade compost facilities is not practiced by waste service providers. Additionally, waste services at several BCCS are overseen by property managers who do not disclose their waste collection and diversion data with the LDB. As new BCCS open in the Metro Vancouver region it is expected that overall diversion rates will remain at-pace with the current trends.

LDB's head office in Burnaby diverts mixed containers, paper, organics, electronics, Styrofoam, wood, metal, and cardboard from landfill. It is expected that the diversion rate will remain steady without the addition of new waste diversion streams. This is currently not a priority due to the larger impact stores and distribution centres have on waste diversion rates. The proportion of employees based at head office as a result of the BC Public Service's telework agreement program of three days a week to support pandemic recovery may impact the diversion rate.

The Burnaby dry goods distribution centre consolidates shipments of support materials for stores such as cleaning products, personal protective equipment and paper goods. Since opening in 2019, it has achieved high diversion rates due to its robust set up at implementation. The combined rates for head office and the Burnaby distribution centre are calculated and reported in the annual report.

Carbon Neutral Organization



Since 2010, the LDB has been measuring its greenhouse gas (GHG) emissions and purchasing BC-based carbon offsets in order to become carbon neutral on an annual basis. Efforts made to reduce emissions and the LDB's annual emissions profiles are captured in the LDB's Carbon Neutral Action Reports published on its website. The Carbon Neutral Government (CNG) requirements are set out in BC's Climate Change Accountability Act (CCAA) and the Carbon Neutral Government Regulation (CNGR).

The CleanBC Plan originally released by Government in 2018 was updated in October of 2021 to become the CleanBC Roadmap to 2030. The LDB is working to align with the requirements of the Roadmap to reach the provincial waste targets for 2030.



Financial Plan

Financial Summary

| (\$m) | 2021/22 Forecast | 2022/23 Budget | 2023/24 Plan | 2024/25 Plan |
|--|---------------------|-------------------|-----------------|-----------------|
| Sales | 4,328.1 | 4,560.9 | 4,700.4 | 4,802.0 |
| Cost of Sales | 2,641.9 | 2,825.5 | 2,925.1 | 2,993.9 |
| Gross Margin | 1,686.2 | 1,735.4 | 1,775.3 | 1,808.1 |
| Total Expenses | | | | |
| Operating Expenses – Employment | 303.2 | 323.2 | 326.3 | 327.4 |
| Operating Expenses – Amortization | 85.0 | 78.2 | 73.5 | 72.0 |
| Operating Expenses – Administration | 79.6 | 104.6 | 109.2 | 111.8 |
| Operating Expenses – Bank Charges | 40.2 | 41.6 | 44.3 | 45.6 |
| Operating Expenses – Facilities ¹ | 30.1 | 29.4 | 30.8 | 32.1 |
| Operating Expenses – Lease Financing | 7.6 | 7.3 | 8.3 | 9.1 |
| Total Expenses | 545.7 | 584.3 | 592.4 | 598.0 |
| Other Income | 12.8 | 15.2 | 15.0 | 15.4 |
| Net Income | 1,153.3 | 1,166.3 | 1,197.9 | 1,225.5 |
| Capital | 31.8 | 39.9 | 30.9 | 25.2 |
| Debt ² | 204.3 | 212.8 | 235.9 | 246.9 |
| Retained Earnings | 0 | 0 | 0 | 0 |

Note: The above financial information was prepared based on current Generally Accepted Accounting Principles.

¹ Facilities expenses include utilities, property taxes, janitorial, repairs, and maintenance.

² Debt includes capital lease obligations.



Key Forecast Assumptions, Risks and Sensitivities

As British Columbia emerges from the COVID-19 pandemic and the impact of recent adverse extreme weather events, there is still significant uncertainty for the path to economic recovery. Labour shortages, supply chain disruptions, the risk of future variants and changing weather conditions create risk to the LDB's operations and, therefore, uncertainty to the LDB's financial forecasts. The LDB closely monitors the liquor and cannabis industries, especially the state of supply chains, and continually assesses potential impacts to financial and business operations.

The LDB's forecast includes the following assumptions:

- Fiscal 2021/22 overall sales revenue growth will be 4.7 per cent over the previous fiscal year, driven primarily by changes in product mix, inflation, and increased cannabis retail locations.
- Beverage alcohol sales revenue growth in 2022/23 and future years will revert to be consistent with historical trends and will be an average of 2.4 per cent due to a combination of inflation, volume growth and moderate economic growth.
- In 2021/22, liquor industry market share has shifted back toward hospitality as COVID-19 restrictions ease and consumers resume social activities compared to the previous year. The market share is expected to stabilize in 2022/23.
- Product mix remains relatively stable through 2022/23 and in future years.
- Liquor volumes are expected to increase in 2022/23 from 2021/22 levels and remain stable in future years.
- As cannabis sales increase there will be no significant impact on liquor sales.
- Cannabis sales will increase as more public and private retailers enter the legal marketplace, allowing for improved access to the product.

Capital requirements reflect expenditures for opening and renovating liquor and cannabis retail stores, operating equipment, vehicles, technology-related hardware and software and on-going equipment replacements.

Future capital-related projects include investments in e-commerce platforms; product information management; updating foundational information technology systems; workplace modernization; continued expansion of the cannabis retail store chain; and upgrades for head office systems to support liquor and cannabis.

Sensitivity Analysis

Beverage alcohol and non-medical cannabis are highly regulated products and their consumption can be influenced by many factors, including regulatory changes, government policy, economic shifts, demographics, changes in climate, and the timing of statutory holidays.

Government policies and decisions can have a significant impact on LDB revenue. Provincial health orders issued to stop the spread of COVID-19 resulted in people staying home and shifting sales from hospitality to BCLS and private retail stores. As these restrictions ease, it is expected that there will continue to be market share changes as social events resume (e.g. dining



out, sporting events, and travel), which will result in an increased market share for hospitality customers, more in line with historical (pre-pandemic) trends.

Municipal government decisions and regulations around the operation of cannabis retail stores in their communities also influences revenues and costs for LDB's cannabis line of business – municipal rules can determine the location and number of retail stores permitted, as well as the timing within which they are able to open for business.

The LDB's financial performance is also affected by economic conditions:

- COVID-19 – outbreaks and new variants may slow down the province's economic recovery and/or lead to the introduction (or re-introduction) of health and safety measures that affect consumer behaviour;
 - Environmental factors – severe weather causing fires and floods can impact the supply chain and cause business disruptions;
 - Changes in the marketplace – market share shifts between public/private stores for both cannabis and liquor and cannabis consumer conversion from the illicit market will impact LDB net income;
 - Availability of products – constraints on the supply chain can impact the LDB's ability to sell to retail and wholesale customers; and,
 - Inflation – high demand and supply limits/disruptions resulting in increased prices in housing, gasoline, food, beverage alcohol, or cannabis prices will result in consumers changing their spending patterns.
- Beverage alcohol and non-medical cannabis are discretionary consumer products and sales are affected by economic conditions. Consumer confidence in the economy dictates the level of entertainment dollars spent on beverage alcohol and cannabis.

Cultural shifts and demographics also influence purchasing patterns. Current trends in liquor continue to reflect shifting preferences as consumers shift towards refreshment beverages and spirits, moving away from beer and wine.

Weather patterns and the timing of statutory holidays are other factors that influence LDB revenue. A hot, dry summer and long weekends result in increased sales, particularly in the refreshment beverage and packaged beer categories. Conversely, adverse weather conditions have a negative impact on liquor sales. The timing of statutory holidays during the week also has an impact on sales – when these holidays fall on Mondays or Fridays, sales are much stronger than when they fall on Tuesdays or Wednesdays.

The LDB monitors all of these factors, using the best information available to ensure sound decisions are made with respect to product mix, supply, and staffing.

Product Margins

The LDB has different margins on products and changes in product mix impact net income. Each percentage change in the product cost across the wine, spirit, refreshment, and cannabis categories has a cumulative effect on net income of approximately \$14.8 million, due to the percentage-based mark-up in place for these products.



Beer has a volume-based mark-up and therefore the same margin dollars is generated regardless of supplier prices. The LDB derives more margin dollars when there is a volume increase in beer sales. If there are more sales of products with lower margins and less sales of products with higher margins, this will result in lower LDB product margins overall.

BC VQA wines and wines produced from 100 per cent B.C. grapes also generate lower gross margin dollars, in general. As these two categories grow in relation to other product categories, LDB's margin as a percentage of sales will decrease.

Management's Perspective on the Financial Outlook

The LDB will continue to follow orders issued by the Provincial Health Officer and make adjustments to facilities and retail stores to safeguard employees and customers where necessary.

Similar to many other industries, the economic outlook for the beverage alcohol and cannabis sectors is unclear. Supply chain disruptions and labour shortages due in part to COVID-19 could last well into 2022/23. As well, there is the continuing risk of new COVID-19 variants, which adds additional layers of financial uncertainty. Temporary changes may become permanent and future government policy changes could also have implications for the LDB's business.

As the liquor industry changes into the new 'normal' post-COVID-19, the LDB will continue to focus on business efficiencies and adapting to the needs of its wholesale and retail customers. In retail operations, future investments include e-commerce for BCLS to allow customers more choices in their shopping experience. In wholesale operations, pricing processes and systems continued to be reviewed and streamlined to gain efficiencies and more flexibility.

October 17, 2021, marked the three-year anniversary of cannabis legalization. As the legal cannabis industry in British Columbia continues to mature, LDB will focus on maintaining efficient distribution operations, including the introduction of direct delivery, to support both wholesale and retail customers. The LDB will work with licensed producers to provide a variety of high-quality products and to expand product offerings with a focus on having the right product at the right price. On the retail side, the LDB will continue to operate retail locations to service the needs of the community and promote safe, responsible consumption while making necessary adjustments to align with government policy changes if/when required.



Appendix A: Additional Information

Corporate Governance and Organizational Overview

The LDB's corporate governance structure and organizational overview can be found [here](#), including links to the LDB's [Mission, Vision and Values](#).



Appendix C: Mandate Letter from the Minister Responsible

The LDB's Mandate Letter from the Minister responsible can be found [here](#).





276776

R. Blain Lawson
General Manager and Chief Executive Officer
BC Liquor Distribution Branch
Ministry of Finance
3383 Gilmore Way
Burnaby BC V5G 4S1

Dear Mr. Lawson:

On behalf of Premier Horgan and the Executive Council, I would like to extend my thanks to you for the dedication, expertise and skills with which you serve the people of British Columbia.

Every public sector organization is accountable to the citizens of British Columbia. The expectations of British Columbians are identified through their elected representatives, the members of the Legislative Assembly. Your contributions advance and protect the public interest of all British Columbians and through your work, you are supporting a society in which the people of this province can exercise their democratic rights, trust and feel protected by their public institutions.

You are serving British Columbians at a time when people in our province face significant challenges as a result of the global COVID-19 pandemic. Recovering from the pandemic will require focused direction, strong alignment and ongoing engagement between public sector organizations and government. It will require all Crowns to adapt to changing circumstances and follow Public Health orders and guidelines as you find ways to deliver your services to citizens. This mandate letter, which I am sending in my capacity as Minister responsible for the BC Liquor Distribution Branch (LDB), on behalf of the Executive Council, communicates expectations for your organization. It sets out overarching principles relevant to the entire public sector and provides specific direction to the LDB about priorities and expectations for the coming fiscal year.

.../2



I expect that the following five foundational principles will inform your agency's policies and programs:

- **Putting people first:** We are committed to working with you to put people first. You are uniquely positioned to advance and protect the public interest and I expect that you will consider how the LDB's decisions maintain, protect and enhance the public services people rely on and make life more affordable for everyone.
- **Lasting and meaningful reconciliation:** Reconciliation is an ongoing process and a shared responsibility for us all. Government's unanimous passage of the *Declaration of the Rights of Indigenous Peoples Act* was a significant step forward in this journey – one that all Crown agencies are expected to support as we work in cooperation with Indigenous peoples to establish a clear and sustainable path to lasting reconciliation. True reconciliation will take time and ongoing commitment to work with Indigenous peoples as they move towards self-determination. Guiding these efforts, Crown agencies must also remain focused on creating opportunities that implement the Truth and Reconciliation Commission through your mandate.
- **Equity and anti-racism:** Our province's history, identity and strength are rooted in its diverse population. Yet racialized and marginalized people face historic and present-day barriers that limit their full participation in their communities, workplaces, government and their lives. The public sector has a moral and ethical responsibility to tackle systemic discrimination in all its forms – and every public sector organization has a role in this work. All Crown agencies are expected to adopt the Gender-Based Analysis Plus (GBA+) lens to ensure equity is reflected in your operations and programs.
- **A better future through fighting climate change:** Announced in December 2018, the CleanBC climate action plan puts our province on the path to a cleaner, better future by building a low-carbon economy with new clean energy jobs and opportunities, protecting our clean air, land and water and supporting communities to prepare for carbon impacts. As part of the accountability framework established in CleanBC, and consistent with the *Climate Change Accountability Act*, please ensure your organization aligns operations with targets and strategies for minimizing greenhouse gas emissions and managing climate change risk, including the CleanBC target of a 50% reduction in public sector building emissions and a 40% reduction in public sector fleet emissions by 2030. Your organization is expected to work with government to report out on these plans and activities as required by legislation.

.../3



- **A strong, sustainable economy that works for everyone:** I expect that you will identify new and flexible ways to achieve your mandate and serve the citizens of British Columbia within the guidelines established by the Provincial Health Officer and considering best practices for conducting business during the pandemic. Collectively, our public sector will continue to support British Columbians through the pandemic and economic recovery by investing in health care, getting people back to work, helping businesses and communities, and building the clean, innovative economy of the future. As a public sector organization, I expect that you will consider how your decisions and operations reflect environmental, social and governance factors and contribute to this future.

As the Minister Responsible for the LDB, I expect that you will make substantive progress on the following priorities and incorporate them in the goals, objectives and performance measures in your 2021/22 Service Plan:

- Continue to work with government and Business Technical Advisory Panel (BTAP) members to evaluate and implement permanent and temporary policy and regulatory changes to support sectors impacted by the COVID-19 pandemic.
- Continue to identify and deliver greater benefits to consumers and industry by implementing the approved recommendations from the BTAP report received by government on April 30, 2018, and by finding efficiencies at the LDB liquor distribution centres.
- Continue to establish LDB Cannabis Operations wholesale and retail lines of business and support government's key priorities of protecting public health and safety, promoting social responsibility and eliminating the illicit market.
- In collaboration with stakeholders, continue to reinforce BC Liquor Stores' focus on corporate social responsibility by promoting awareness of the risks associated with alcohol misuse.
- Optimize the LDB's financial performance and sustain net returns to the Province of British Columbia in accordance with government policy, Treasury Board directives and the appropriate legislation and regulation.

.../4



The signed Mandate Letter is to be posted publicly on your organization's website in spring 2021.

I look forward to continuing to work with you to build a better B.C.

Sincerely,



Selina Robinson
Minister

April 9, 2021

Date: _____



R. Blain Lawson
General Manager, LDB

Date: April 12, 2021

cc: Honourable John Horgan, Premier

Lori Wanamaker, Deputy Minister to the Premier, Cabinet Secretary and Head of the BC Public Service

Heather Wood, Deputy Minister and Secretary to Treasury Board, Ministry of Finance

Douglas S. Scott, Deputy Minister, Crown Agencies Secretariat, Ministry of Finance

Mary Sue Maloughney, Assistant Deputy Minister, Liquor and Cannabis Regulation, Ministry of Public Safety and Solicitor General



BC Liquor Distribution Branch

2021/22 Annual Service Plan Report August 2022



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Published by the BC Liquor Distribution Branch

General Manager and CEO's Accountability Statement



The *BC Liquor Distribution Branch 2021/22 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2021/22 – 2023/24 Service Plan* created in April 2021. I am accountable for those results as reported.

A handwritten signature in black ink, appearing to read 'R. Blain Lawson'. The signature is stylized with a large, sweeping 'L' and a horizontal line at the end.

R. Blain Lawson
General Manager and Chief Executive Officer
July 26, 2022

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Letter from the General Manager and CEO

The year 2021 marked 100 years of liquor service by B.C.'s government and another challenging year driven by waves of the COVID-19 pandemic, ongoing supply chain constraints and extreme weather-related events that not only disrupted vital distribution routes, but also the lives and livelihoods of many British Columbians. Through challenges brought on by external factors, the LDB responded with agility to keep the supply of liquor and cannabis moving throughout the province.

In 2021/22, B.C.'s Liquor Distribution Branch (LDB) exceeded its 2021/22 revenue target and contributed \$1,189 million of net income to help fund vital public services relied on by citizens and communities province wide.

The year-over-year \$220.4 million increase in liquor and cannabis sales indicated continued growth in both sectors, with cannabis sales seeing a significant 28.8 per cent surge over the prior year. The LDB supported the growth by shipping 24 million cases of liquor from its distribution centres, wholesaling cannabis to an additional 98 licensed cannabis stores that opened in 2021/22, opening eight new BC Cannabis Stores (BCCS), and modernizing 10 liquor stores with the BCLIQUOR (BCL) brand and shopping experience as renovation and maintenance cycles came due.

By volume, beer sold the most litres; however, the refreshment beverage category saw the greatest lift in sales as it continues to gain market share. The LDB's positive net income contribution to the province in its first full year following the change to wholesale pricing for hospitality customers can be attributed to shifts in consumer purchasing patterns through the pandemic, combine with lower operating expenses than budgeted. Enabling the hospitality sector to purchase liquor products at wholesale price has aided in its pandemic recovery.

In our cannabis division, consumer preference for dried flower, pre-rolls, and extracts and concentrates remained steady, accounting for 91.5 per cent of all cannabis sales. Better value-for-dollar, large format offerings remained popular among customers. The continued decline of the average wholesale price per gram of dried flower also improved competitiveness of legal cannabis compared to the illicit market. The LDB is monitoring the financial impact of declining wholesale price of dried flower as the cannabis marketplace continues to evolve and mature.

The LDB continued to collaborate with stakeholders on Business Technical Advisory Panel (BTAP) recommendations by undertaking critical social, policy, and financial analysis to support final decisions on those recommendations and, implementing changes in alignment with direction provided. A process change made this fiscal year resulted in more non-stocked wholesale liquor products (NSWP) available to wholesale customers than years prior. Additionally, the LDB began initial work to implement a new Product Information Management System and planned the implementation of various advanced Warehouse Management System capabilities which, when operationalized, will increase business efficiencies and support an enhanced wholesale customer experience.

To support government's priority of strengthening Indigenous relations in B.C., the Cannabis Wholesale division and BCCS began participating in the B.C. Indigenous Cannabis Products

(BCICP) program by highlighting cannabis products from B.C.-based Indigenous producers online and in stores. The LDB was also engaged in developing a direct-to-cannabis-stores distribution model in support of small producers in B.C., including those that are Indigenous-owned, a project on pace to be operationalized in the next fiscal year.

The unprecedented events of 2021/22 prompted a record number of customer donation appeals in partnership with Food Banks BC and the Red Cross, including humanitarian relief for Ukraine. Thanks to the generosity of our BCL and BCCS customers and the dedication of our team members, I am proud that the LDB collected over \$4.4 million for local charities and internal humanitarian causes.

The LDB is committed to building a resilient business and working with the Ministry of Finance to prioritize cost control, customer service and value for British Columbians.

R. Blain Lawson



General Manager and Chief Executive Officer
July 26, 2022

Purpose of the Annual Service Plan Report

The Annual Service Plan Report is designed to meet the requirements of the *Budget Transparency and Accountability Act* (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, the Crown Corporation's Board is required to report on the actual results of the Crown's performance related to the forecasted targets documented in the previous year's Service Plan.

Purpose of the Organization

In British Columbia, the LDB is one of two branches of government responsible for the wholesale distribution and retail sale of beverage alcohol and cannabis. The *Liquor Distribution Act* (LDA) gives the LDB the sole right to purchase beverage alcohol both within B.C. and from outside the province, in accordance with the federal *Importation of Intoxicating Liquors Act*. The Liquor and Cannabis Regulation Branch (LCRB) within the Ministry of Public Safety and Solicitor General (PSSG) licenses private liquor stores, restaurants, pubs and manufacturers, and enforces regulations under the *Liquor Control and Licensing Act*.

The *Cannabis Distribution Act* (CDA) established a government wholesale cannabis distribution model, public cannabis retail stores and an online government sales channel. The LDB's General Manager has been appointed as the administrator of the CDA. The LCRB licenses private cannabis stores and enforces some aspects of the regulations under the *Cannabis Control and Licensing Act*.

Reporting to the Minister of Finance, the LDB:

- Has a General Manager and CEO who is responsible for administering the LDA and the CDA, subject to direction from the Minister;
- Operates a province-wide retail and wholesale beverage alcohol business within a mixed public-private retail model;
- Operates a province-wide retail and wholesale cannabis business within a mixed public-private retail model;
- Is responsible for the importation and distribution of beverage alcohol and distribution of cannabis in B.C.;
- Has a workforce of approximately 5,000 full- and part-time employees; and,
- Operates 198 BCLIQUOR stores (BCL), 33 B.C. Cannabis Stores (BCCS), an online BCCS, a head office, three call centres (two external facing, one internal facing) and three distribution centres.

As part of B.C.'s mixed-model retail system for liquor and cannabis, the LDB is committed to providing customers with an enhanced shopping environment, an expansive product selection and responsive service.

The LDB and LCRB have a shared mandate to encourage the responsible consumption of beverage alcohol and cannabis and work closely together to coordinate policies and programs to this end.

Strategic Direction

The strategic direction set by Government in 2020 and expanded upon in the [2021-22 Mandate Letter](#) from the Minister Responsible shaped the goals, objectives, performance measures, and financial plan outlined in the [2021/22 LDB Service Plan](#) as well as actual results reported on in this annual report.

Operating Environment

Economic Growth Statement

British Columbia's economic recovery strengthened in 2021. B.C.'s real GDP growth of 6.2 per cent was the second highest among provinces (behind Prince Edward Island), following a contraction of 3.4 per cent in 2020. Growth in B.C.'s real GDP was mostly driven by service-producing industries such as real estate, rental and leasing, healthcare and social assistance, and professional, scientific and technical services. Goods-producing industries also experienced growth with gains in most sectors, led by mining, quarrying and oil and gas extraction. While B.C.'s recovery broadened in 2021, it remained uneven as sectors such as accommodation and food services, and arts, entertainment and recreation have yet to fully recover to pre-pandemic levels. B.C.'s labour market strengthened in 2021, with employment growth of 6.6 per cent while wages and salaries increased by 11.3 per cent. Consumer spending on goods remained at elevated levels and nominal retail sales posted overall growth of 12.6 per cent. Meanwhile, inflation grew throughout the year and increased by 2.8 per cent on an annual basis, largely due to supply-chain disruptions, resilient demand for goods and services, and high energy prices. Residential construction activity reached a record high in 2021, with housing starts increasing by 25.6 per cent. At the same time, home sales also reached a record high in 2021 while the average home sale price saw double-digit increases. On the external front, B.C.'s international merchandise exports grew by 36.0 per cent, reflecting a combination of the recovery in global demand and higher commodity prices amid impacts from the B.C. floods and landslides in November 2021.

Wholesale liquor

Fiscal 2021/22 was not without its challenges. It was an unprecedented year of service and supply chain disruptions caused by waves of the COVID-19 pandemic, international conflict, and extreme weather events. Our liquor distribution centres overcame these challenges and shipped 24 million cases to keep the supply of beverage alcohol moving and meet the needs of wholesale customers. The LDB responded to the escalation of the Russia-Ukraine conflict by suspending the importation and sale of products made in Russia.

The LDB continued to consult and engage with BTAP on various liquor policy recommendations. Since BTAP's report to government was made in [April 2018](#), the LDB has engaged with cross-industry and -government working groups, contributed by performing critical social, policy, financial, legal, trade and stakeholder analysis, implementing solutions, and adjusting its operations to support changes where required. In addition, the LDB is also engaged

on several other priority initiatives currently being led by the LCRB or the Ministry of Agriculture and Food.

Competitive retail marketplace

In June 2021, the government made a permanent policy change permitting liquor retail stores to electively operate from 7 a.m. to 11 p.m. daily, a change from the authorized hours of 9 a.m. to 11 p.m. daily established and in effect prior to April 2020. BCL will monitor and continually evaluate individual store hours to meet the needs of customers and optimize labour costs to bring value to British Columbians.

Cannabis marketplace

As the sole wholesale distributor for the province, the LDB more than doubled its wholesale product assortment (from 1,062 Stock Keeping Units (SKUs) last year to 2,163 SKUs this year), growing in pace with offerings from licensed producers and fostering its relationships with federally licensed suppliers, particularly B.C. micro cultivators, including those that are Indigenous-owned.

In 2021/22, the LDB opened eight BCCS in the province. By year end, the LDB was wholesale distributing cannabis products to 403 private cannabis retailers, 33 government-run BCCS, and one public online store at BCCannabisStores.com.

Report on Performance: Goals, Objectives, Measures and Targets

Goal 1: Grow LDB's Financial Performance

Objective 1.1: Meet Government's financial objectives

Key Highlights

- Grew sales and efficiently managed operating expenses in order to sustain net returns to the Province.

| Performance Measure | 2020/21 Actuals | 2021/22 Target | 2021/22 Actuals | 2022/23 Target¹ | 2023/24 Target² |
|----------------------------------|----------------------------|---------------------------|----------------------------|---------------------------------------|---------------------------------------|
| 1.1a Net income (in \$ millions) | 1,160.9 | 1,099.0 | 1,189.3 | 1,103.0 | 1,145.6 |

Data source: BCL and BCCS sales data is collected from both computerized point-of-sales cash register systems and on-line sales systems and stored in Head Office databases. Sales made directly to customers by authorized representatives on behalf of the LDB are transmitted to the LDB and stored in databases. LDB financial statements are audited by the Office of the Auditor General, annually. LDB expense data is captured, stored, and reported by the LDB's financial system.

^{1,2} The target was recently updated in the [2022/23 – 2024/25 LDB Service Plan](#).

Discussion of Results

Net income is the contribution made to the Province by the LDB from beverage alcohol and cannabis sales. LDB's net income is audited by the BC Auditor General and is a significant contributor to Provincial Government revenues.

LDB's net income for the year was \$1,189 million, 8.2 per cent above target and 2.4 per cent higher than the previous year. Net income was above target by \$90.3 million. This was due to a combination of higher sales and lower than planned expenses. The target was based on the marketplace shifting back to pre-pandemic levels trending earlier in the year and did not anticipate the Omicron COVID-19 wave that saw retail sales increase when indoor dining at restaurants was temporarily suspended.

LDB sales in fiscal 2021/22 were \$4,355 million, which was \$125.4 million or 3.0 percent higher than target. Higher sales were the result of higher priced beverage alcohol products partially due to inflation which offset volume decreases. The loosening of COVID-19 pandemic restrictions during the year resulted in increased sales to the hospitality sector as it re-opened. Similar to the prior year, operating expenses were lower than target due to lower amortization with fewer BCCS openings than planned, and delayed spending in consulting, training and travel related programs.

As the COVID-19 pandemic continued through the year, the LDB maintained enhanced cleaning procedures and ensured safety protocols were in place to align with public health guidelines. Employees who were able to work remotely continued to do so, supported by investment in information technology equipment and resources.

Targets for fiscal 2022/23 and fiscal 2023/24 reflected sale trends, product mix, and inflation observed in the LDB's current operational environment and future projected industry outlook for liquor and cannabis at the time of the [2022/2023 – 2024/25 Service Plan](#).

Sales changes – and the resulting impact on net income – are the result of a number of factors, including continuing impacts of the COVID-19 pandemic, global supply chain challenges, extreme weather-related events, holidays coinciding with weekends, supplier promotions, changes in sales mix, and the introduction of new products.

Goal 2: Maintain Focus on Customer Experience

Objective 2.1: Maintain a high level of retail and wholesale customer satisfaction

Liquor Retail Division

Key Highlights

- Completed 10 major renovations and one relocation to enhance the shopping experience for customers and improve service.
- Continued to coach teams and improve service and responsiveness among BCL employees and track improvements through the Mystery Shopper program.
- Increased customer satisfaction with support from additional service touchpoints on social media channels.

| Performance Measure | 2016/17 Baseline | 2020/21 Actuals | 2021/22 Target | 2021/22 Actuals | 2022/23 Target | 2023/24 Target |
|-----------------------------------|---------------------|--------------------|-------------------|--------------------|-------------------|-------------------|
| 2.1a Retail customer satisfaction | 83% | 88% | n/a | n/a | 86% | n/a |

Data source: The LDB contracts with professional survey companies to conduct the retail customer service surveys every two years.

Discussion of Results

The 88 per cent result of 2020/21 was reflective of operating in a challenging environment brought on by the global COVID-19 pandemic. As retail operating environment normalizes from the COVID-19 pandemic, the LDB expects customer satisfaction to rebound to pre-pandemic levels. While there was no survey this year, the LDB continued its initiatives with the aim of meeting its 2022/23 target for BCL customer satisfaction.

Ten major renovations to BCL stores were completed in 2021/22 that saw improvements made to customer flow, the addition of designated tasting counterspace and event-hosting spaces, and a greater selection of refrigerated product offerings. Additionally, renovated liquor stores received signage, branding, and décor reflective of the modernized BCL identity, aimed at sustaining market share in a competitive marketplace. Renewed planograms helped store teams showcase and target products specific to each store's market, furthering a tailored shopping experience.

The LDB relocated its liquor store in Sechelt to a space that increased its footprint by nearly 50 per cent compared to its previous lease location. Its larger size and higher visibility location at a shopping centre located on shíshálh Nation territory better serves the growing Sechelt market.

BCL's Mystery Shopper program, the practice of hiring a third-party to 'shop' in stores to evaluate the stores' performance on 27 key service standards, continued in 2021/22. In total, 143 stores were 'mystery shopped,' and achieved a collective score of 82 per cent, with 56 stores receiving perfect scores (an increase compared to the previous year). Results from the Mystery Shopper program are used to make incremental improvements to key service standards and overall store presentation throughout the year, attributes that contribute to customer satisfaction that is measured bi-annually.

BCL continued to leverage its social media Instagram and Facebook presence to communicate responsible consumption, special product releases, sales and promotions, and share engaging content with customers, as well as via the BCLiquorStores.com website and other advertising channels, such as search engine ads and radio. Since launching its social media channels in 2020, BCL has refined its social media program to provide a seamless and enhanced customer experience both in-store and online.

Liquor Wholesale Division

Key Highlights

- Continuously provided enhanced customer service to BCL, private liquor stores, rural liquor stores, bars and restaurants through efficient order processing and fulfillment.

- Supported a customer-centric culture within the warehouse team and continued to provide employee-training opportunities.
- Executed response plans to the transportation disruptions caused by extreme weather-related events to mitigate impacts to the supply chain.
- Increased inventory available of non-stocked wholesale products (NSWP) at the Delta Distribution Centre.

| Performance Measure | 2016/17 Baseline | 2020/21 Actuals | 2021/22 Target | 2021/22 Actuals | 2022/23 Target ¹ | 2023/24 Target |
|--------------------------------------|------------------|-----------------|----------------|-----------------|-----------------------------|----------------|
| 2.1b Wholesale customer satisfaction | 68% | 68% | n/a | n/a | 85% | n/a |

Data source: The LDB contracts with professional survey companies bi-annually to conduct the wholesale customer service surveys.

¹ The target was recently updated in the [2022/23 – 2024/25 LDB Service Plan](#).

Discussion of Results

Wholesale Operations overcame major transportation and distribution disruptions caused by extreme weather-related events (wildfires and floods) to ship 24 million cases, an increase over the prior year. Despite the challenging operating environment, the LDB made good progress in measuring and improving wholesale customer service levels of goods ready to ship on-time, goods delivered on-time, and order accuracy.

The implementation of a new warehouse listing process enabled the on-boarding of more NSWP, improving the overall availability and flow of NSWP from LDB's primary liquor distribution centre to customers.

Important discovery work is underway for a new Product Information Management System that, when implemented, is expected to improve customer satisfaction levels by enhancing product information availability, and the online ordering experience which are important to wholesale customers.

While there is no survey until 2022/23, customer-focused work underway as described in this section is expected to continue to improve customer experience in alignment with the targets highlighted in the table above.

Cannabis Division

Key Highlights

- Completed the second Wholesale Customer Service Satisfaction Survey of private retailers.
- Supported the addition of 98 new private retailers to our wholesale business, totaling 403 private retailers serviced by fiscal year end.
- Expanded product assortment to 2,163 from 130 licensed suppliers (compared to 1,062 products from 99 licensed suppliers the prior year).
- Onboarded 147 products from 36 B.C. micro cultivators to product assortment.

- Enhanced retail shopping experience by improving information included on price tags, updating education panels to reflect growing product assortment, and establishing merchandising guidelines for all BCCS locations for consistency.
- Implemented a digital display content management system to optimize utilization and distribution of in-store social responsibility and marketing messaging.

| Performance Measures | 2019/20 Baseline ³ | 2020/21 Actuals | 2021/22 Target | 2021/22 Actuals | 2022/23 Target ⁴ | 2023/24 Target ⁵ |
|---|----------------------------------|--------------------|-------------------|--------------------|--------------------------------|--------------------------------|
| 2.1c Retail customer satisfaction ¹ | 82% | 86% | 87% | 93% | 90% | 90% |
| 2.1d Wholesale customer satisfaction ² | 82% | 71% | 87% | 70% | 90% | 90% |

¹ Data source: BCCS placed customer survey tablets in five stores as a pilot project. Tablets were rotated throughout the chain.

² Data source: Private cannabis retailers participated in an online survey.

³ Based on 2019/20 target.

^{4,5} The target was recently updated in the 2022/23 – 2024/25 LDB Service Plan.

Discussion of Results

BCCS rotated five free-standing lectern tablets through nine different retail locations to collect customer feedback and rate customer satisfaction. Despite continued pandemic-related protocols that limited their consistent use, 14,002 responses were collected, an increase of approximately 180 per cent of over 5,000 responses the prior year. Customers were presented with the opportunity to answer one of five randomized, satisfaction-centric questions related to quality of service received, product assortment availability, or their likelihood of recommending the store to someone. The overall, aggregated score of 93 per cent in customer satisfaction surpassed the target of 87 per cent.

In 2021/22, Cannabis Wholesale Operations onboarded 98 private retail stores (of 101 newly licensed private stores by the LCRB in the same year), bringing the total number of retailers serviced to 403 privately-owned and 33 government-run stores across B.C. at the end of 2021/22, all from LDB's cannabis distribution centre in Richmond.

Of the nearly 104 per cent increase in product assortment, Cannabis Wholesale Operations added 147 products from 36 licensed B.C. micro cultivators in support of local and small producers entering the market. Additionally, the launch of the B.C. Indigenous Cannabis Product (BCICP) program saw increased marketing of B.C.-based Indigenous products and producers on the wholesale ordering platform, in all BCCS and participating private cannabis stores. The decline of the average wholesale price per gram of dried flower by 16.5 per cent from the prior year to \$4.00 per gram was driven by the increase of large format offerings and producer price reductions, which continues to improve the competitiveness of legal products compared to the illicit market. Since legalization in 2018/19, the average wholesale price per gram of dried flower has decreased from \$6.39 to \$4.00, representing an overall reduction of 37.4 per cent.

Cannabis Wholesale Operations experienced significant supply chain and distribution challenges caused by extreme weather-related floods in B.C. when transportation routes were washed out,

isolating the distribution centre located in the Lower Mainland from the rest of the province, and negatively impacting wholesale customer satisfaction. The result of 70 per cent wholesale customer satisfaction fell short of meeting its target of 87 per cent. The LDB utilized primary and secondary carriers to service wholesale customers in all shipping zones. The Richmond Distribution Centre (RDC) saw throughput increase by 60 per cent year over year, from just over one million cases shipped in 2020/21 to 1.6 million cases shipped in 2021/22. Order accuracy steadily improved from 97.4 per cent to over 99.1 per cent by fiscal year-end, to end on a 98.6 per cent average for the year, as a result of improved investigative processes of the distribution team and correcting route causes to minimize shipping errors.

The Cannabis External Sales Data program was launched to support transparency of weekly sales and inventory reports of their products at no cost to licensed producers and improve their ability to manage their production forecasts. Twenty licensed producers are currently enrolled in the paid reports service of the program to purchase B.C.-wide cannabis wholesale data for competitive analysis and market trend research purposes.

Goal 3: Improve Workplace Quality and Employee Excellence

Objective 3.1: Create a work environment that encourages greater employee engagement

Key Highlights

- Continued fostering a safe, healthy and harassment-free workplace through LDB's respectful workplace training and engagement programs focussing on diversity, inclusion, as well as Indigenous learning.
- Enhanced employee skills through in-house development and training programs.
- Implemented foundational leadership training focused on communication, conflict resolution, and coaching skills development in the context of COVID-19.
- Enhanced employee experience and engagement initiatives through in-person and virtually accessible activities and charitable campaigns.
- Increased overall employee flexibility and accessibility through LDB's Modern Workplace Program and other internal programs.

| Performance Measure | 2017/18 Baseline | 2020/21 Actuals | 2021/22 Target | 2021/22 Actuals¹ | 2022/23 Target | 2023/24 Target |
|----------------------------|-----------------------------|----------------------------|---------------------------|--|---------------------------|---------------------------|
| 3.1a Employee Engagement | 69% | n/a | 71% | n/a | n/a | 71% |

Data source: Work Environment Survey (WES) conducted by BC Stats for the LDB. The WES is conducted every two years.

¹ Unavailable at time of publication.

Discussion of Results

For the 14th consecutive year, the LDB was recognized as one of B.C.'s Top Employers in 2022. This designation recognizes industry-leading employers that create exceptional places to work and is a testament to the LDB's initiatives aimed at supporting a high-quality workplace such as

charitable giving opportunities, community involvement and employee engagement activities, to name a few.

Throughout the second year of the COVID-19 pandemic, the LDB continued its practice of workplace safety and communicable disease prevention across the organization and all worksites. For employees primarily based at its Head Office, it meant enhancing technology that allowed for improved engagement, accessibility, and flexibility through multiple waves of COVID-19. Leadership Anywhere, Anytime, a learning curriculum developed in response to employee feedback for techniques to foster connection, accountability, adaptability, and coaching skills was delivered to leaders. The objective of this curriculum is to continuously improve executive- and supervisory-level management foundational drivers and it supports empowerment and professional development metrics measured in the bi-annual WES. A new, self-directed, online learning library was launched to support all employees' development of leadership skills, such as planning, scheduling and delegation, and soft skills, including emotional intelligence and active listening.

The enduring impact of COVID-19 in 2021/22 necessitated a creative shift in the delivery of employee engagement and learning activities to sustain participation momentum. These activities included observing Lunar New Year, Black History Month, Asian Heritage Month, Persian New Year, Diwali, Bandi Chhor Divas, International Women's Day, and LGBTQ2S+ Pride in recognition of cultural and society diversity; employee appreciation during Public Service Week; and Pink Shirt Day aimed at raising awareness of the importance of valuing diversity and inclusion and supporting a bullying- and harassment-free workplace. Aligned to the LDB's core value of recognizing its people as its greatest asset, employees also received mental health education throughout Mental Health Month.

To honour Indigenous peoples and support greater employee awareness of the importance of reconciliation, learning and engagement activities were activated to observe the Moose Hide Campaign, National Indigenous Peoples' Day, Orange Shirt Day, and National Day for Truth and Reconciliation. Indigenous relations behavioural competencies were also developed and implemented as part of the LDB's recruitment and hiring process.

The engagement of LDB employees in charitable contributions for the benefit of British Columbians in an unprecedented year raised over \$175,000 for the Provincial Employees Community Services Fund (PECSF).

Goal 4: Increase Business Effectiveness

Objective 4.1: Improve operating efficiencies in a market of constant change

Liquor Retail Division

Key Highlights

- Continued to implement assortment and demand planning tools to support selection of optimal products for store-specific customer demographic.
- Continued to update systems to reflect increased competition and improve efficiency.

- Supported over 100 employees in completing their Level 2 Wine and Spirit Education Trust (WSET) training in order to use increased product knowledge to better serve customers.

| Performance Measure | 2017/18 Baseline | 2020/21 Actuals | 2021/22 Target | 2021/22 Actuals | 2022/23 Target ¹ | 2023/24 Target ² |
|---------------------------------|------------------|-----------------|----------------|-----------------|-----------------------------|-----------------------------|
| 4.1a BCLS sales per square foot | \$1,402 | \$1,424 | \$1,450 | \$1,488 | \$1,470 | \$1,488 |

Data source: BCL sales data is collected from computerized point-of-sale cash register systems and stored in Head Office databases.

^{1,2} The target was recently updated in the [2022/23 – 2024/25 LDB Service Plan](#).

Discussion of Results

Sales per square foot were above target due to an overall increase in price per unit and unit sales. The extreme weather-related events of floods and a heat dome of 2021 in B.C., and the third COVID-19 pandemic wave that temporarily suspended indoor dining, had a positive impact on BCL counter sales.

In 2021/22, more than 120 employees completed Level 2 WSET training in Wine or Spirits, an increase of 20 per cent compared to previous year, bringing the total number of employees with Level 2 WSET training to over 800 province wide. Sixty eight employees completed BCL's Level 2 Beer Cicerone Certification Program, an educational curriculum to increase product knowledge in this growing category and enable employees to provide customers with improved service.

Liquor Wholesale Division

Key Highlights

- Implemented SKU optimization model to improve distribution space utilization.
- Enhanced key performance indicator (KPI) dashboard to measure and monitor performance and aid operational decision-making.
- Continued to improve service levels to customer base through increased on-hand inventory when available, improved forecasting and communications with vendors and customers.
- Continued to modernize technology systems and business processes, including the use of current and cost-effective technology, to improve service and relationships with customers, suppliers and employees.

| Performance Measure | 2017/18 Baseline | 2020/21 Actuals | 2021/22 Target | 2021/22 Actuals | 2022/23 Target ¹ | 2023/24 Target ² |
|---|------------------|-----------------|----------------|-----------------|-----------------------------|-----------------------------|
| 4.1b Distribution Centre labour cost per case shipped | \$1.99 | \$1.80 | \$1.75 | \$1.93 | \$1.75 | \$1.70 |
| 4.1c Distribution Centre order fill rate | 89% | 95% | 95% | 93% | 95% | 95% |

Data source: Order and shipments processed by the LDB Distribution Centres are captured and stored by computer applications designed for this purpose.

^{1,2} The target was recently updated in the [2022/23 – 2024/25 LDB Service Plan](#).

Discussion of Results

Distribution centre operational costs and order fill rate were impacted by the enduring impacts to the global supply chain created by the pandemic and an unprecedented year of weather-related events that created transportation constraints. As expected, the labour cost per case exceeded the target of \$1.75, but below \$1.96 that was forecasted in the [2022/23 – 2024/25 LDB Service Plan](#) that took into consideration challenges experienced earlier in the fiscal year. The order fill rate of 93 per cent was only slightly short of meeting the target of 95 per cent, demonstrating the LDB's ability to effectively manage in-stock inventory and customer expectations when faced with significant adversity caused by external supply shortages and transportation constraints.

Cannabis Division (Wholesale and Retail)

Key Highlights

- Successfully opened eight BCCS in five markets, expanding the BCCS network to a total of 33 locations province wide.
- Concluded exploratory work to support a cannabis direct delivery-to-retailers program for small scale-nurseries and cultivators, including those owned by Indigenous nations.
- Optimized demand planning processes and improved inventory fill rates across all product categories by aligning order book to cannabis categories instead of licensed producers.
- Implemented monthly tracking of aged inventory across the RDC and BCCS to minimize stale-dated products that negatively impact profitability.

| Performance Measure | 2019/20 Baseline | 2020/21 Actuals | 2021/22 Target | 2021/22 Actuals | 2022/23 Target | 2023/24 Target |
|---|---------------------|--------------------|-------------------|--------------------|-------------------|-------------------|
| 4.1d BCCS sales per square foot ^{1,4} | \$781 | \$709 | \$800 | \$789 | \$825 | \$825 |
| 4.1e BCCS.com order fill rate ² | 98% | 99.8% | 99% | 99.8% | 99% | 99% |
| 4.1f Wholesale (B2B) order fill rate ^{3,5} | 98% | 99.5% | 99% | 99.3% | 99% | 99% |

¹ Data source: BCCS sales data is collected from computerized point-of-sale cash register systems and stored in Head Office databases.

^{2,3} Data source: Orders and shipment processed by the Richmond Distribution Centre are captured and stored by computer applications designed for this purpose.

^{4,5} The targets for 2022/23 and 2023/24 were recently updated in the [2022/23 – 2024/25 LDB Service Plan](#).

Discussion of Results

BCCS sales per square foot improved compared to the prior year but fell slightly short of reaching the target. The roll-out of eight new stores in higher density markets experienced pandemic-related construction constraints and delays and opened later than planned. Supply chain challenges as a result of extreme weather-related events, the continued trend in consumer preference for large format products, and the decline of the average price per gram of dried

cannabis flower have contributed to slightly lower retail margins. To counter the impacts of external factors, BCCS focused on financial performance by managing controllable costs.

The Richmond Distribution Centre exceeded the target wholesale order fill rate, while lowering operational costs. Despite the increased throughput as a result of additional products and suppliers, and unprecedented distribution challenges caused by extreme weather-related events, the labour cost per case for fiscal 2021/22 was reduced by 30 per cent to \$3.25 and freight cost per case was reduced by 35 per cent to \$3.25. Overall, distribution expenses came in at 3.3 per cent of sales.

Cannabis Operations completed the necessary exploratory work to develop a distribution model that enables eligible nurseries and small-scale cultivators producing up to 3,000 kilograms or less of cannabis annually to deliver direct to retailers, in support of government's foundational principle of creating a strong sustainable B.C. economy. Work undertaken over this past year included a feasibility study of the significant changes to cannabis supply chain and LDB operational dependencies. The resulting proposed direct delivery model was shared with industry stakeholders in July 2021 and is on-track for implementation by the committed timeline of September 2022.

Goal 5: Corporate Social Responsibility

Objective 5.1: Encourage the responsible use of beverage alcohol and non-medical cannabis

Liquor Retail Division

Key Highlights

- Prevented sales to minors or intoxicated persons in BCL through staff education and enforcement of ID-checking requirements, particularly through challenges brought on by the COVID-19 pandemic (masks, etc.).
- Promoted awareness of responsible use by continuing co-operative programs with suppliers and other stakeholders and partners.
- Encouraged the responsible use of beverage alcohol through the display of monthly promotional material and signage at BCL.
- Partnered with charities such as BC Food Banks to support local causes.
- Supported key Red Cross donation appeals such as BC wildfires and floods, India COVID-19 relief and Ukraine humanitarian crisis.

| Performance Measures | 2016/17 Baseline | 2020/21 Actuals | 2021/22 Target | 2021/22 Actuals | 2022/23 Target | 2023/24 Target |
|--|---------------------|--------------------|-------------------|--------------------|-------------------|-------------------|
| 5.1a Store compliance with ID-checking requirements ¹ | 96% | 100% | 100% | 100% | 100% | 100% |
| 5.1b Customer awareness of LDB Corporate Social Responsibility Programs ^{2,3} | 89% | 76% | n/a | n/a | 90% | n/a |

¹ Data source: The Liquor and Cannabis Regulation Branch (LCRB) administers an identification (ID) compliance checking program and provides the results of BCL compliance to the LDB.

² Data source: The LDB contracts with professional survey companies to conduct bi-annual retail customer surveys.

³ The target for 2022/23 was recently updated in the [2022/23 – 2024/25 LDB Service Plan](#).

Discussion of Results

BCL continued to ensure the enforcement of the ID-checking program through ongoing employee training and awareness and supporting marketing signage at the checkouts. A continuous target of 100 per cent has been set to reflect the critical importance of preventing sales to minors. For 2021/22, BCL again reached the goal of 100 per cent compliance and will continue to strive to maintain these levels moving forward.

In addition to annual charitable campaigns for the benefit of communities at a local level, such as Dry Grad, Share-a-Bear and others, BCL supported a record number of donation campaigns by partnering with Food Banks BC and the Red Cross. Through the generosity of BCL's customers and the support of store employees, BCL collected \$4.2 million for these causes in fiscal 2021/22.

With respect to the LDB's corporate social responsibility programs, BCL promotes awareness of the risks associated with alcohol misuse through in-store and online campaigns, promotional posters and collaborating with stakeholders and community partners. Every two years, a customer survey is conducted to measure customer recall of these in-store materials to ensure that BCL develops impactful and relevant messaging for our customers. The target for 2022/23 was adjusted to 80 per cent to account for changes in customer shopping behaviour, such as spending less time browsing in-store and making less frequent shopping trips. As the retail operating environment normalizes from the COVID-19 pandemic, customer recall of in-store social responsibility campaigns is expected to improve from the baseline established in 2020/21.

There was no survey this year.

Cannabis Retail Division

Key Highlights

- Prevented sales to minors in BCCS through staff education and enforcement of ID-checking requirements at the entrance of all BCCS locations.
- Outfitted eight new BCCS with updated educational panels on consumption to reflect the full, current product assortment.
- Added 18 new, animated social responsibility and responsible consumption campaigns to supplement the existing 36 campaigns digitally displayed in store and online.
- Encouraged the responsible use of non-medical cannabis through the display of social responsibility material and signage in-store, online, and on social media.
- Partnered with charities such as Food Banks BC to support local causes.
- Supported key Red Cross donation appeals such as BC wildfires and floods, India COVID-19 relief and Ukraine humanitarian crisis.

| Performance Measure | 2019/20 Baseline | 2020/21 Actuals | 2021/22 Target | 2021/22 Actuals | 2022/23 Target | 2023/24 Target |
|---|---------------------|--------------------|-------------------|--------------------|-------------------|-------------------|
| 5.1c Store compliance with ID-checking requirements | n/a | 100% | 100% | 100% | 100% | 100% |

Data source: Compliance is self-reported by BCCS. For future years, it is expected that similar to liquor, LCRB will be administering an ID compliance checking program in cannabis stores and will provide the results of BCCS compliance to the LDB.

Discussion of Results

Social responsibility remains the key priority for all levels of government with respect to the legalization of cannabis products. All customers who enter BCCS and appear under the age of 30 must present two pieces of identification to an employee upon entering. This continued enforcement of preventing sales to minors through ID-checking of customers at the door and employee training contributed to BCCS' 100 per cent compliance, while an age gate prevents minors from browsing its online store at BCCannabisStores.com. BCCS is also committed to adhering to and strictly enforcing the 30-gram personal possession limit that is law.

The implementation of a new digital display content management system enabled BCCS greater creative control to publish engaging social responsibility messaging in stores. An additional 18 campaigns were developed to supplement the existing 36 and included a variety of responsible consumption themes, such as risks associated with impaired driving and recreational activities, sharing of inhalant devices in the context of COVID-19, and mixing cannabis with alcohol.

This year BCCS has supported a record number of donation campaigns by partnering with Food Banks BC and the Red Cross. Through the generosity of BCCS's customers and the support of store employees, BCCS contributed towards the \$4.4 million total collected across the LDB for these causes in fiscal 2021/22.

Objective 5.2: Minimize the impact of LDB operations on the environment

Key Highlights

- Increased Head Office and Burnaby dry goods warehouse waste diversion rate to 87 per cent and decreased waste contamination as a result of increased employee education.
- Regularly monitored waste service providers diversion reports for analysis and opportunities to identify improvements and efficiencies.
- Continued employee training and education at all LDB work sites by utilizing various communication channels, including signage at waste stations, digital display screens in employee-only areas, employee newsletters and at virtual staff events.
- Purchased carbon offsets and maintained carbon neutrality as part of BC's Carbon Neutral Government program.
- Continued to utilize the Clean Government Reporting tool to track and review building energy use, fleet fuel and paper supplies.

| Performance Measures | 2019/20 Baseline | 2020/21 Actuals | 2021/22 Target | 2021/22 Actuals | 2022/23 Target | 2023/24 Target |
|---|---------------------|--------------------|-------------------|--------------------|-------------------|-------------------|
| 5.2a Waste diversion rate at LDB's liquor distribution centres (DDC, KDC) and BCL | 80% | 93% | 92% | 90% | 93% | 93% |
| 5.2b Waste diversion rate at LDB's cannabis distribution centre and BCCS ¹ | 67% | 95% | 88% | 94% | 88% | 89% |
| 5.2c Waste diversion rate of LDB's Head Office and Burnaby dry goods distribution centre ² | 79% | 86% | 80% | 87% | 81% | 82% |

Data source: Diversion rates for the Delta Distribution Centre, Kamloops Distribution Centre, Richmond Distribution Centre, Head Office, and Metro Vancouver BCL are determined based on measured weights reported by contracted waste and recycling service providers. Rates for BCL outside of Metro Vancouver and BCCS are determined by estimated weights provided by a contracted waste and recycling service providers.

^{1,2} The target for 2022/23 was recently updated in the [2022/23 – 2024/25 LDB Service Plan](#).

Discussion of Results

As in previous years, a variety of materials were tracked and diverted, where supported by waste collection and recycling providers, from landfill in 2021/22 across LDB's operations and work sites:

- Delta Distribution Centre (DDC) – mixed containers, organics, paper, electronics, Styrofoam, metal, cardboard, clear soft plastics.
- Kamloops Distribution Centre (KDC) – cardboard, wood, clear soft plastics, and mixed paper.
- BCL – cardboard, clear soft plastics, and organics and paper.
- Cannabis distribution centre (RDC) – mixed containers, paper, organics, electronics, Styrofoam, wood, metal, cardboard, and soft plastics.
- BCCS – cardboard, clear soft plastics, and organics and paper.
- Head Office – mixed containers, paper, organics, wood, metal, cardboard, soft plastics, Styrofoam, and electronics.
- Burnaby dry goods warehouse (centralized distribution location for materials such as cleaning products, hand sanitizer, merchandising signage, retail display shelving, and other goods required by other LDB work sites) – mixed containers, paper, organics, wood, metal, cardboard, and soft plastics.

The decline in overall diversion rate of liquor (DDC, KDC, and BCL) and cannabis (RDC and BCCS) operations compared to the prior year was in part due to the addition of unrecyclable waste generated from the use and disposal of supplies throughout the pandemic, such as compromised plexiglass barriers, floor decals and other signage reaching end-of-life, and single-use face masks and gloves.

The LDB continued to work with property management companies of shopping centres where BCL leases space to improve collection of reliable data for analysis needed to develop effective strategies and solutions. Additionally, as contracted waste collection and recycling service

providers permit with the pandemic transitioning to an endemic, the LDB is committed to conducting annual reviews and physical work site audits to identify areas of improvement and employee education that positively impact diversion rates.

Waste diversion rates for Head Office and Burnaby Dry Goods surpassed the previous year, achieving 87 per cent of all waste diverted from landfills. The combination of the high proportion of employees working remotely due to the enduring pandemic and the knowledge and awareness of those who remained working from Head Office contributed to the overall decline of waste contamination.

Since 2010, the LDB has been measuring its greenhouse gas (GHG) emissions and purchasing BC-based carbon offsets in order to become carbon neutral on an annual basis. Efforts made to reduce emissions and the LDB's annual emissions profiles are captured in the LDB's [Carbon Neutral Action Reports](#).

In alignment with the CleanBC plan, aimed at reducing emissions throughout the provincial economy by 2030, LDB is utilizing the Clean Government Reporting tool to monitor and optimize our buildings' energy use, fleet fuel and paper supplies. The information provided by our electricity and natural gas suppliers is exchanged in real time, enabling the optimizing of energy use. The tool also tracks trends and flags any potential issues that need to be addressed.

Financial Report

For the auditor's report and audited financial statements, [see Appendix C](#). These can also be found on the LDB website www.bclldb.com.

Discussion of Results

For 2021/22, the LDB's net income and contribution to government was \$1,189 million. This was an increase of \$90.3 million or 8.2 percent compared to budget and \$28.4 million or 2.4 percent above prior year. In the third full year of operations, Cannabis Operation's net income before Head Office expense allocations was \$22.4 million and is included in the LDB net income of \$1,189 million.

Sales

LDB sales for fiscal 2021/22 were \$4,355 million, \$125.4 million or 3.0 per cent above budget. Compared to prior year, overall sales increased 5.3 percent or \$220.4 million with strong growth in both liquor and cannabis.

Liquor sales were \$3,934 million in fiscal 2021/22 and increased by 3.3 per cent, or \$126.2 million, compared to prior year. Sales were driven by higher prices in all categories partially due to inflation as overall volumes only increased 0.3 per cent.

BCLIQUOR stores (BCL) operate as customers of Wholesale Operations and apply a retail margin like any other retailer. In order to avoid double counting, all internal transactions between BCL and Wholesale Operations have been eliminated from LDB's financial results. For information on BCL operating results before Head Office expenses, please see Appendix B.

Cannabis sales were \$421.4 million and grew 28.8 per cent or \$94.2 million from the prior year. The increase in sales was driven by additional private cannabis stores and BC Cannabis Stores (BCCS) operating during the year, as well as increased product selection. During the year, eight more BCCS opened and 101 more private retailers entered the marketplace. Similar to the prior year, the majority of sales are in the dried flower, pre-rolls, and extracts and concentrates categories.

Gross margin

Gross margin for the year was \$1,680 million, \$41.7 million higher than budget. The gross margin increased \$45.0 million, or 2.7 per cent, when compared to 2020/21 driven by higher cannabis and liquor sales. As a percentage of sales, the gross margin rate compared to the prior year declined 1.0 per cent to 38.6 per cent. Liquor products generally have a higher gross margin than cannabis. As cannabis sales increase, the LDB gross margin rate declines as lower margin products increase as a proportion of total LDB sales. Some of the gross margin decrease was also because in the prior year hospitality licensees purchased liquor at the retail price until July 2020, when they changed to the wholesale pricing model.

Operating Expenses

Operating expenses, including finance costs, were \$507.7 million, \$43.9 million lower than budget and \$20.2 million higher than fiscal 2020/21. As a percentage of sales, the 2021/22 expense rate was 11.7 per cent, 1.3 per cent lower than budget.

The majority of the LDB's operating expenses are comprised of labour, amortization, bank charges, and other administrative costs. Compared to fiscal 2020/21, the \$20.2 million increase in expenses occurred mainly due to higher employment costs. Further explanations of changes in operating expenses are detailed below:

- Employment expenses increased by \$21.6 million from prior year due to a combination of wage rate increases per the collective agreement, increased number of BCCS, and increased hours for liquor operations in the distribution centres and BCL.

Compared to budget, employment costs were \$12.0 million or 3.9 per cent below budget mainly due to unopened BCCS and the number of unfilled vacancies.

- Amortization expense is comprised of:
 - depreciation on capital (fixed) assets;
 - amortization on intangible assets (e.g., software, systems implementation costs); and
 - amortization on leased assets.

Amortization decreased \$3.9 million from the prior year. This decrease was due to capital assets and systems which became fully amortized during the year. Amortization related to leased right-of-use assets decreased \$1.7 million from prior year due to a reassessment of existing lease contracts.

Amortization was \$3.5 million below budget due to delayed capital spending on projects and fewer BCCS opening than planned.

- Bank Charges increased by \$2.6 million compared to prior fiscal 2020/21 due to a combination of higher sales and reduced used of cash. Compared to budget, bank charges had a favorable variance of \$0.2 million.
- Other administrative costs include data processing, building expenses, repairs and maintenance, professional services, and merchandising. Administrative costs were comparable to prior year and were \$28.3 million below budget. Spending was below budget on professional fees by \$16.7 million due to project delays, training and travel by \$3.4 million due to COVID-19, and data processing by \$2.8 million due to a correction for a prior year over-accrual.

The LDB monitors its expenses as a percentage of sales by carefully managing its discretionary and staffing expenses in all areas of operations.

Capital

Capital expenditures for fiscal 2021/22 totalled \$22.3 million, \$31.7 million less than planned. Capital spending focused on laptops and tools for connectivity to enable working from home, cybersecurity, information technology investments to replace aging systems, and ongoing

equipment replacement. Investments continued on retail stores with \$8.9 million spent on BCL tenant improvements and \$5.8 million spent for new BCCS stores. Capital spending was delayed in some areas due to supply chain issues like backlog on the availability of laptops and due to labour shortages, which meant systems replacements progressed at a slower pace than planned. There were also fewer BCCS opened than planned which also resulted in lower capital expenditures.

Financial Summary

| \$millions | 2020/21 Actual | 2021/22 Budget | 2021/22 Actual | 2021/22 Variance |
|--|-------------------|-------------------|-------------------|---------------------|
| Sales | 4,134.7 | 4,229.6 | 4,355.1 | 125.5 |
| Cost of Sales | 2,499.3 | 2,590.9 | 2,674.7 | 83.8 |
| Gross Margin | 1,635.4 | 1,638.7 | 1,680.4 | 41.7 |
| Operating Expenses – Employment | 271.3 | 304.8 | 292.8 | (12.0) |
| Operating Expenses – Amortization | 86.4 | 86.0 | 82.5 | (3.5) |
| Operating Expenses – Administration | 56.9 | 81.8 | 56.4 | (25.4) |
| Operating Expenses – Bank Charges | 37.8 | 40.6 | 40.5 | (0.1) |
| Operating Expenses – Facilities ¹ | 27.6 | 30.4 | 28.4 | (2.0) |
| Operating Expenses - Lease Financing | 7.5 | 8.0 | 7.2 | (0.8) |
| Total Expenses² | 487.5 | 551.6 | 507.8 | (43.8) |
| Other Income | 13.0 | 11.9 | 16.7 | 4.8 |
| Net Income | 1,160.9 | 1,099.0 | 1,189.3 | 90.3 |
| Gross Profit (%) | 39.6% | 38.7% | 38.6% | (0.1%) |
| Total Expenses to Sales (%) | 11.8% | 13.0% | 11.7% | (1.3%) |
| Net Income to sales (%) | 28.1% | 26.0% | 27.3% | 1.3% |
| Capital | 21.9 | 54.0 | 22.3 | (31.7) |
| Debt³ | 232.9 | 228.1 | 229.9 | 4.2 |
| Retained Earnings | - | - | - | - |

The above financial information was prepared based on International Financial Reporting Standards.

Note 1: Facilities costs consist of common area maintenance, property taxes, utilities, repairs and maintenance.

Note 2: Fiscal 2020/21 expenses have been reclassified to be consistent with fiscal 2021/22 presentation.

Note 3: LDB does not have any loans. Debt consists of lease liabilities as at March 31.

Variance and Trend Analysis

Liquor

As of March 31, 2022, there were over 1,800 locations where consumers could purchase beverage alcohol.

During 2021/22, the retail customer count at BCL increased 1.6 per cent to 36.4 million from the 35.8 million customers in the prior year. The increased customer count was due to a combination of easing COVID-19 related restrictions (store closures and reduced hours) and increased selling days. BCL had seven more selling days than the prior year when the beginning of the COVID-19 pandemic necessitated a temporary reduction of store hours to six days a week for some locations, the reallocation of staff to support customer service and operational needs, and to allow employees time to adjust to pandemic-related changes.

The average retail customer transaction value at BCL decreased 4.8 per cent, from \$40.64 to \$38.60. The lower average transaction value and higher customer count indicates that BCL customers on average are spending slightly less per visit but are visiting more frequently.

The LDB holds wholesale and retail inventory on average for 26 days with an annual inventory turn rate of 14. The inventory turn rate is one more day than previous year.

Cannabis

LDB continued its rollout of BCCS stores during fiscal 2021/22 opening eight new stores throughout the province. Private retail stores also continued to open with 101 new stores compared to the prior year. At March 31, 2022 there were 439 brick-and-mortar stores in the province where consumers can purchase non-medical cannabis comprising of 33 BCCS and 406 private stores.

In fiscal 2021/22, there were 1.7 million transactions through BCCS and its e-commerce channel at BCCannabisStores.com, a 45.5 per cent increase compared to the 1.1 million transactions in the prior year. The average retail transaction value in fiscal 2021/22 was \$57.11, a decrease of 8.0% compared the average transaction value of \$62.05 in the prior year. This decrease is due to increased competition and reflects the declining price per gram. Generally, average transaction values for on-line purchases are higher than for BCCS counter transactions.

The LDB continues to focus on being competitive with the illicit market and to encourage purchases from the legal market.

For fiscal 2021/22, the wholesale and retail inventory turned over seven times, indicating that inventory was held on average for 49 days. In comparison, fiscal 2020/21 wholesale and retail inventory turned six times, with inventory being held on average for 63 days.

Product Categories

LDB sales of \$4,355 million increased \$220.4 million from the previous year and was driven by an increase in beverage alcohol sales of \$126.2 million and non-medical cannabis sales of \$94.2 million. Higher prices were partially due to inflation on beverage alcohol sales and an increased number of public and private cannabis stores contributed to the growth in sales.

Table 1: Sales by Major Category (\$000s)*For the five fiscal years ended March 31, 2022*

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | Change vs. Previous Year (2021/22 vs. 2020/21) | |
|-------------------------|------------------|------------------|------------------|------------------|------------------|--|-------------|
| | | | | | | \$ | % |
| Liquor | | | | | | | |
| Spirits | 872,570 | 900,050 | 946,463 | 999,108 | 1,044,448 | 45,340 | 4.5 |
| Wine | 1,212,673 | 1,222,571 | 1,271,831 | 1,271,892 | 1,305,125 | 33,233 | 2.6 |
| Refreshment | 221,548 | 266,819 | 320,940 | 420,812 | 450,194 | 29,382 | 7.0 |
| Beer | 1,188,762 | 1,183,682 | 1,163,549 | 1,112,658 | 1,129,976 | 17,318 | 1.6 |
| Other | 2,454 | 2,499 | 2,720 | 2,925 | 3,864 | 939 | 32.1 |
| Total Liquor | 3,498,007 | 3,575,621 | 3,705,503 | 3,807,395 | 3,933,607 | 126,212 | 3.3 |
| Cannabis | | | | | | | |
| Flower | n/a | 13,308 | 88,035 | 171,713 | 190,137 | 18,242 | 10.7 |
| Pre-roll | n/a | 1,528 | 20,562 | 56,390 | 91,880 | 35,490 | 62.9 |
| Extracts & Concentrates | n/a | 2,665 | 23,923 | 75,929 | 103,709 | 27,780 | 36.6 |
| Other | n/a | 491 | 3,403 | 23,246 | 35,723 | 12,477 | 53.7 |
| Total Cannabis | n/a | 17,992 | 135,923 | 327,278 | 421,449 | 94,171 | 28.8 |
| Total Sales | 3,498,007 | 3,593,613 | 3,841,426 | 4,134,673 | 4,355,056 | 220,383 | 5.3 |

Beverage alcohol sales increased by \$126.2 million or 3.3 per cent compared to the previous year. All categories showed growth with spirits having that largest increase of \$45.3 million or 4.5 per cent. The spirits, wine and beer categories continue to be the primary areas of revenue for the LDB.

Since fiscal 2017/18, the refreshment category has grown an average of 19.7 per cent annually while spirits averaged 4.6 per cent, wine averaged 1.9 per cent, and the beer category had a decline of 1.2 per cent on average. Overall beverage alcohol sales have grown an average of 3.0 per cent annually.

Consistent with prior year trends, the refreshment category had the highest growth, increasing by 7.0 per cent, or \$29.4 million over the prior year. In fiscal 2021/22, the refreshment beverage category contributed 11.5 per cent of all liquor sales, almost doubling from fiscal 2017/18 when it was 6.3% of total liquor sales. Beer sales increased 1.6 per cent in the current year, accounting for 28.7 per cent of liquor sales. Wine sales were up 2.6 per cent compared to prior year and the category share decreased 0.2 per cent to 33.2 per cent. Spirit sales increased 4.5 per cent and accounted for 26.6 percent of liquor sales, an increase of 0.4 per cent in the sales mix.

In litres, the beer category still has the highest sales volumes followed by refreshment beverages, wine, and spirits. By percentage increase compared to prior year, similar to the sales dollar increase, the refreshment beverage category had the highest volume increase. For all categories, the sales dollar increase was higher than volume increase, indicating that higher prices were driving the LDB sales increase and not increased consumption.

Cannabis sales increased \$94.2 million to \$421.4 million during the third year of operations. Dried flowers, pre-rolls, and extracts and concentrates contributed to 91.5 per cent of all cannabis sales. In fiscal 2021/22, cannabis sales account for 9.7 per cent of LDB sales compared to liquor which accounts for 90.3 per cent. The LDB has different mark-up rates on products, and as shifts occur between product categories, this impacts the LDB gross margin.

Table 2: Sales by Major Category in Litres (000s)/Gram Equivalent (000s)

For the five fiscal years ended March 31, 2022

| | | | | | | Change vs. Previous Year (2021/22 vs. 2020/21) | |
|---|----------------|----------------|----------------|----------------|----------------|---|-------------|
| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | Change | % |
| Liquor | | | | | | | |
| Spirits | 27,029 | 27,374 | 28,411 | 29,835 | 30,427 | 592 | 2.0 |
| Wine | 77,408 | 76,005 | 78,525 | 79,758 | 77,345 | (2,413) | (3.0) |
| Refreshment | 48,633 | 56,343 | 65,860 | 85,170 | 88,764 | 3,594 | 4.2 |
| Beer | 298,751 | 293,267 | 284,224 | 270,542 | 269,811 | (731) | (0.3) |
| Other | 231 | 244 | 276 | 368 | 495 | 127 | 34.5 |
| Total Liquor (litres) | 452,052 | 453,233 | 457,296 | 465,673 | 466,842 | 1,169 | 0.3 |
| Cannabis | | | | | | | |
| Flower | n/a | 1,741 | 12,692 | 33,706 | 44,821 | 11,115 | 33.0 |
| Pre-roll | n/a | 154 | 2,353 | 8,066 | 15,459 | 7,393 | 91.7 |
| Extracts & Concentrates | n/a | 187 | 2,076 | 5,422 | 11,636 | 6,214 | 114.6 |
| Other | n/a | 1 | 497 | 7,072 | 12,889 | 5,817 | 82.3 |
| Total Cannabis (gram equivalent) | n/a | 2,083 | 17,618 | 54,266 | 84,805 | 30,539 | 56.3 |

Data Source: LDB Oracle Financial System.

As outlined in Table 2 above, there was a volume increase of 0.3 per cent over the previous year for liquor sales. Increases in the refreshment category were partially offset by decreases in the

wine and beer categories, reflecting changing consumer preferences. The refreshment beverage category had the largest volume increase at 4.2 per cent, followed by spirits at 2.0 per cent, and wine declined 3.0 per cent followed by beer at 0.3 per cent when compared to last year.

Total kilograms of cannabis sold increased to 84,805 kilograms as Cannabis Operations continues to grow.

Customer Sales

During fiscal 2021/22, the liquor marketplace continued to change, reflecting shifts in customer behavior as COVID-19 restrictions were relaxed and consumers started to dine out. Hospitality licensees operated under a reduced capacity throughout the prior year and most of fiscal 2021/22. As COVID-19 restrictions were gradually relaxed during fiscal 2021/22 and hospitality licensees resumed more 'normalized' operations, there was a 61.8 per cent increase in sales to the hospitality sector. Hospitality licensee sales represented 10.5 per cent of LDB sales in fiscal 2021/22 and reflect the gradual recovery of the sector.

The increase in liquor sales from the hospitality sector resulted in the sales to private liquor stores decreasing from 40.8 per cent to 38.1 per cent and BCL sales decreasing from 42.3 per cent to 41.4 per cent.

For cannabis sales, the sales mix continues to reflect the significant increase in private retail stores entering the market during the year. During fiscal 2021/22, there was an increase of 101 licensed private retail stores in the province with 403 licensed private stores as of March 31, 2022.

Table 3: Provincial Sales by Customer based on Dollar Sales

For the five years ended March 31, 2022

(As a percentage of total dollar sales)

| Liquor | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|
| BCLS counter customers | 41.8 | 41.0 | 41.0 | 42.3 | 41.4 |
| Licensee retail stores ¹ | 32.4 | 33.3 | 34.2 | 40.8 | 38.1 |
| Licensed establishments | 17.1 | 16.7 | 15.6 | 6.7 | 10.5 |
| Other customers ² | 6.0 | 6.3 | 6.5 | 7.2 | 7.2 |
| Agency Stores | 2.7 | 2.7 | 2.7 | 3.0 | 2.8 |
| Total Liquor Sales (%) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Cannabis | | | | | |
| BCCS retail customers | n/a | 78.3 | 23.8 | 19.5 | 20.3 |
| Private cannabis retail stores | n/a | 21.7 | 76.2 | 80.5 | 79.7 |
| Total Cannabis Sales (%) | n/a | 100.0 | 100.0 | 100.0 | 100.0 |

Data Source: LDB's Oracle Financial System.

Note 1: Includes Independent Wine Store licensees.

Note 2: Includes B.C. manufacturer on-site stores

Table 4: Provincial Sales by Customer based on Litre/Kilogram Sales*For the five years ended March 31, 2022**(As a percentage of total litre/kilogram sales)*

| Liquor (total litre sales) | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|--|----------------|----------------|----------------|----------------|----------------|
| BCLS counter customers | 32.7 | 32.2 | 32.4 | 32.8 | 32.2 |
| Licensee retail stores ¹ | 41.5 | 42.2 | 43.1 | 50.6 | 47.4 |
| Licensed Establishments | 18.1 | 17.7 | 16.4 | 7.7 | 11.6 |
| Other customers ² | 3.6 | 3.6 | 3.3 | 4.4 | 4.6 |
| Rural Agency Stores | 4.1 | 4.3 | 4.8 | 4.5 | 4.2 |
| Total Liquor Sales (%) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Cannabis (total kilogram sales) | | | | | |
| BCCS retail customers | n/a | 74.8 | 19.7 | 15.4 | 15.6 |
| Private cannabis retail stores | n/a | 25.2 | 80.3 | 84.6 | 84.4 |
| Total Cannabis Sales (%) | n/a | 100.0 | 100.0 | 100.0 | 100.0 |

Data Source: LDB's Oracle Financial System.**Note 1:** Includes Independent Wine Store licensees.**Note 2:** Includes B.C. manufacturer on-site stores**Table 5: Year-over-Year Percentage Changes in Customer Sales Based on Dollar Sales***For the five years ended March 31, 2022*

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|
| BCLS counter customers | 2.1 | 0.1 | 3.5 | 6.2 | 1.2 |
| Licensee Retail Stores ¹ | 6.7 | 5.1 | 6.4 | 22.6 | (3.6) |
| Licensed Establishments | 6.3 | 0.6 | (3.0) | (56.1) | 61.8 |
| Other customers ² | 13.3 | 6.6 | 7.7 | 13.1 | 3.6 |
| Agency Stores | 5.5 | 2.7 | 3.1 | 13.0 | (3.3) |
| Total Liquor Sales (%) | 5.0 | 2.2 | 3.6 | 2.7 | 3.3 |
| BCCS retail customers | n/a | n/a | 129.4 | 96.6 | 34.0 |
| Private cannabis stores | n/a | n/a | 2,552.4 | 154.6 | 27.5 |
| Total Cannabis Sales (%) | n/a | n/a | 655.5 | 140.8 | 28.8 |

Data Source: LDB's Oracle Financial System.**Note 1:** Includes Independent Wine Store licensees.**Note 2:** Includes B.C. manufacturer on-site stores

Compared to fiscal 2020/21, there was sales growth in all customer categories except for licensed retail stores and rural agency stores. As mentioned earlier, as retail customers stayed home in fiscal 2020/21, there were increased purchases in all retail store outlets. As COVID-19 restrictions eased during fiscal 2021/22, there is a shift back toward pre-pandemic sales patterns.

Remittances to Government agencies

The LDB paid \$1,649 million to various government agencies during fiscal 2021/22.

Table 6: Remittances to Government Agencies

(in \$000s)

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|------------------------------|------------------|------------------|------------------|------------------|------------------|
| FEDERAL GOVERNMENT | | | | | |
| Custom Duties and Excise Tax | 177,287 | 169,851 | 177,374 | 200,462 | 196,627 |
| GST | 74,927 | 73,079 | 80,137 | 85,336 | 88,641 |
| Total | 252,214 | 242,930 | 257,511 | 285,798 | 285,268 |
| PROVINCIAL GOVERNMENT | | | | | |
| LDB Net Income | 1,119,557 | 1,104,035 | 1,107,170 | 1,160,916 | 1,189,309 |
| Provincial Sales Tax | 146,539 | 148,441 | 151,302 | 171,702 | 172,212 |
| Liquor Control and Licensing | 428 | 427 | 428 | 426 | 429 |
| Total | 1,266,524 | 1,252,903 | 1,258,900 | 1,333,044 | 1,361,950 |
| MUNICIPAL GOVERNMENT | | | | | |
| Property Taxes | 1,045 | 1,135 | 998 | 770 | 1,499 |
| Business Licenses | 38 | 43 | 60 | 69 | 108 |
| Total | 1,083 | 1,178 | 1,058 | 839 | 1,607 |
| Total Remittances | 1,519,821 | 1,497,011 | 1,517,469 | 1,619,681 | 1,648,825 |

Risks and Uncertainties

The LDB monitors the changing landscape of cannabis and liquor in order to proactively address changes in policy, marketplace, and uncertainties.

Similar to many other industries, the economic outlook for the beverage alcohol and cannabis sector is unclear. Supply chain disruptions and labour shortages due in part to COVID-19 could last well into 2022/23. The Russia-Ukraine conflict may result in additional supply chain disruptions as well as increased product costs. The continuing risk of new COVID-19 variants impacting the economy, industry and staff returning to office add more uncertainty. The LDB will continue to follow orders issued by the Provincial Health Officer and make adjustments where necessary.

Statistic Canada reported that “in March 2022, Canadian consumer prices increased 6.7 per cent year over year. This was the largest increase since January 1991 (+6.9%).” Inflation and future interest rate increases may impact consumer spending patterns. Changes in product mix impacts LDB margins as each product category has different margins.

Future government policy changes could also have implications for the LDB’s business.

As the liquor industry changes into the new ‘normal’ post-COVID-19, the LDB will continue to focus on business efficiencies and adapting to the needs of its wholesale and retail customers. In retail operations, future investments include e-commerce for BCL to allow customers better convenience in their shopping experience. In Wholesale Operations, pricing processes and systems continued to be reviewed and streamlined to gain efficiencies and more flexibility.

As the legal cannabis industry passes its third year of operations and continues to mature, the LDB will focus on developing efficient distribution operations to support both wholesale and retail customers. With the pending implementation of direct delivery for small producers, this will ensure small producers have access to the marketplace.

The LDB will continue to monitor wholesale margins for liquor and cannabis to ensure government’s revenue targets are achieved.

The LDB continues to take proactive cybersecurity measures to neutralize potential risk of ransomware cyberattacks that are on the rise in frequency and magnitude worldwide.

Appendix A: Additional Information

Organizational Overview

The LDB is one of two branches of Government responsible for the wholesale distribution and retail sale of beverage alcohol and non-medical cannabis. While it is not a Crown corporation, the LDB is required to comply within the requirements of a Crown agency in relation to its financial reporting, service plan and mandate letter.

To fulfill our responsibilities to Government and the people of B.C., the LDB:

- Generates revenue for the Government of B.C.;
- Manages the LDB's business risks;
- Ensures accountability of key business partners; and
- Develops and implements programs and services aimed at deterring the sale of non-medical cannabis and beverage alcohol to minors or persons who appear intoxicated.

The LDB is proud to contribute more than \$1 billion annually to the Province of B.C., helping to provide financial support for vital services such as health care and education.

Corporate Governance

The *Liquor Distribution Act* (LDA) gives the LDB the sole right to purchase beverage alcohol both within B.C. and from outside the province, in accordance with the federal *Importation of Intoxicating Liquors Act*. The *Cannabis Distribution Act* (CDA) establishes a government wholesale cannabis distribution model, public cannabis retail stores, and an online government sales channel.

Under the Ministry of Finance, the LDB has a General Manager and CEO who is responsible for administering the LDA and CDA, subject to the direction from the Minister. The General Manager and CEO:

- Operates a province-wide, retail and wholesale beverage alcohol business, within a mixed public-private retail model;
- Operates a province-wide, retail and wholesale non-medical cannabis business within a mixed public-private retail model;
- Has a workforce of approximately 5,000 full- and part-time employees.

Contact Information

P: 604-252-7400

E: communications@bcldb.com

Website: www.bcldb.com

Appendix B: BC Liquor Stores Operating Results

Table 1 reflects the BCL operating results as if it were a customer of Wholesale Operations, like any other private store operator. For 2021/22, BCL net income increased \$16.2 million from the prior year. The net income rate increased from 10.2 to 11.1 per cent of sales.

Table 1: BCL financial results

(Unaudited - in \$millions)

| | 2020/21 | % sales | 2021/22 | % sales |
|-------------------|----------------|----------------|----------------|----------------|
| Sales | 1,623.0 | 100.0 | 1,640.0 | 100.0 |
| Gross Margin | 369.4 | 22.8 | 379.8 | 23.2 |
| Expenses | 205.4 | 12.7 | 200.6 | 12.3 |
| Other Income | 1.5 | 0.1 | 2.5 | 0.2 |
| Net Income | 165.5 | 10.2 | 181.7 | 11.1 |

BCL sales include all customer sales (e.g. counter customers and private stores) occurring in the stores but excludes sales and related gross margin related to licensed establishments (hospitality) customers. Since hospitality sales are attributed to Wholesale Operations, the costs related to these sales are also removed from the BCL results.

The gross margin reflects the retail mark-up added to the wholesale price of product transferred from Wholesale Operations.

The financial results do not include any allocation of Head Office expenses.

Appendix C: Auditor's Report and Audited Financial Statements

Liquor Distribution Branch (LDB) Top Issues

Issue 1: Industry Concerns Regarding Resumption of Operations Following Job Action

- The BCGEU job action from August 15-31, 2022, resulted in closure of the LDB distribution and wholesale customer care centers, and a ban on overtime for all unionized LDB employees from August 22-30.
- The only part of the wholesale distribution network that remained operational was the direct delivery of some BC liquor products to private retail stores and hospitality business.
- Private cannabis retailers were more severely impacted as the direct delivery distribution options were not operational when the job action began and are much smaller in scope in comparison to liquor.
- The LDB estimates it will take until the end of October for service levels and delivery timelines for liquor to return to normal for stocked products (those sold in BCLIQUOR stores). However, for non-stocked products (products typically used by smaller hospitality establishments and smaller private liquor stores), timelines are significantly longer. The LDB has been struggling to catch up due to a combination of backlog from the job action, labour shortages and higher-than-normal order volumes.
- Industry stakeholders, especially hospitality licensees and import agents, are becoming increasingly concerned about business impacts leading into the holiday season.

Issue 2: Business Technical Advisor Panel (BTAP) Status of Recommendations and Industry Relationships

- In 2018, BTAP was established by government to focus on liquor issues of importance to the sector. BTAP currently has 11 members representing manufacturers, retail licensees (including rural stores) and hospitality sector associations.
- Since BTAP was initially formed, ^{Advice/Recommendations}
Advice/Recommendations
- Government and the LDB meet with BTAP quarterly. This engagement has afforded opportunities to identify/ discuss priorities and communicate quickly during major events (i.e. floods, job action).
- Since BTAP's initial report in 2018, a total of 34 recommendations have been tabled, including emergency pandemic-related recommendations. To date, 15 have been implemented while the remainder are either closed, in progress towards implementation or are being assessed to determine feasibility.
- In addition to its initial set of recommendations and in light of impacts from the job action, BTAP is now expressing an interest in discussing alternative delivery mechanisms for certain products.
- The outstanding recommendations/ are complex and would have significant financial, operational and/or policy implications, including broad impacts on B.C.'s liquor distribution system.
- In this context, ^{Cabinet Confidences; Advice/Recommendations}
Cabinet Confidences; Advice/Recommendations
-

Cabinet Confidences; Advice/Recommendations; Government Financial Information



Issue 4: Cannabis Revenue and Retail Projections

- The roll-out of B.C.'s legal non-medical cannabis regime since legalization in 2018 has not
Government Financial Information
- These factors have contributed
Government Financial Information
- The LDB's overall gross sales revenues consist of approximately 10% cannabis and 90% liquor. Total year-to-date (Q2) cannabis sales are \$10M below budget.
- Government Financial Information
- Cabinet Confidences



BRIEFING NOTE

CROWN AGENCIES

Name: British Columbia Lottery Corporation (BCLC)

Legislative Authority: *Gaming Control Act*, S.B.C. 2002, s. 2

Mandate:

The Provincial Government has designated the BCLC as the authority to conduct and manage lottery schemes, electronic and linked bingo and casino gaming within British Columbia, including the marketing of nationwide regional lottery games in association with other provinces in Canada.

The BCLC Board of Directors is responsible for supervising the management of the affairs of the Corporation and for guiding its activities to meet its statutory objectives as outlined in the *Gaming Control Act* (GCA).

Current Appointees:

| Name | Position | Appointment | |
|--------------------|----------|-------------|------------|
| | | Start | End |
| Gregory Moore | Chair | 31/05/2021 | 31/10/2023 |
| Lisa Ethans | Director | 31/10/2021 | 31/10/2024 |
| Joan Axford | Director | 31/10/2021 | 31/10/2023 |
| Hilary Cassady | Director | 31/10/2021 | 31/10/2023 |
| Fiona Chan | Director | 31/10/2021 | 31/10/2023 |
| Mario Lee | Director | 31/10/2021 | 31/10/2023 |
| Teresa Kelly | Director | 17/11/2021 | 17/11/2024 |
| Coro Strandberg | Director | 17/11/2021 | 17/11/2024 |
| Leah George-Wilson | Director | 29/04/2022 | 29/04/2024 |
| Gillian Malfair | Director | 20/04/2022 | 29/04/2024 |
| Nejeed Kassam | Director | 29/04/2022 | 29/04/2024 |

Appointments required:

- None

Issue(s): No near to mid-term operational and/or strategic issues; however, Cabinet Confidences
Cabinet Confidences

Key Contact:

Kim Horn
Executive Lead (Crown Agencies Secretariat)
250 896-3680





CLIFF # 276802

Peter Kappel, Chair
Board of Directors
British Columbia Lottery Corporation
2840 Virtual Way
Vancouver BC V5M 0A6

Dear Mr. Kappel:

On behalf of Premier Horgan and the Executive Council, I would like to extend my thanks to you and your board members for the dedication, expertise and skills with which you serve the people of British Columbia.

Every public sector organization is accountable to the citizens of British Columbia. The expectations of British Columbians are identified through their elected representatives, the members of the Legislative Assembly. Your contributions advance and protect the public interest of all British Columbians and through your work, you are supporting a society in which the people of this province can exercise their democratic rights, trust and feel protected by their public institutions.

You are serving British Columbians at a time when people in our province face significant challenges as a result of the global COVID-19 pandemic. Recovering from the pandemic will require focused direction, strong alignment and ongoing engagement between public sector organizations and government. It will require all Crowns to adapt to changing circumstances and follow Public Health orders and guidelines as you find ways to deliver your services to citizens.

This mandate letter, which I am sending in my capacity as Minister responsible for British Columbia Lottery Corporation (BCLC), on behalf of the Executive Council, communicates expectations for your organization. It sets out overarching principles relevant to the entire public sector and provides specific direction to the BCLC about priorities and expectations for the coming fiscal year.

I expect that the following five foundational principles will inform your agency's policies and programs:

.../2



- **Putting people first:** We are committed to working with you to put people first. You and your board are uniquely positioned to advance and protect the public interest and I expect that you will consider how your board's decisions maintain, protect and enhance the public services people rely on and make life more affordable for everyone.
- **Lasting and meaningful reconciliation:** Reconciliation is an ongoing process and a shared responsibility for us all. Government's unanimous passage of the *Declaration of the Rights of Indigenous Peoples Act* was a significant step forward in this journey – one that all Crown agencies are expected to support as we work in cooperation with Indigenous peoples to establish a clear and sustainable path to lasting reconciliation. True reconciliation will take time and ongoing commitment to work with Indigenous peoples as they move towards self-determination. Guiding these efforts, Crown agencies must also remain focused on creating opportunities that implement the Truth and Reconciliation Commission through your mandate.
- **Equity and anti-racism:** Our province's history, identity and strength are rooted in its diverse population. Yet racialized and marginalized people face historic and present-day barriers that limit their full participation in their communities, workplaces, government and their lives. The public sector has a moral and ethical responsibility to tackle systemic discrimination in all its forms – and every public sector organization has a role in this work. All Crowns are expected to adopt the Gender-Based Analysis Plus (GBA+) lens to ensure equity is reflected in your operations and programs. Similarly, appointments resulting in strong public sector boards that reflect the diversity of British Columbia will help achieve effective and citizen-centred governance.
- **A better future through fighting climate change:** Announced in December 2018, the CleanBC climate action plan puts our province on the path to a cleaner, better future by building a low-carbon economy with new clean energy jobs and opportunities, protecting our clean air, land and water and supporting communities to prepare for carbon impacts. As part of the accountability framework established in CleanBC, and consistent with the *Climate Change Accountability Act*, please ensure your organization aligns operations with targets and strategies for minimizing greenhouse gas emissions and managing climate change risk, including the CleanBC target of a 50% reduction in public sector building emissions and a 40% reduction in public sector fleet emissions by 2030. Your organization is expected to work with government to report out on these plans and activities as required by legislation.
- **A strong, sustainable economy that works for everyone:** I expect that you will identify new and flexible ways to achieve your mandate and serve the citizens of British

.../3



Columbia within the guidelines established by the Provincial Health Officer and considering best practices for conducting business during the pandemic. Collectively, our public sector will continue to support British Columbians through the pandemic and economic recovery by investing in health care, getting people back to work, helping businesses and communities, and building the clean, innovative economy of the future. As a public sector organization, I expect that you will consider how your decisions and operations reflect environmental, social and governance factors and contribute to this future.

The Crown Agencies and Board Resourcing Office (CABRO), with the Ministry of Finance, will continue to support you and your board on recruitment and appointments as needed, and will be expanding professional development opportunities in 2021/22. The Governing in the Public Interest online certificate program is now available, and all board members are encouraged to complete this new offering.

As the Minister Responsible for the BCLC, I expect that you will make substantive progress on the following priorities and incorporate them in the goals, objectives and performance measures in your 2021/22 Service Plan:

- Government continues to address concerns raised around illicit behaviour in BCLC's gaming facilities. It is expected that BCLC will continue to prioritize taking action to eradicate money laundering and other illicit behaviour in our casinos. Regarding these efforts:
 - Implement and support government's response to recommendations arising from the Cullen Commission of Inquiry into Money Laundering in British Columbia as appropriate;
 - Continue to work with law enforcement partners, service providers and the gambling regulator to analyze the effectiveness of policies and procedures implemented to disrupt and combat money laundering in B.C. casinos;
 - Provide information to the Deputy Minister and the gambling regulator as and when necessary to help support the development of policies and procedures to disrupt money laundering;
 - Continue implementation of recommendations from the reports on money laundering and relevant actions arising from the implementation of the provincial anti-money laundering (AML) strategy; and
 - Continue to work with industry and enforcement partners and provide support to the gambling regulator in the development of new regulatory gambling standards and the transition to a standards-based model.

.../4



- Continue to seek opportunities to strengthen BCLC's ability to identify and respond to early warning signs of high-risk gambling in order to mitigate the impacts of gambling products and behaviours. This includes implementation of initiatives to support an enterprise view of players in line with BCLC's strategy to continue offering responsible, player-centric gambling.
- Continue to proactively and responsively share information with the Deputy Minister (Crown Agencies Secretariat), Anti-Money Laundering Deputy Minister's Committee (AML DMC), Anti-Money Laundering Secretariat (AMLS) and the regulator that assists the government in meeting its responsibilities for the overall integrity of gambling and providing advice on broad policy, standards and regulatory issues.
- Sustain operations while collaborating with casino service providers and ensuring alignment with the provincial government's COVID-19 recovery efforts.
- As appropriate, and in alignment with responsible gambling practices, explore options to increase and/or enhance PlayNow.com's online gambling offerings to increase revenue from this product stream.

Each board member is required to sign the Mandate Letter to acknowledge government's direction to your organization. The signed Mandate Letter is to be posted publicly on your organization's website in spring 2021.

I look forward to continuing to work with you and your Board colleagues to build a better B.C.

Sincerely,



Selina Robinson
Minister

cc: Honourable John Horgan, Premier

Lori Wanamaker, Deputy Minister to the Premier, Cabinet Secretary and Head of the BC Public Service

Mark Sieben, Deputy Solicitor General, Ministry of Public Safety and Solicitor General

Douglas S. Scott, Deputy Minister, Crown Agencies Secretariat, Ministry of Finance

.../5



Heather Wood, Deputy Minister and Secretary to Treasury Board, Ministry of Finance

Sam MacLeod, General Manager, Gaming Policy and Enforcement Branch, Ministry of Public Safety and Solicitor General

Lynda Cavanaugh, Interim Chief Executive Officer/President, BC Lottery Corporation

Peter Kappel, Board Member, BC Lottery Corporation

Joan Axford, Board Member, BC Lottery Corporation

Hilary Cassady, Board Member, BC Lottery Corporation

Fiona Chan, Board Member, BC Lottery Corporation

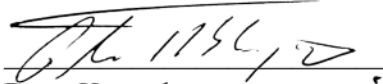
Lisa Ethans, Board Member, BC Lottery Corporation

Dusty Kelly, Board Member, BC Lottery Corporation

Mario Lee, Board Member, BC Lottery Corporation

Coro Strandberg, Board Member, BC Lottery Corporation





Peter Kappel
Board Member, BC Lottery Corporation

20 May 2021

Date:



Joan Axford
Board Member, BC Lottery Corporation

20 May 2021

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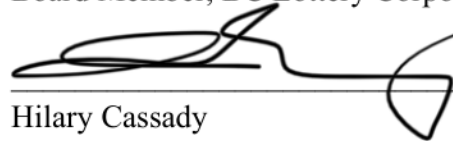


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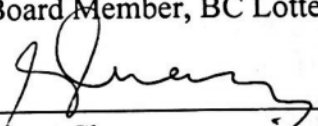
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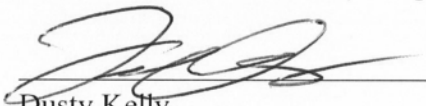
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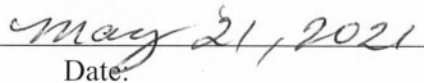
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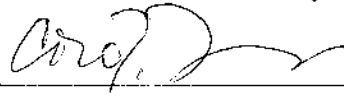
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Date:


Coro Strandberg
Board Member, BC Lottery Corporation

May 20/21
Date:



BC Lottery Corporation

2022/23 – 2024/25 Service Plan

February 2022



For more information on the British Columbia Lottery Corporation (BCLC) contact:

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T: 250-828-5500

consumerservices@bclc.com

Or visit our website at

www.bclc.com

Board Chair's Accountability Statement



The 2022/23 – 2024/25 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 1, 2022 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, appearing to be 'GM' or similar initials, written in a stylized, cursive manner.

Greg Moore
Board Chair

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Strategic Direction and Alignment with Government Priorities

In 2022/2023, public sector organizations will continue to align with and support the Government of British Columbia efforts in responding to the COVID-19 pandemic with a focus on protecting the health, social and economic well-being of British Columbians. Building on our economic, environmental, and social strengths while looking to seize opportunities to improve outcomes for all British Columbians will be an important aspect of each Crown Agency's work as we respond to COVID-19 and recover from devastating floods and wildfires. The policies, programs and projects developed over the course of this service plan period will align with the five foundational principles established by Government in 2020: putting people first, working toward lasting and meaningful reconciliation, supporting equity and anti-racism, ensuring a better future through fighting climate change and meeting our greenhouse gas reduction targets, and supporting a strong, sustainable economy that works for everyone.

This 2022/23 service plan outlines how British Columbia Lottery Corporation (BCLC) will support the government's priorities including the foundational principles listed above and selected action items identified in the most recent [Crown Agency Mandate Letter](#).

As a Crown corporation, British Columbia Lottery Corporation (BCLC) is governed by the *Gaming Control Act* and is responsible for the conduct and management of commercial gambling on behalf of the Government of British Columbia, including lottery, casino, bingo and online gambling. The net income BCLC generates is delivered to the Province to fund health care, education and important services and programs across the province. Government shares seven per cent of provincial distributions with First Nations through the First Nations Revenue Sharing Partnership, and in accordance with the Province's Host Financial Assistance Agreement, local governments that host casinos or community gaming centres also receive a 10 per cent share of net gaming income generated by those facilities.

BCLC is focused on delivering its strategic priorities, as established by Government and as outlined in our Mandate Letter. These instructions form part of BCLC's strategic context, and along with economic and market trends, inform the business choices it makes and ensure the business interest is being served.

Operating Environment

As the organization responsible for conducting and managing gambling in British Columbia, BCLC offers gambling entertainment products across the Province through brick-and-mortar facilities and online. Service providers and retailers deliver our products in brick-and-mortar facilities while we deliver online and mobile offerings directly through PlayNow.com.

COVID-19

There continues to be uncertainty around the COVID-19 pandemic, including the Omicron variant, and the risk it poses to our business and the local and global economies. Future waves and new variants of the virus are difficult to predict and could result in new public health orders, travel restrictions, workforce disruptions and impacts on the disposable income of British Columbians. BCLC will monitor the situation closely, continue to follow Provincial Health Officer (PHO) guidelines and ensure the proper measures are in place to support the health and wellbeing of employees and players.

The pandemic has demonstrated to organizations, including BCLC, that remote work is a viable option. For many companies, geography is no longer a restriction when it comes to their hiring practices. As a result, there is increasing competition for talent, particularly for hard-to-source roles. BCLC must continue to provide a competitive total rewards program and leverage the learnings of the pandemic to evolve our workplace to meet the expectations of the modern workforce, including flexible work arrangements and a commitment to wellness.

Climate Change and Extreme Weather Events

British Columbia is experiencing the effects of climate change: temperatures are increasing, sea levels are rising, and variable and extreme weather is becoming more frequent. Wildfires have impacted many British Columbians over the course of several summers as have heat waves – including in our head office community of Kamloops. Recent flooding has destroyed highway infrastructure and has impacted supply chains. Given these trends, BCLC is planning for and developing strategies to address these impacts on our people, our players and our business.

Player Experience

BCLC operates in a crowded entertainment market¹, competing for players' attention, time and spend on entertainment options. In addition, COVID-19 has shifted consumer expectations and patterns to online and/or socially distant options. With consumers spending more time at home, COVID-19 has accelerated the adoption of mobile into virtually all interactions including retail, entertainment and the world of work.

BCLC is becoming a player-centric company focused on remaining competitive and growing revenue responsibly. We have changed our organizational structure by consolidating our lines of business – Lottery, Casino, and eGaming – into a single Operations division in order to deliver a more coordinated player experience and to integrate the delivery of our products and services across all channels (brick-and-mortar and online).

¹ The Kantar Group. (2018). *Needstates Index* (commissioned by BCLC).

As part of this work, we have undertaken a comprehensive process to evaluate our current player experience (PX) maturity and clearly define a PX vision. Along with the development of a new PX team, we are integrating proven PX practices into our existing teams and processes.

Evolution of Online Gambling

Government created BCLC to offer gambling in a safe and responsible manner for the benefit of British Columbians. PlayNow.com operates successfully in B.C. and has significantly increased its player base and revenue through the pandemic. While we are projecting continued growth, online gambling sites that operate illegally in B.C. (characterized as ‘grey market’) are increasing their investments in sponsorships and advertising here and across the country. As a result, it is becoming more costly for PlayNow.com to compete for advertising and sponsorship opportunities that enhance the brand’s presence and draw players to the only legal option in our province – the only one that delivers profits to fund healthcare, education and community programs.

Further, the Alcohol and Gaming Commission of Ontario is poised to begin licensing online gambling providers in that province. Some of these potential providers are already operating illegally in B.C. In preparation for their legal entry into the Ontario gambling market, some operators are developing national partnerships with media companies and sports leagues, resulting in further competition and challenges for PlayNow.com when it comes to B.C.-based media and marketing partnerships.

A recent study indicates 64 per cent of online gamblers in our province prefer to gamble on a BC-regulated website compared to 6 per cent who prefer offshore sites². PlayNow.com, the only regulated website in B.C., will continue to make investments to enhance our online entertainment options in order to grow our market share.

Cullen Commission

BCLC is awaiting the Commissioner’s final report from the Cullen Inquiry into Money Laundering in British Columbia and will work with government and regulators to address recommendations as required. We have an unwavering commitment to evolving and modernizing our robust anti-money laundering program and we are investing in technology that will make it easier to respond to evolving compliance requirements and reduce paper-based documentation. Increasing public awareness and understanding of the actions BCLC has taken to reduce the risk of money laundering in our operations remains important to building and maintaining the community support and social license to operate the business.

Social Purpose

BCLC has adopted a Social Purpose. A Social Purpose business³ is a company whose enduring reason for being is to create a better world. It is an engine for good, creating social benefits by the very act of conducting business. Its growth is a positive force in society. We are working across the enterprise to embed our Social Purpose into the elements of the employee and player

² [British Columbia Online Problem Gambling Prevalence Study](#)

³ [What is a social purpose business?](#)

experience as well as other aspects of our operations. Our Social Purpose, “We exist to generate win-wins for the greater good” replaces our mission. When a player plays one of our games, regardless of the outcome, there is a “win”: revenues go into provincial and community priorities, and the player receives a great experience at the casino, at a lottery retailer or while playing online. Our Social Purpose asks us to consider how we might create additional value for players, employees, business partners, suppliers, communities, municipal and provincial governments. It also asks us how we can mobilize all of our stakeholders and maximize the benefits of doing business with us or playing our games. We are considering factors such as business growth (ours and others’); diversity, inclusion and belonging; and environmental sustainability efforts. Our Social Purpose facilitates the delivery of the foundational principles outlined in the Minister’s Mandate Letter to BCLC.

As BCLC embeds its Social Purpose throughout the organization, we will also align with leading international environmental, social and governance (ESG) criteria.⁴ By adopting an ESG framework, BCLC will create more equitable, net positive and regenerative outcomes that help deliver on our Social Purpose mandate while driving long-term value for stakeholders.

⁴ Environmental, social, and governance (ESG) criteria are a set of standards for a company’s operations that socially conscious stakeholders use to measure an organization’s performance across the entire value chain beyond just financial performance. Environmental criteria consider how a company performs as a steward of nature and addressing climate change. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company’s leadership, executive pay, accountability, and reporting.

Performance Planning

BCLC's corporate strategy positions the organization to meet the changing needs of our players, ensure the long-term sustainability of the business and achieve our vision, "We deliver exceptional gambling entertainment," and our Social Purpose.

Our corporate strategy is guiding decisions that are creating a more player-centric and competitive company that will achieve responsible growth based on healthy play.

The Social Purpose and vision are reflected in five goals. The following section outlines these goals, the corresponding strategies and the performance measures used to track progress against BCLC's Social Purpose and vision over time. As part of BCLC's work to further integrate our Social Purpose into all aspects of the business, we will look at opportunities to introduce new performance measures in next year's service plan

Goal 1: No one is harmed from gambling offered by BCLC

We understand that the pursuit of "exceptional entertainment" includes a commitment to the well-being of all players and looking for opportunities that make products and environments safer. BCLC is committed to offering safe gambling experiences and supporting all players, including those who are at risk of developing a gambling problem.

Objective

1.1 Reduce the percentage of players who scored as high risk on the Problem Gambling Severity Index (PGSI).

Key Strategies

- Implement tools such as predictive analytics and account-based gaming solutions to improve the ability to respond to warning signs of high-risk play.
- Develop player support programs and tools to help players adopt safer behaviours, including a self-assessment tool and incentivizing positive play.
- Expand coverage of the virtual GameSense Advisor (GSA) program and support for retail/hospitality channels, including training for employees and retail/hospitality partners.
- Continue work to recast the Voluntary Self Exclusion (VSE) program into a positive player experience, and create a reinstatement program that supports players to return to gambling in a healthy and supported manner should they choose to do so.
- Continue to promote informed play through information and nudges⁵ that increase player awareness of time and money spent.
- Continue to collaborate with the Gaming Policy and Enforcement Branch (GPEB) on harm reduction approaches, including referring players to provincial resources such as [Gambling Support BC](#).
- Leverage a responsible marketing approach to mitigate risks while promoting healthy play, which we refer to as "marketing guardrails."

⁵ Nudges are a behavioural economics intervention meant to affect behaviour without restricting anyone's choice.

| Performance Measure | 2021/22 Forecast | 2022/23 Target | 2023/24 Target | 2024/25 Target |
|--|---------------------|-------------------|-------------------|-------------------|
| 1.1 Percentage of BCLC players who scored as high risk on the PGSI Index | 11% | 9% | 8% | 7% |

Data Source: Continuous tracking survey conducted online by a 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. To qualify for these measures, a respondent will need to have played at least one BCLC game in the past year.

Linking Performance Measure to Objective

The Problem Gambling Severity Index (PGSI) is a self-reported, standardized measure of assessing at-risk gambling behaviours. It is a globally used tool based on research of common signs and consequences of problematic gambling. Players who score eight or higher are considered to be at high risk for problem gambling. Measuring PGSI allows BCLC to monitor the proportion of high-risk players in our player base.

Discussion

Player safety is paramount to BCLC's long-term strategy. Understanding PGSI scores as well as the underlying drivers is critical to helping higher-risk players. BCLC aims to lower PGSI scores through increasing our ability to identify high-risk behaviors and provide appropriate intervention. This is supported through pinpointing higher risk products and enhancing our VSE program to reduce gambling-related harm. Our 2021/22 forecast has trended upwards as both PlayNow.com and casino players are exhibiting higher PGSI scores in the short time since casinos reopened compared to the scores prior to the pandemic. Forward looking targets have also been adjusted to reflect accordingly. BCLC's efforts to positively impact play behaviours are part of our long-term strategy and the benefits may take time to be realized. The higher PGSI scores seen this year reinforce the need to respond to risky play behaviour exhibited across all channels of play. Furthermore, the pandemic highlighted for the world the need to take care of those most vulnerable.

We are committed to providing our players world-class gambling education so they can make better decisions which ultimately lead to safer play and lower-risk behaviours. Player health is embedded throughout our business and informs our approach to the games we choose and the player experiences we invest in. Given the shift to PlayNow.com throughout the pandemic and with casinos reopening in 2021, we will place particular attention on supporting our omni-channel (multi-channel) players by leveraging data and insights in order to identify and mitigate high-risk play.

Goal 2: Our business does not create opportunities for criminal activity

Any criminal activity related to gambling and our business is a concern for British Columbians and BCLC will take action to eliminate these risks.

Objectives

2.1a Reduce the number of incidents related to potential crime in and near BCLC's facilities (both brick-and-mortar and online) and/or related to BCLC-managed gambling products.

2.1b Improve public perceptions about the safety and security of gambling in casinos in B.C.

Key Strategies

- Continue to collaborate with law enforcement and GPEB to identify opportunities and define approaches to reduce potential crimes impacting the business.
- Further modernize and streamline anti-money laundering (AML) processes and analysis of gambling activities, including online gambling, player accounts, source of funds reporting, and ongoing monitoring of customers and transactions.
- Implement an enhanced and scalable AML transaction monitoring software solution for casinos, which will enable BCLC to meet reporting and regulatory requirements for AML controls, and to integrate and extend existing reporting capabilities, intelligence and analytics.
- Explore account-based gambling solutions that substantially reduce the use of cash, further increase capacity for monitoring transactions and provide insights into player behaviour.
- Respond to any recommendations resulting from the Cullen Inquiry and inform the public of BCLC's response and actions.
- Provide information to the public about the safety and security measures in place at casinos and community gaming centres.
- Ensure the pilot introduction of single-event sports betting into select hospitality locations meets reporting and regulatory requirements.

| Performance Measure | | 2021/22 Forecast | 2022/23 Target | 2023/24 Target | 2024/25 Target |
|---------------------|---|---------------------|-------------------|-------------------|-------------------|
| 2.1 | Number of incidents of reports of potential crime ¹ | 3,906 | 3,930 | 3,734 | 3,548 |
| 2.2 | Perception of gambling in B.C. casinos being safe and secure ² | 54% | 55% | 56% | 57% |

¹Data Source: BCLC iTrak (an internal software platform used for daily log reporting and incident management) and Salesforce Database

²Data Source: Continuous tracking survey conducted online by a third-party market research professional. The 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 Statistic's Canada Census. Population base used – 2016 Census BC 19+.

Linking Performance Measure to Objective

Incidents of reports of potential crime

Under Section 86 of the *Gaming Control Act* and Section 34 of the Gaming Control Regulation, BCLC and its service providers are required to report to GPEB any conduct or activity that may be contrary to the *Criminal Code* if it occurs at or near a BCLC gaming facility (both brick-and-mortar and online) or is in connection with a BCLC product. For the purposes of this measurement, we have focused on certain relevant categories of potential crime. Examples of such incidents include allegations of cheating at play, theft, assault and money laundering.

By monitoring the frequency of incidents of potential crime, we can assess the prevalence and impact of potential criminal activity related to gambling in our business and introduce new security measures where necessary. It should be noted that caution will need to be applied when analyzing this measure to ensure it is fully understood whether any change in frequency is reflective of a change in prevalence and impact of crime, or simply a change in the reporting of such incidents.

Perception of gambling in B.C. casinos being safe and secure

The above performance measure assesses the percentage of the B.C. adult population that agrees with the statement “Gambling in casinos in B.C. is safe and secure”. Having fewer incident reports of potential crime may instill confidence in the public about the safety and security of our gambling facilities, which may be reflected in this perception measure. Informing the public about security measures in casinos may also impact this measure.

Discussion

As facilities reopened in fiscal year 2021/22 as part of Phase 3 in British Columbia’s Restart Plan, BCLC has taken steps to reduce the potential for criminal activity. This includes continuing to collaborate with law enforcement, regulators, service providers, retailers and other stakeholders to define and implement security controls to further reduce potential criminal activities in or near our business. Furthermore, we will work closely with service providers on communicating with the public around our efforts to deliver a safe and secure environment. The 2021/22 forecast reflects that, in line with public health orders, casinos reopened at limited capacity. Perceptions of casinos’ safety and security have trended higher than previously forecasted in 2021/22. Accordingly, the 2022/23 target has been increased as BCLC strives for continued improvement. Future targets assume that there will be a return to operating at full capacity. As there is a correlation between volume of players and incidents of potential crime, we are closely monitoring any shifts in reports of potential crime.

Goal 3: BCLC is respected for how we operate

Government has entrusted BCLC to operate gambling within the province. Our business depends on building and maintaining community support to operate gambling on behalf of British Columbians.

Objective

3.1 Improve public perceptions of how BCLC conducts business based on the following four areas:

- Integrity: BCLC operates fairly and honestly
- Social Responsibility: BCLC is a good corporate citizen
- Well managed: BCLC is a well-managed corporation
- Trust: The public has trust and confidence in the games offered by BCLC

Key Strategies

- Proactively communicate major corporate initiatives and activities to the public, stakeholders, the media and employees in order to be transparent, accountable and build awareness and understanding of BCLC's operations.
- Integrate Social Purpose into all aspects of our business.
- Action BCLC's sustainability plan and update our policies in line with ESG criteria.
- Actively engage with communities, players and the public to share how Host Local Government revenue⁶ benefits communities and continue to share this information throughout the province through BCLC's community outreach and advertising.
- Engage with the First Nations Gaming Revenue Sharing Partnership in order to begin to build mutual awareness and understanding of each organization.
- Develop a comprehensive Indigenous reconciliation and relations program in alignment with the *Declaration of the Rights of Indigenous Peoples Act*.
- Action BCLC's Diversity, Inclusion & Belonging Strategy and continue to seek opportunities to align with government's commitments in this sphere.
- Revise BCLC's corporate branding to better align our portfolio of brands to the overarching BCLC brand.
- Respond to any recommendations from the Cullen Inquiry and continue to evolve BCLC's AML program in line with global best practices and regulatory requirements.
- Continue to conduct mystery shops to ensure retailers comply with age-verification policies and leverage the Lottery Retailer Agreement to support compliance.
- Assist GPEB and government in meeting its responsibilities for the overall integrity of gambling and horse racing through ongoing collaboration and participation in working groups such as the RCMP-led Counter Illicit Finance Alliance.

⁶ Each year, local governments that host casinos receive a share of provincial net gambling income generated by those facilities.

- Continue to monitor the impacts of COVID-19 and, as needed, implement safety measures in accordance with recommended practices from the Provincial Health Officer and WorkSafeBC.

| Performance Measure | 2021/22 Forecast | 2022/23 Target | 2023/24 Target | 2024/25 Target |
|----------------------------|------------------|----------------|----------------|----------------|
| 3.1a Integrity | 57% | 64% | 66% | 67% |
| 3.1b Social Responsibility | 55% | 63% | 64% | 65% |
| 3.1c Well managed | 56% | 63% | 64% | 65% |
| 3.1d Trust | 60% | 66% | 67% | 67% |

Data Source: Continuous tracking survey conducted online by a third-party market research professional. The 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 Measure to Objective

The above performance measures assess the percentage of the B.C. adult population that agrees with the four statements in Objective 3.1 in relation to BCLC's operations. BCLC has identified that it is critical for the public to agree that we conduct business in a fair, honest, responsible and trustworthy manner, and that everything we do is done with consideration of its impact on and for the people and communities of B.C.

Discussion

BCLC is committed to operating according to our values of respect, integrity and community. We recognize that ongoing and high profile media coverage on the Cullen Commission and the subject of money laundering has affected public perception of BCLC. Accordingly, targets in fiscal 2022/23 and beyond have been adjusted from the previous year's service plan as public perception can be quick to deteriorate and slow to improve. These targets reflect our planned efforts to inform the public of the corporation's efforts to both take action on any recommendations from the commission and to continue to target and address any illicit activity related to our business.

We will continue to engage stakeholders in conversations about our business and the impact it may have on British Columbians. We are conducting a comprehensive process to enhance our stakeholder engagement program with revised standards, tools and techniques, evaluation and reporting. We will also continue to proactively share disclosures and information on our website, social media channels, in print and through TV media outlets in order to provide the public with transparency into our operations. BCLC is transitioning to a Social Purpose company, of which a fundamental component is providing evidence for how the organization positively impacts society. Through these efforts, BCLC will continuously improve these measures over the next few years.

Goal 4: Players are entertained

BCLC is focusing on player experiences that enhance omni-channel experiences and products.

Objective

4.1: Increase the Player Entertainment Needs Index score.

Key Strategies:

- Explore opportunities to implement single-event betting across brick-and-mortar channels, including casinos and hospitality locations in B.C.
- Leverage new technologies that enhance the experience in retail environments, including the replacement and upgrade of over 3,500 lottery terminals.
- Explore marketing technologies to offer more relevant play recommendations, promotions and shift communications to messaging that reflects the entertainment experiences of our entire product portfolio.
- Continue to introduce games and content which seek to increase affinity with BCLC.
- Further align our operations and processes with our player experience strategy.
- Enhance the Encore Loyalty program within both the Casino and PlayNow.com channels, engaging players with omni-channel initiatives enhancing their experience with BCLC.
- Improve the entertainment value of the Encore Loyalty program by making it easier to engage in the program through a simplified registration process, personalized recommendations, offers and promotions, clear member information, and an improved value proposition.

| Performance Measure | 2021/22 Forecast | 2022/23 Target | 2023/24 Target | 2024/25 Target |
|--|------------------|----------------|----------------|----------------|
| 4.1 Player Entertainment Needs Index Score | 54* | 60 | 62 | 64 |

Data Source: Survey conducted online by a 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. To qualify for these measures, a respondent will need to have played at least one BCLC game in the past year.

*Last year's service plan contained a forecasting error for fiscal year 2020/21. The report indicated that the target was 59%. It should have been 54%.

Linking Performance Measures to Objectives:

The Player Entertainment Needs Index score is a composite measure assessing how well all BCLC products and activities are satisfying players' functional, social and emotional needs in relation to entertainment. This relates to both the overall strength of the BCLC brands and how satisfied players are with BCLC products.

Discussion:

Understanding our players and providing products with high entertainment value are cornerstones of BCLC's strategy. As a result of the pandemic, player experiences have been

affected by the need for facilities to comply with Public Health Orders to ensure a safe environment for players. Hence, our targets have been adjusted to reflect this evolving landscape. Nonetheless, we are strengthening our player experience focus through the development of a new PX team and integrating an enhanced player focus throughout the organization. We listen to our players through insights obtained in our customer support center and through player research. Within the player-centric approach, we aim to keep our products top of mind when players consider their entertainment options. Beyond our products, we have also focused on delivery channels. PlayNow.com is continually improving its platform to showcase itself as a world-class online gambling experience. With casinos reopened, we have implemented multiple steps to ensure players feel safe and comfortable when returning to facilities. This player-centric approach will continue in all facets of the business as we look to improve the Player Entertainment Needs Index score in the years to come.

Goal 5: BCLC delivers our promised financial return to the Province of B.C.

BCLC's mandate is to generate net income for the benefit of all British Columbians.

Objective

5.1: Optimize net income through investment to sustain the long-term health of the business.

Key Strategies:

- Continue to invest in casino slot machines to ensure an entertaining experience.
- Continue to invest in BCLC's eGaming platform and leverage the PlayNow.com mobile application and online product offerings to tap into new demographics that are typically less engaged with traditional delivery channels.
- Leverage the investment in new lottery systems and technology to enhance the way players engage with and experience lottery with improved digital and in-store experiences and greater personalization.
- Identify and develop actions that improve operational efficiency and continue to foster a culture of cost consciousness.
- Create exceptional omni-channel experiences for players that nurture and safeguard their long-term healthy play.
- Continue to be one of B.C.'s Top Employers to help ensure BCLC's ability to thrive within a competitive landscape and support our long-term financial success.
- Focus on growing the new single-event sports betting product on PlayNow.com and test a proof of concept in land-based channels, including casinos and hospitality locations.
- Provide adequate staffing resources in order to accelerate our evolution as we work toward our ambitious goals and integrate our lines of business to support a cohesive player experience.

| Performance Measures | 2021/22 Forecast | 2022/23 Target | 2023/24 Target | 2024/25 Target |
|------------------------------|---------------------|-------------------|----------------|-------------------|
| 5.1 Net Income (\$ millions) | 1,225 | 1,452 | 1,570 | 1,578 |

Data Source: BCLC's financial plan, see page 18. Actual results are calculated in accordance with International Financial Reporting Standards (IFRS).

Linking Performance Measures to Objectives:

Net income is the total amount of income generated by BCLC. This measure is an indicator of BCLC's success in meeting its mandate to generate income for the benefit of all British Columbians.

Discussion:

Seven per cent of provincial net income distributions are provided to First Nations through the First Nations Gaming Revenue Sharing Partnership.⁷ In accordance with the Province's Host Financial Assistance Agreement, local governments that host casinos or community gaming centres also receive a 10 per cent share of net gaming income generated by those facilities. The Province uses the remaining funds to help support public health care, charitable and community programs, and other essential provincial and local services.

The fiscal year 2021/22 forecast reflects a significant increase in net income compared to the prior year, primarily due to the reopening of brick-and-mortar gambling facilities in the beginning of the second quarter of the fiscal year after being closed through the entirety of the 2020/21 fiscal year. Facilities are assumed to be allowed to remain open and to operate at a minimum of 50 per cent capacity. It is also assumed the required level of work force remains healthy to meet all player demand. Casino and community gaming revenue is projected to continue at below pre-pandemic levels while the online gaming channel sustains the majority of the revenue growth experienced during casino closures and continues to grow from strategic initiatives. Simultaneously, revenue from the lottery channel is projected to exceed prior year performance, primarily driven by favourable jackpot roll patterns (increased number of high jackpots) in fiscal year 2021/22.

Fiscal year 2022/23 is focused on continuing to restore the casino and community gaming revenue back to slightly lower than pre-pandemic levels by the end of the fiscal year and reflect the expectation that the Province's health and safety regulations allow gambling facilities to operate at full capacity. Revenue from the lottery channel is projected to decrease from fiscal year 2021/22 with the normalization of jackpot, partially offset by incremental growth from the Lotto 6/49 game enhancement. With the legalization of single-event betting, BCLC will focus on growing the sports betting business. The fiscal year 2022/23 cost structure is reflective of BCLC's operations returning to normal with minimal impact from health and safety restrictions, and continuing to make necessary investments to meet operational pressures and corporate strategy objectives. This financial plan positions BCLC total net income to exceed pre-pandemic record net income of \$1,415 million observed in fiscal year 2018/19.

⁷ Provincial net income distributions are net of contractual amounts due to the Government of Canada.

Financial Plan

Financial Summary

Consolidated Corporate Operations

| \$ Millions | 2020/21 Actual ¹ | 2021/22 Forecast | 2022/23 Budget | 2023/24 Plan | 2024/25 Plan |
|--------------------------------------|--------------------------------|---------------------|-------------------|-----------------|-----------------|
| Revenue | 966 | 2,272 | 2,761 | 2,961 | 2,991 |
| Direct Costs | 177 | 634 | 825 | 894 | 900 |
| Gaming Support Costs | 54 | 54 | 65 | 65 | 66 |
| Operating Costs | 183 | 213 | 244 | 246 | 251 |
| Amortization and Other | 80 | 80 | 94 | 101 | 109 |
| Total Costs | 494 | 981 | 1,228 | 1,306 | 1,326 |
| Net Income Before Taxes | 472 | 1,291 | 1,533 | 1,655 | 1,665 |
| Taxes | 42 | 66 | 81 | 85 | 87 |
| Net Income | 430 | 1,225 | 1,452 | 1,570 | 1,578 |
| Liabilities | 531 | 602 | 631 | 554 | 534 |
| Accumulated Deficit | (25) | (25) | (25) | (25) | (25) |
| Accumulated Other Comprehensive Loss | (24) | (24) | (24) | (24) | (24) |
| Total Deficit | (49) | (49) | (49) | (49) | (49) |
| Capital Expenditures | 73 | 83 | 120 | 103 | 90 |

¹ Fiscal year 2020/21 financial data is from the Audited Financial Statements for the year ended March 31, 2021

Key Forecast Assumptions, Risks and Sensitivities

Net income targets are established through a forecasting process that analyzes revenue trends for each product category to build a projection of baseline contribution margin (revenues less direct costs). Baseline costs were estimated after a rigorous budgeting process. Incremental revenues and costs from approved strategic initiatives are incorporated into the financial plan.

Casino and community gaming centre operations were significantly challenged by the impacts of COVID-19, having been ordered to temporarily close in March 2020 (fiscal year 2019/20) through an order by the then-Minister responsible for BCLC to support public safety. As part of the B.C.'s four-stage restart plan, casinos were permitted to reopen with reduced capacity and enhanced health and safety measures on July 1, 2021. Proof of COVID vaccination was required effective September 13, 2021. At the end of October that same year, casinos were permitted to operate at 100 per cent seated capacity (vs full capacity), with capacity reduced to 50 per cent seated capacity in late December 2021 to manage the Omicron COVID variant. The assumptions regarding market demand, and the recovery period to pre-pandemic baseline have the greatest impact on net income. Using fiscal year 2019/20 results as the pre-pandemic baseline, casino and community gaming operations generated \$929 million in net income and contributed 69 per cent of BCLC's overall net income. Small assumption changes can cause large variability in the projections.

At the time of writing this service plan, we have insufficient data to assess the impact to operations from the latest COVID variant, Omicron, and any continued health and safety restrictions that may be required in 2022/23 and assume that casino and community gaming centre operations will recover and settle to slightly lower than pre-COVID levels by end of 2022/23. There is also limited actual data available to determine the level at which revenue will stabilize in response to the Omicron variant and the longer term as the COVID landscape in B.C. continues to evolve. Any future waves of the pandemic may negatively affect operations; however, due to the uncertainty and lack of information on this possibility, no provision has been made for the potential financial impact.

In fiscal year 2022/23, revenue from lottery is expected to decrease by seven per cent from the prior year as the favourable Lotto Max jackpot roll patterns are assumed to return to normal levels and minimal disruption to operations is expected when approximately 3,500 lottery terminals are replaced across the province. PlayNow.com revenue is expected to continue to grow from the prior year by seven per cent with strategic growth initiatives such as single-event sports betting and investments to modernize the PlayNow.com platform.

In summary, total BCLC revenue is projected to exceed pre-pandemic record levels in fiscal 2018/19 primarily driven by continued growth for PlayNow.com, offset by slightly lower than pre-pandemic casino gaming revenue.

Private sector service providers own and operate gambling facilities under contract with BCLC and some employ unionized staff. Union contract agreement expiry dates vary by facility, with various different contracts for sites expiring in the next few years. BCLC revenue targets assume there will be no labour disruptions in fiscal year 2022/23.

Direct costs include private sector service provider and retailer commissions, lottery ticket and bingo paper printing, supplies and leases. Commissions have been forecasted using rates in current operating agreements. Direct costs are driven by revenue projections of each product category and the cost ratios per category have remained relatively steady. Direct costs are forecasted to increase in line with revenue increasing by product category and returning to pre-pandemic levels.

Gaming support costs are expenses that support revenue generation including systems support and maintenance, data transmission, equipment installation, product delivery, internet-based software license and service fees, and upgrading gambling equipment. 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 player experiences.

Changes in technology delivery are driving a market shift from on-premise owned and constructed assets to cloud-based services (cloud). This will drive a fundamental shift from capital intensive upgrade project costs to annual operating costs. The beginning of this shift has already been observed in increased post-implementation costs of recent projects and is a trend expected to continue.

Operating costs include advertising and marketing, staffing costs, professional fees, rent, equipment, communications and financial costs. Operating costs support the operationalization of revenue generating initiatives such as single event sports betting and maintaining base business operations in BCLC's environment. As the lottery legacy system replacement project substantially completes in fiscal year 2022/23, the focus shifts to investing in enterprise-wide initiatives to realize our strategy. Resources have also been invested to modernize the PlayNow.com platform to remain competitive in the online gaming industry and deliver best in technology, infrastructure, entertainment, and social purpose and player experience. Adequate workforce resources are incorporated into the operating costs to accelerate our evolution as we work to integrate our lines of business and deliver an enhanced player experience.

BCLC continues to improve our AML controls as part of our ongoing effort to safeguard B.C. casinos, both land-based and online, from illegal activity. This includes implementing an AML Transaction Monitoring System that will effectively and efficiently allow BCLC to meet current and future federal AML compliance requirements and improve existing processes for staff and service providers. The software will integrate with BCLC's existing systems including PlayNow.com, our gaming management system and an eventual account-based gambling solution.

Initiatives underway to update obsolete technology, AML and account-based gambling solutions and to implement the corporate strategy require significant resources from a work effort, capital and operating perspective, but are essential to ensure the long-term health of our players and the organization.

Sensitivity Analysis

As indicated above, the business planning process involves a thorough analysis of revenue trends by product category to determine year-over-year baseline growth assumptions. As BCLC's pre-

pandemic revenue is in excess of \$2.5 billion based on fiscal year 2019/20 actual results, it is highly sensitive to small percentage changes in certain assumptions. At the same time, our revenue is generated from games of chance and the outcomes of these games are all inherently variable. Incremental revenue driven by new and strategic initiatives are added to baseline operations.

In addition to the usual forecasting sensitivities of BCLC's operations, the next several years are uncertain due to the unknown long-term impact of COVID-19 on the gambling facilities. Future waves of the pandemic may affect operations; however, due to the uncertainty and lack of information, the extent of the financial impact is unknown. Specifically, changes in assumptions to capacity constraints, the percentage of revenue recovery and the recovery duration to pre-COVID-19 baseline levels can all have a significant impact on revenue projections.

The forecast risks and sensitivities on fiscal year 2022/23 BCLC revenue are estimated as follows:

1. The assumptions related to the level of casino revenue once stabilized as the post-pandemic baseline and evolution of the pandemic will impact the projections. The capacity restriction assumptions imposed to meet health and safety guidelines vary by product (i.e. slots, tables, bingo, poker, etc.). A change to any projection assumption would result in an impact to revenue and more than one assumption change may contribute to a compounding effect. A five per cent change to the overall casino revenue projections represents a revenue impact of \$88 million on an annual basis.
2. Revenue from the lottery channel is expected to stabilize at pre-pandemic levels. The evolution of the pandemic could impact lottery operations. A five per cent change to overall lottery revenue represents a revenue impact of \$27 million on an annual basis.
3. eGaming revenue is projected to continue to increase organically and from the retention of revenue growth during casino closures. A five per cent change to the overall PlayNow.com revenue represents a revenue impact of \$24 million on an annual basis.

Management's Perspective on the Financial Outlook

Given the unknown ongoing impact of the COVID-19 pandemic on the economy and player habits, it should be expected that BCLC's net income forecasts will continue to be subject to a number of risks and sensitivities over the fiscal plan period.

Specifically, there are many external factors that are unpredictable at this time such as: future waves of the pandemic and severity, vaccine booster effectiveness in the longer run and uptake, capacity restrictions, and the long-term impacts on the economy and players' disposable income.

When casinos reopened, BCLC partnered with our service providers to ensure a safe environment for our players, provided player incentives to return to the facilities and continues to deliver the best possible gambling experience. Focus and resources have shifted to PlayNow.com and BCLC has capitalized on the opportunity to migrate many existing brick-and-mortar players onto our online gambling platform. Omni-channel marketing and programs have been developed and implemented to both incent players back to the gambling facilities and offer them an alternative gambling experience. Through the PlayNow.com mobile application and a wide range

of innovative online product offerings, BCLC is continually tapping into a younger demographic that is traditionally less engaged with the standard delivery channels for gambling products. On August 27, 2021, the federal government legalized single-event sports betting in Canada. This creates a significant opportunity for BCLC to bring players to PlayNow.com from grey-market websites and connect players to PlayNow.com's strong player health safeguards.

The projections presented position BCLC to ensure operations recover as quickly as possible while making the necessary investments to ensure the long-term health of the business. We continue to focus on innovation to retain existing intended players, and provide opportunities to increase their frequency of play and the number of different games played, by supporting and enhancing existing products (e.g. replacing lottery legacy systems) and developing new content and experiences. Planned initiatives execution and timing may be impacted by future waves of the pandemic and/or new COVID variants.

A noted scarcity of skilled and technical workers has the potential to increase operating costs. BCLC continues to evaluate and implement strategic programming to support recruitment, engagement and retention and strengthen our leadership and culture. This programming is intended to stabilize and develop the organization so it is better positioned to address the global human resource challenges of the pandemic and post-pandemic era.

We are 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 net income commitments to government. We are continually managing costs and looking for ways to operate our business more efficiently and effectively.

Capital Expenditures

Major Capital Projects

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

Significant IT Projects

| Significant IT Projects (over \$20 million in total) | Targeted Year of Completion | Project Cost to Dec 25, 2021 (\$m) | Estimated Cost to Complete (\$m) | Approved Anticipated Total Cost (\$m) |
|---|-----------------------------|------------------------------------|----------------------------------|---------------------------------------|
| Lottery Terminals and Systems Replacement | 2022/23 | \$33M | \$10M | \$43M |
| This project involves the replacement of legacy equipment, including retail lottery equipment and supporting systems. This equipment is nearing end-of-life and supports the majority of lottery revenue. Impacts of the pandemic have resulted in an increase in capital costs of this project by \$2 million compared to prior year and a revised substantial completion date extended by one fiscal year (from 2021/22 into 2022/23) | | | | |

Appendix A: Additional Information

Corporate Governance

Governance and Oversight

BCLC Senior Executive

Organizational Overview

For an organizational overview of BCLC, please visit <https://corporate.bclc.com/>

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 to BCLC and the major expense is the amortization on the capital acquisitions as well as disposal costs on equipment. As we replace 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.

The majority of BCLC capital expenditures (refer to Financial Plan) are planned to be purchased through Lottotech.

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 | 2020/21 Actual | 2021/22 Forecast | 2022/23 Budget | 2023/24 Plan | 2024/25 Plan |
|-------------------------------|-------------------|---------------------|-------------------|-----------------|-----------------|
| Revenues | 65.4 | 71.9 | 86.9 | 92.6 | 99.8 |
| Expenses | 65.3 | 71.7 | 86.7 | 92.4 | 99.6 |
| Income from Operations | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 |
| Other Income (Expenses) | (0.9) | (0.8) | (1.1) | (1.1) | (1.1) |
| Net Income (Loss) | (0.8) | (0.6) | (0.9) | (0.9) | (0.9) |

Lottotech’s publicly available financial statements can be found in [BCLC’s 2020/21 Annual Service Plan Report](#).

Business Units' Income Statement¹

| \$ millions | 2020/21 Actual | 2021/22 Forecast | 2022/23 Budget | 2023/24 Plan | 2024/25 Plan |
|--------------------------------------|---------------------------|-----------------------------|---------------------------|-------------------------|-------------------------|
| Lottery | | | | | |
| Revenue | 544 | 579 | 537 | 560 | 560 |
| Less: direct expenses | 107 | 112 | 112 | 118 | 119 |
| | <u>437</u> | <u>467</u> | <u>425</u> | <u>442</u> | <u>441</u> |
| Operating expenses: | | | | | |
| General Operating | 92 | 67 | 68 | 60 | 60 |
| Gaming Support | 23 | 19 | 20 | 21 | 21 |
| Amortization | 18 | 14 | 21 | 24 | 27 |
| Other | 1 | 2 | 2 | 2 | 2 |
| | <u>134</u> | <u>102</u> | <u>111</u> | <u>107</u> | <u>110</u> |
| Net Income Before Taxes | <u>303</u> | <u>365</u> | <u>314</u> | <u>335</u> | <u>331</u> |
| Taxes | 17 | 17 | 18 | 18 | 19 |
| Net income | <u>286</u> | <u>348</u> | <u>296</u> | <u>317</u> | <u>312</u> |
| e-Gaming | | | | | |
| Revenue | 422 | 441 | 473 | 502 | 530 |
| Less: direct expenses | 70 | 79 | 85 | 90 | 94 |
| | <u>352</u> | <u>362</u> | <u>388</u> | <u>412</u> | <u>436</u> |
| Operating expenses: | | | | | |
| General Operating | 65 | 44 | 46 | 47 | 50 |
| Gaming Support | 13 | 11 | 13 | 14 | 14 |
| Amortization | 7 | 4 | 4 | 4 | 5 |
| Other | 1 | - | 1 | 1 | 1 |
| | <u>86</u> | <u>59</u> | <u>64</u> | <u>66</u> | <u>70</u> |
| Net Income Before Taxes | <u>266</u> | <u>303</u> | <u>324</u> | <u>346</u> | <u>366</u> |
| Taxes | 14 | 15 | 16 | 16 | 17 |
| Net income | <u>252</u> | <u>288</u> | <u>308</u> | <u>330</u> | <u>349</u> |
| Casino & Community Gaming | | | | | |
| Revenue | - | 1,252 | 1,751 | 1,899 | 1,901 |
| Less: direct expenses | - | 443 | 628 | 686 | 687 |
| | <u>-</u> | <u>809</u> | <u>1,123</u> | <u>1,213</u> | <u>1,214</u> |
| Operating expenses: | | | | | |
| General Operating | 26 | 102 | 130 | 139 | 141 |
| Gaming Support | 18 | 24 | 32 | 30 | 31 |
| Amortization | 52 | 57 | 63 | 66 | 70 |
| Other | 1 | 3 | 3 | 4 | 4 |
| | <u>97</u> | <u>186</u> | <u>228</u> | <u>239</u> | <u>246</u> |
| Net Income Before Taxes | <u>(97)</u> | <u>623</u> | <u>895</u> | <u>974</u> | <u>968</u> |
| Taxes | 11 | 34 | 47 | 51 | 51 |
| Net income | <u>(108)</u> | <u>589</u> | <u>848</u> | <u>923</u> | <u>917</u> |

¹Figures in the above table may not tie due to rounding

Operating Segments

Capital Expenditures for each Operating Segment

| \$ Millions | 2020/21 Actual | 2021/22 Forecast | 2022/23 Budget | 2023/24 Plan | 2024/25 Plan |
|---|-------------------|---------------------|-------------------|-----------------|-----------------|
| Gambling Systems | | | | | |
| Lottery | 27 | 20 | 23 | 22 | 14 |
| eGaming | 1 | 1 | - | - | - |
| Casino & Community Gaming | 31 | 50 | 69 | 55 | 50 |
| Total Gambling Systems | 59 | 71 | 92 | 77 | 64 |
| Infrastructure & Corporate Systems | | | | | |
| Infrastructure & Corporate Systems | 13 | 11 | 23 | 13 | 13 |
| Corporate Facilities | 1 | 1 | 5 | 13 | 13 |
| Other Capital | 14 | 12 | 28 | 26 | 26 |
| Total Capital | 73 | 83 | 120 | 103 | 90 |

Lottery

Lottery's key initiative is the replacement of legacy systems and associated retail equipment.

Casino and Community Gaming

The pandemic has changed player expectations, and the way casinos must operate in the foreseeable future. With physical distancing required or expected to some extent, our focus will be to optimize casino gaming floors and provide customers with a safe and comfortable gaming environment while improving upon the gaming content we offer. This also includes investments into electronically assisted table games where players can enjoy wagering on several live table game results from the convenience of their own terminal.

Gaming equipment for a new facility, Cascades Casino Delta, is planned for in fiscal year 2022/23. New entertaining gaming product will complement service provider facility developments which include non-gaming amenities to broaden player appeal.

Infrastructure & Corporate Systems

Infrastructure & Corporate Systems include annual spend to maintain and replace existing network and hardware in BCLC's IT environment. Enterprise-wide system investments will be made to enable and focus on omni-channel player experiences.

Corporate Facilities

The company will upgrade and revitalize its Kamloops office to meet safety standards, climate action commitments and provide employees with a practical and stimulating work environment that supports their flexible needs and well-being. The revitalization will align with the

company's workplace-of-the-future model and enhance the company's presence in downtown Kamloops.

Appendix C: Crown Mandate Letter from the Minister Responsible



CLIFF # 276802

Peter Kappel, Chair
Board of Directors
British Columbia Lottery Corporation
2840 Virtual Way
Vancouver BC V5M 0A6

Dear Mr. Kappel:

On behalf of Premier Horgan and the Executive Council, I would like to extend my thanks to you and your board members for the dedication, expertise and skills with which you serve the people of British Columbia.

Every public sector organization is accountable to the citizens of British Columbia. The expectations of British Columbians are identified through their elected representatives, the members of the Legislative Assembly. Your contributions advance and protect the public interest of all British Columbians and through your work, you are supporting a society in which the people of this province can exercise their democratic rights, trust and feel protected by their public institutions.

You are serving British Columbians at a time when people in our province face significant challenges as a result of the global COVID-19 pandemic. Recovering from the pandemic will require focused direction, strong alignment and ongoing engagement between public sector organizations and government. It will require all Crowns to adapt to changing circumstances and follow Public Health orders and guidelines as you find ways to deliver your services to citizens.

This mandate letter, which I am sending in my capacity as Minister responsible for British Columbia Lottery Corporation (BCLC), on behalf of the Executive Council, communicates expectations for your organization. It sets out overarching principles relevant to the entire public sector and provides specific direction to the BCLC about priorities and expectations for the coming fiscal year.

I expect that the following five foundational principles will inform your agency's policies and programs:

.../2

- **Putting people first:** We are committed to working with you to put people first. You and your board are uniquely positioned to advance and protect the public interest and I expect that you will consider how your board's decisions maintain, protect and enhance the public services people rely on and make life more affordable for everyone.
- **Lasting and meaningful reconciliation:** Reconciliation is an ongoing process and a shared responsibility for us all. Government's unanimous passage of the *Declaration of the Rights of Indigenous Peoples Act* was a significant step forward in this journey – one that all Crown agencies are expected to support as we work in cooperation with Indigenous peoples to establish a clear and sustainable path to lasting reconciliation. True reconciliation will take time and ongoing commitment to work with Indigenous peoples as they move towards self-determination. Guiding these efforts, Crown agencies must also remain focused on creating opportunities that implement the Truth and Reconciliation Commission through your mandate.
- **Equity and anti-racism:** Our province's history, identity and strength are rooted in its diverse population. Yet racialized and marginalized people face historic and present-day barriers that limit their full participation in their communities, workplaces, government and their lives. The public sector has a moral and ethical responsibility to tackle systemic discrimination in all its forms – and every public sector organization has a role in this work. All Crowns are expected to adopt the Gender-Based Analysis Plus (GBA+) lens to ensure equity is reflected in your operations and programs. Similarly, appointments resulting in strong public sector boards that reflect the diversity of British Columbia will help achieve effective and citizen-centred governance.
- **A better future through fighting climate change:** Announced in December 2018, the CleanBC climate action plan puts our province on the path to a cleaner, better future by building a low-carbon economy with new clean energy jobs and opportunities, protecting our clean air, land and water and supporting communities to prepare for carbon impacts. As part of the accountability framework established in CleanBC, and consistent with the *Climate Change Accountability Act*, please ensure your organization aligns operations with targets and strategies for minimizing greenhouse gas emissions and managing climate change risk, including the CleanBC target of a 50% reduction in public sector building emissions and a 40% reduction in public sector fleet emissions by 2030. Your organization is expected to work with government to report out on these plans and activities as required by legislation.
- **A strong, sustainable economy that works for everyone:** I expect that you will identify new and flexible ways to achieve your mandate and serve the citizens of British

.../3

Columbia within the guidelines established by the Provincial Health Officer and considering best practices for conducting business during the pandemic. Collectively, our public sector will continue to support British Columbians through the pandemic and economic recovery by investing in health care, getting people back to work, helping businesses and communities, and building the clean, innovative economy of the future. As a public sector organization, I expect that you will consider how your decisions and operations reflect environmental, social and governance factors and contribute to this future.

The Crown Agencies and Board Resourcing Office (CABRO), with the Ministry of Finance, will continue to support you and your board on recruitment and appointments as needed, and will be expanding professional development opportunities in 2021/22. The Governing in the Public Interest online certificate program is now available, and all board members are encouraged to complete this new offering.

As the Minister Responsible for the BCLC, I expect that you will make substantive progress on the following priorities and incorporate them in the goals, objectives and performance measures in your 2021/22 Service Plan:

- Government continues to address concerns raised around illicit behaviour in BCLC's gaming facilities. It is expected that BCLC will continue to prioritize taking action to eradicate money laundering and other illicit behaviour in our casinos. Regarding these efforts:
 - Implement and support government's response to recommendations arising from the Cullen Commission of Inquiry into Money Laundering in British Columbia as appropriate;
 - Continue to work with law enforcement partners, service providers and the gambling regulator to analyze the effectiveness of policies and procedures implemented to disrupt and combat money laundering in B.C. casinos;
 - Provide information to the Deputy Minister and the gambling regulator as and when necessary to help support the development of policies and procedures to disrupt money laundering;
 - Continue implementation of recommendations from the reports on money laundering and relevant actions arising from the implementation of the provincial anti-money laundering (AML) strategy; and
 - Continue to work with industry and enforcement partners and provide support to the gambling regulator in the development of new regulatory gambling standards and the transition to a standards-based model.

.../4

- Continue to seek opportunities to strengthen BCLC's ability to identify and respond to early warning signs of high-risk gambling in order to mitigate the impacts of gambling products and behaviours. This includes implementation of initiatives to support an enterprise view of players in line with BCLC's strategy to continue offering responsible, player-centric gambling.
- Continue to proactively and responsively share information with the Deputy Minister (Crown Agencies Secretariat), Anti-Money Laundering Deputy Minister's Committee (AML DMC), Anti-Money Laundering Secretariat (AMLS) and the regulator that assists the government in meeting its responsibilities for the overall integrity of gambling and providing advice on broad policy, standards and regulatory issues.
- Sustain operations while collaborating with casino service providers and ensuring alignment with the provincial government's COVID-19 recovery efforts.
- As appropriate, and in alignment with responsible gambling practices, explore options to increase and/or enhance PlayNow.com's online gambling offerings to increase revenue from this product stream.

Each board member is required to sign the Mandate Letter to acknowledge government's direction to your organization. The signed Mandate Letter is to be posted publicly on your organization's website in spring 2021.

I look forward to continuing to work with you and your Board colleagues to build a better B.C.

Sincerely,



Selina Robinson
Minister

cc: Honourable John Horgan, Premier

Lori Wanamaker, Deputy Minister to the Premier, Cabinet Secretary and Head of the BC Public Service

Mark Sieben, Deputy Solicitor General, Ministry of Public Safety and Solicitor General

Douglas S. Scott, Deputy Minister, Crown Agencies Secretariat, Ministry of Finance

.../5

Heather Wood, Deputy Minister and Secretary to Treasury Board, Ministry of Finance

Sam MacLeod, General Manager, Gaming Policy and Enforcement Branch, Ministry of Public Safety and Solicitor General

Lynda Cavanaugh, Interim Chief Executive Officer/President, BC Lottery Corporation

Peter Kappel, Board Member, BC Lottery Corporation

Joan Axford, Board Member, BC Lottery Corporation

Hilary Cassady, Board Member, BC Lottery Corporation

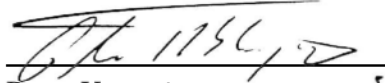
Fiona Chan, Board Member, BC Lottery Corporation

Lisa Ethans, Board Member, BC Lottery Corporation

Dusty Kelly, Board Member, BC Lottery Corporation

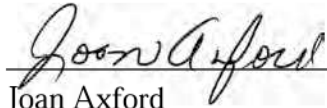
Mario Lee, Board Member, BC Lottery Corporation

Coro Strandberg, Board Member, BC Lottery Corporation


Peter Kappel
Board Member, BC Lottery Corporation

20 May 2021

Date:


Joan Axford
Board Member, BC Lottery Corporation

20 May 2021

Date:

Hilary Cassady
Board Member, BC Lottery Corporation

Date:

Fiona Chan
Board Member, BC Lottery Corporation

Date:

Lisa Ethans
Board Member, BC Lottery Corporation

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Dusty Kelly
Board Member, BC Lottery Corporation

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Mario Lee
Board Member, BC Lottery Corporation

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Coro Strandberg
Board Member, BC Lottery Corporation

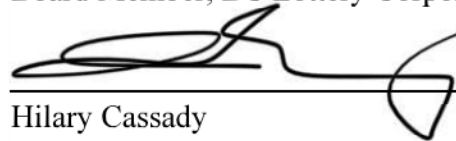
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Peter Kappel
Board Member, BC Lottery Corporation

Date:

Joan Axford
Board Member, BC Lottery Corporation

Date:



May 20, 2021

Hilary Cassady
Board Member, BC Lottery Corporation

Date:

Fiona Chan
Board Member, BC Lottery Corporation

Date:

Lisa Ethans
Board Member, BC Lottery Corporation

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Dusty Kelly
Board Member, BC Lottery Corporation

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Mario Lee
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Coro Strandberg
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Peter Kappel
Board Member, BC Lottery Corporation

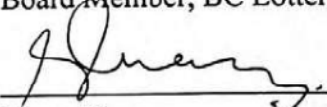
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Joan Axford
Board Member, BC Lottery Corporation

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Hilary Cassady
Board Member, BC Lottery Corporation

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Fiona Chan
Board Member, BC Lottery Corporation

May 20, 2021

Date:

Lisa Ethans
Board Member, BC Lottery Corporation

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Dusty Kelly
Board Member, BC Lottery Corporation

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Mario Lee
Board Member, BC Lottery Corporation

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20 May 2021

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Hilary Cassady
Board Member, BC Lottery Corporation

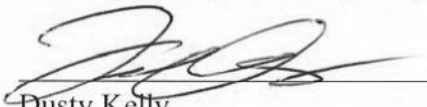
Date:

Fiona Chan
Board Member, BC Lottery Corporation

Date:

Lisa Ethans
Board Member, BC Lottery Corporation

Date:


Dusty Kelly
Board Member, BC Lottery Corporation

May 21, 2021
Date:

Mario Lee
Board Member, BC Lottery Corporation

Date:

Coro Strandberg
Board Member, BC Lottery Corporation

Date:

Peter Kappel
Board Member, BC Lottery Corporation

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Dusty Kelly
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Mario Lee
Board Member, BC Lottery Corporation

Date:

May 20/2021

Coro Strandberg
Board Member, BC Lottery Corporation

Date:

Peter Kappel BC Lottery Corporation

- 6 -

Date:

Peter Kappel BC Lottery Corporation
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Board Member, BC Lottery Corporation

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Mario Lee
Board Member, BC Lottery Corporation

Date:


Coro Strandberg
Board Member, BC Lottery Corporation

Date:

May 20/21

British Columbia Lottery Corporation

2021/22 Annual Service Plan Report August 2022



For more information on the British Columbia Lottery Corporation (BCLC) contact:

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Or visit our website at

www.bclc.com

Published by the British Columbia Lottery Corporation

Board Chair's Accountability Statement



The *BCLC 2021/22 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2021/22 – 2023/24 Service Plan* created in April 2021. The Board is accountable for those results as reported.

A handwritten signature in black ink, appearing to be 'GM' with a stylized flourish.

Greg Moore
Board Chair
July 22, 2022

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Letter from the Interim CEO

On behalf of BCLC, I am pleased to present our Annual Service Plan Report for the 2021/22 fiscal year.

In 2021/22 we continued to navigate the ongoing impacts of the COVID-19 pandemic on both our business and our workforce. Casino and community gaming centres remained closed in the first quarter of fiscal 2021/22 in compliance with a March 2020 government order. We worked closely with our casino service providers to develop reopening plans and to ensure we had robust health and safety measures in place to protect our players, employees and communities when the order was lifted and gambling facilities reopened on July 1, 2021.

In total, BCLC generated \$1.3 billion in net income during the 2021/22 fiscal year. This represents a significant increase from our forecast net income of \$0.8 billion in our 2021/22 - 2023/24 Service Plan, due to a stronger than anticipated return of players following the swift reopening of gambling facilities, high jackpot roll patterns in lottery, and PlayNow.com continuing to hold its players and grow. This high level of financial performance is a testament to the value of our diverse product portfolio and our strong business relationships with service providers and lottery retailers.

One highlight was the addition of single-event betting to PlayNow.com when the federal Bill C-218 passed and single-event betting became legal in Canada. We knew our players were seeking this option and, in many cases, turned to unregulated websites, which do not share their profits with the Province of B.C. Now that PlayNow.com can offer singles, more profits can be repatriated back to the Province and players can play on our regulated site – the only site in North America with dedicated player-health specialists (GameSense Advisors) available to support players via telephone and live chat.

BCLC's Board of Directors and leadership team continue to work closely with the Government of B.C. to ensure effective communication and alignment with government priorities. In keeping with government's reconciliation commitment, government appointed a Board member, nominated by B.C. First Nations, to BCLC's board. This was committed to as part of government's Long-Term BC First Nations Gaming Revenue Sharing and Financial Agreement with the Province of B.C.

As part of our commitment to running the business in the best interest of British Columbians, the Board of Directors approved replacing BCLC's mission with our social purpose: "we exist to generate win-wins for the greater good". Our social purpose asks us to approach every decision with this lens and consider the impacts of all activities and decisions on our people, our province, our communities and our planet.

Further, in alignment with our social purpose and the foundational principles outlined in the [Minister's Mandate Letter](#), we initiated development of strategies for Indigenous reconciliation, sustainable procurement and climate change and continued to execute our diversity, inclusion and belonging strategy. The devastating recovery of remains at Indigenous residential schools, as well as the extreme weather events of the past year have reaffirmed the importance of these strategies.

We are proud of our results over the past year and the way our employees continued to navigate in these times. We will continue to work closely with government and look forward to contributing to the Province of B.C.'s COVID-19 recovery.

Lynda Cavanaugh

A handwritten signature in black ink, appearing to read 'Lynda Cavanaugh', with a long horizontal flourish extending to the right.

Interim President & CEO, BCLC

July 22, 2022

Purpose of the Annual Service Plan Report

The Annual Service Plan Report is designed to meet the requirements of the *Budget Transparency and Accountability Act* (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, the Crown Corporation's Board is required to report on the actual results of the Crown's performance related to the forecasted targets documented in the previous year's Service Plan.

Purpose of the Organization

BCLC conducts and manages commercial gambling in a socially responsible manner for the benefit of British Columbians. This includes gambling facilities, lottery, bingo and sports betting through multiple channels of distribution. Through agreements with private-sector service providers, BCLC offers slot machines, table games and bingo at 16 casinos, two racecourse casinos, 17 community gaming centres and one commercial bingo hall. BCLC's national and provincial lottery and sports betting products are sold at approximately 3,500 retail locations operated by private-sector retailers through Lottery Retailer Agreements. PlayNow.com is BCLC's secure and regulated online and mobile channel, with a growing portfolio of lottery games, sports betting, slots, table games and bingo entertainment. As of March 31, 2022, there were approximately 811,000 B.C. adults registered to play on PlayNow.com. BCLC also provides online gambling services, and web-based and mobile platforms to the Province of Manitoba through an operating contract with Manitoba Liquor & Lotteries and is expanding its services to a third province, after signing a contract in June 2022 with the Saskatchewan Indian Gaming Authority and SaskGaming to provide regulated online gambling to Saskatchewan players (expected to launch in late 2022). In addition, BCLC licenses its GameSense responsible gambling program to partners across North America.

The Province of B.C. uses gambling revenue generated by BCLC to help benefit British Columbians through investments in programs and services such as education, healthcare, communities and culture. Government shares seven per cent of provincial distributions with First Nations through the First Nations Revenue Sharing Partnership. Additionally, in accordance with the Province's Host Financial Assistance Agreement, local governments that host casinos or community gaming centres receive a 10 per cent share of net gaming income generated by those facilities. BCLC is striving to have an even greater positive impact on the province and has adopted a social purpose to replace its mission and guide its business strategy.

As a Crown corporation, BCLC reports to the Ministry of Finance through the Crown Agencies Secretariat and is governed by B.C.'s *Gaming Control Act*. The Gaming Policy and Enforcement Branch (GPEB) in the Ministry of Public Safety and Solicitor General has regulatory oversight of all gambling in B.C., including all commercial gambling operated by BCLC. BCLC also adheres to requirements set out in federal anti-money laundering legislation and is monitored by the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) for compliance with those requirements.

The consolidated financial statements of BCLC include a wholly-owned subsidiary, B.C. Lottotech International Inc. (Lottotech). The primary business of Lottotech is the purchase of

capital assets for lease to BCLC. Lottotech's budget is renewed and approved through BCLC's annual business planning process. The financial operations, management and oversight of Lottotech are consolidated within BCLC operations.

Strategic Direction

The strategic direction set by Government in 2020 and expanded upon in the Board Chair's [2021/22 Mandate Letter](#) from the Minister Responsible shaped the goals, objectives, performance measures, and financial plan outlined in the [2021/22 BCLC Service Plan](#) as well as actual results reported on in this annual report.

Operating Environment

COVID-19

In fiscal year 2021/22, BCLC continued to navigate the uncertainty and challenges of the ongoing COVID-19 pandemic. Public health orders and recommendations to minimize the spread of the virus have directly impacted our operations and workforce.

Gambling facilities remained closed for the first quarter of the fiscal year following a minister direction, which ordered the temporary closure of all gambling facilities across B.C. at the outset of the pandemic in March 2020. The Corporation implemented several business initiatives to facilitate the successful reopening of gambling facilities following this extended period of closure. When the direction was lifted on July 1, 2021, BCLC worked closely with casino service providers to safely reopen facilities in accordance with public health guidelines. BCLC and the industry implemented enhanced health and safety measures to support the wellbeing of players and employees, and in compliance with the Provincial Health Officer orders, we made various changes to allowable capacity levels in facilities over the course of the year. In September 2021, the Province implemented a vaccination passport requirement for adults to show proof of vaccination to attend certain social and recreational settings, including gambling facilities. BCLC worked with our service providers and adjusted our operations to support this requirement which remained in effect for the remainder of the 2021/22 fiscal year. To support the effort to increase vaccination rates through the province, BCLC also implemented a proof of vaccination requirement for employees beginning in November 2021, which remains a requirement for new employees joining the organization. At the time of writing this report, the requirement remained in effect. In response to public health guidelines and recommendations that employers encourage workers to work from home, the majority of BCLC employees continued to work from home and support the business remotely.

Player Experience

In line with BCLC's strategy of becoming a more player-centric company and driving responsible growth, we established a player experience function within the organization, including designating a Vice President, Player Experience. We added resources to support this important pillar of our corporate strategy. A key aspect of player experience is the promotion and integration of player health into how players engage with BCLC and our products.

Sports Betting

The legalization of single-event betting on August 27, 2021 introduced a major change in the Canadian betting landscape. This allowed BCLC to expand our PlayNow.com offerings to include single-event betting as well as wagers on racing and fighting (e.g. UFC and boxing) events. While PlayNow.com continues to be an area of growth for our business, illegal online competitors continue to target B.C. To position ourselves as the sportsbook of choice for adult British Columbians, in 2021/22 we initiated sponsorships agreements with major B.C. sports organizations to support local interest in sports betting and to help promote PlayNow.com as the only site whose profits stay in B.C. to support important programs and communities.

Social Purpose

On March 31, 2021, BCLC's Board of Directors approved replacing our mission statement with our social purpose, "We exist to generate win-wins for the greater good". A social purpose business is a company whose enduring reason for being is to create a better world. It is an engine for good, creating social benefits by the very act of conducting business. When a player plays one of our games, they enjoy an experience at the casino, playing lottery and online, and revenues go into provincial and community priorities. Our social purpose asks us to consider how we might create additional value for players, employees, business partners, suppliers, communities, municipal and provincial governments. Inherent in our social purpose is the unwavering commitment to prevent and reduce the harms that some experience from playing our products.

This year we took steps to embed the social purpose into our business including creating an employee experience roadmap, updating our corporate values and initiating a process to review our products using a social purpose lens. As part of our work to embed the social purpose throughout our business, we have been considering factors such as business growth (ours and others'); diversity, inclusion and belonging; and environmental sustainability efforts.

Climate Change and Extreme Weather Events

British Columbia is experiencing the effects of climate change: temperatures are increasing, sea levels are rising, and variable and extreme weather is becoming more frequent. Wildfires impacted many British Columbians over the course of the past summer as did heat waves – including in our head office community of Kamloops, where a number of employees were evacuated from their homes. In November 2021, flooding destroyed highway infrastructure and impacted supply chains. This resulted in distribution challenges for the lottery business as well as temporary closures of lottery retailers in areas such as Merritt and Abbotsford, which were severely impacted by the floods.

Competition for Talent

Across the globe organizations are experiencing higher turnover and competition for talent is increasing as the pandemic has demonstrated for many companies that remote work arrangements are a viable option. This has made recruiting more challenging, especially for specialized skillsets. We leveraged the learnings from the pandemic to evolve our workplace to meet the expectations of the modern workforce including introducing flexible work

arrangements, as well as the option for employees to work from anywhere in B.C., as long as their job function permits. We have also enhanced our focus on physical and mental wellness supports, providing tools and education to everyone in the business. By embedding social purpose into our employee experience roadmap, we will enhance our ability to recruit and retain talent. Research shows that 60 per cent of millennials want to work for companies with a purpose and that purpose-driven workers have 64 per cent higher levels of fulfillment in their work.¹

Anti-Money Laundering

Financial crime is a significant concern for British Columbians and across the country. BCLC has made significant investments in detecting and preventing potential financial crime. This includes investments in new technologies and ongoing collaboration with law enforcement and industry stakeholders. Increasing the understanding around the actions BCLC has taken to reduce the risk of money laundering in BCLC's operations is important to building and maintaining the community support that BCLC depends upon to operate its business. BCLC was granted standing and participated in the Commission of Inquiry into Money Laundering in British Columbia in relation to the gaming and horse racing sectors. This work that BCLC began with the Commission in 2021/22 and the resulting final report will help BCLC to determine an action plan and support government's work in responding to any recommendations.

¹ [Social Purpose Institute "Social Purpose Business Case" 2021](#)

Report on Performance: Goals, Objectives, Measures and Targets

The 2021/22 Mandate Letter provides specific actions for BCLC to ensure alignment with Government of B.C. goals and objectives.

BCLC's 2021/22 Annual Service Plan Report compares actual results to the expected results identified in the 2021/22 – 2023/24 Service Plan. The following section summarizes how BCLC measures and reports performance against five corporate goals.

Goal 1: No one is harmed from gambling offered by BCLC

The pursuit of our vision to offer exceptional gambling entertainment is underpinned by a commitment to the well-being of all players and looking for opportunities that make products and environments safer. BCLC is committed to offering safer gambling and supporting all players, especially those who are at risk of developing a gambling problem.

Objective 1: Reduce the percentage of players who scored as high risk on the Problem Gambling Severity Index (PGSI)

Key Highlights

- Conducted over 1,200 player health assessments on campaigns, promotions and games to reduce risks and create safer products and environments.
- Leveraged player data to identify high at-risk behaviours and develop a High-Risk Indicators pilot program in order to proactively prepare and execute appropriate responses to players in efforts to enable self-awareness of play and provide support resources and tools to manage gambling.
- Restored the GameSense Advisor (GSA) program's in-person services when gambling facilities reopened and continued virtual GSA services offered via telephone and online chat to support PlayNow.com players and other players who prefer these options.
- Launched an online Voluntary Self-Exclusion (VSE) Enrollment program whereby players can virtually enroll in the VSE program by connecting with a GSA over video chat, reducing barriers to enrollment outside of a gambling facility.
- Introduced healthy play content as part of a new sports betting pilot in hospitality locations.

| Performance Measure | 2020/21 Actuals | 2021/22 Target | 2021/22 Actuals | 2022/23 Target | 2023/24 Target |
|---|-----------------|----------------|-----------------|----------------|----------------|
| 1.1 Percentage of BCLC Players who scored as high risk on the PGSI index ¹ | 9% | 7% | 9% | 7% | 6% |

Data source: Continuous tracking survey conducted online by a 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. To qualify for these measures, a respondent will need to have played at least one BCLC game in the past year.

¹ The 2022/23 and 2023/24 targets for this performance measure were updated in the [2022/23 – 2024/25 Service Plan](#).

Discussion of Results

The Problem Gambling Severity Index (PGSI) is a self-reported, standardized measure of assessing at-risk gambling behaviours. It is a tool used globally based on research of common signs and consequences of problematic gambling. Players who score eight or higher are considered to be at high risk for problem gambling. Measuring PGSI allows BCLC to monitor the proportion of high-risk players in our player base.

In fiscal 2021/22, the PGSI score was higher (less desirable) than target. This is mostly attributed to the change in casino and community gaming centre player behaviour. Since the reopening of casino facilities, BCLC observed that casino players were exhibiting higher PGSI scores compared to pre-pandemic. Along with this, we observed that a significant percentage of revenue was derived from a smaller percentage of players than previous years, which is a concern from the perspectives of both player health and business sustainability. To help manage this increased player health risk, we are monitoring these changes to understand if this shift is a temporary reaction to the reopening after a prolonged closure, or a more permanent shift.

Encouraging healthy play and reducing gambling harm continues to be a focus in our business operations and is heavily embedded in our process and products. As we transition out of the pandemic phase, we have expanded our services to ensure players are supported both virtually and in person. We continue to explore and develop programs that leverage player data to better understand and identify high at-risk play behaviours. We are proactively communicating healthy play information to our players and ensuring that we create safer products and environments for our players. We are also continuing to expand our research to inform a deeper understanding of our players and how we can best support their healthy play with new programming. Healthy play behaviour takes time to form and maintain, therefore, improving PGSI scores is an important long-term goal for BCLC.

Goal 2: Our business does not create opportunities for criminal activity

Any criminal activity related to gambling and BCLC's business is a concern for British Columbians and BCLC will take action to reduce these risks.

Objectives

2.1: Reduce the number of incidents related to potential crime in and near BCLC's facilities (both brick-and-mortar and online) and/or related to BCLC managed gambling products.

2.2: Improve public perceptions about the safety and security of gambling in casinos in B.C.

Key Highlights:

- In collaboration with service providers, continued to work towards the implementation of a scalable financial transaction-monitoring system to streamline processes for staff, service providers and PlayNow.com; to provide an enterprise view of player

transactions which will further BCLC's capabilities to detect and report suspicious transactions; and to integrate with existing BCLC systems to meet current and future regulatory requirements.

- Became a principal partner in the Counter Illicit Finance Alliance of British Columbia (CIFA-BC) which is focused on improving collaboration around Canada's approach to financial information sharing.
- Continued to work closely with law enforcement, regulators, service providers, retailers and other stakeholders to define and implement security controls in order to mitigate the risk of potential criminal activities in our business.
- Participated in the Cullen Inquiry and shared information pertaining to BCLC's role in the anti-money laundering (AML) regime.

| Performance Measures | 2020/21 Actuals | 2021/22 Target | 2021/22 Actuals | 2022/23 Target | 2023/24 Target |
|---|-----------------|----------------|-----------------|----------------|----------------|
| 2.1 Number of incidents of reports of potential crime ¹ | 552 | 2,138 | 2,970 | 3,930 | 3,734 |
| 2.2 Perception of gambling in BC casinos being safe and secure ^{2,3} | 57% | 53% | 53% | 54% | 56% |

¹Data Source: BCLC iTrak (an internal software platform used for daily log reporting and incident management) and Salesforce Database

² Data Source: Continuous tracking survey conducted online by a third-party market research professional. The 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 Statistic's Canada Census. Population base used – 2016 Census BC 19+.

³The 2022/23 targets for this performance measure were updated in the 2022/23 – 2024/25 Service Plan.

Discussion of Results

Gambling facilities in B.C. reopened in July 2021 following a prolonged closure due to COVID-19. The increased volume of players from the reopening correspondingly resulted in an increase in the number of incidents of reports of potential crime. The actual number of incidents was markedly above target as facilities operated at higher capacity levels than initially forecasted when targets were set (during the pandemic). For the purpose of this measurement, BCLC has focused on certain relevant categories of potential crime. Examples of such incidents include allegations of: cheating at play, theft, assault, frauds, threats and unusual financial transactions (UFTs). UFTs include any attempted or completed transactions believed to be unusual in nature and are not necessarily an indication of money laundering. The UFT determination may result from a number of factors, including player behaviour such as a patron declining to provide required identification or source of funds documentation.

It is important to highlight that while BCLC's goal is to reduce the number of incidents of crime, the 2021/22 and 2022/23 targets for objective 2.1 show an increase from previous years as there is a correlational effect between the volume of players and incidents of potential crime. This target increase reflects the reopening of gambling facilities following a prolonged closure due to COVID-19 and the anticipated slow build up back to a pre-COVID-19 level of business. For example, in 2019/20, prior to gambling facilities being closed due to COVID, the actual number

of incidents of reports of potential crime was 4,782. Perceptions of gambling in B.C. casinos being safe and secure met target but declined when compared against fiscal year 2020/21. However, fiscal year 2020/21 results were notably higher than previous years likely due to the shift in assumptions that “safe and secure” was related to COVID-19 safety measures and the public took into consideration BCLC’s swift response to close all gambling facilities in the early stages of the pandemic. The perception has since returned to pre-pandemic levels.

BCLC continues to collaborate with law enforcement and other stakeholders in order to share information and reduce the risk of crime. For example, we meet regularly with the Gaming Integrity Group (GIG), comprised of representatives from BCLC, GPEB, and the Joint Illegal Gaming Investigations Team (JIGIT), to identify items of concern and proactively work on solutions to ensure continued integrity and compliance in the B.C. gambling industry. In addition, we work with financial institutions through the International Association of Financial Crimes Investigators (IAFCI) to share intelligence (where applicable) and stay current with various fraud trends in the province.

Additionally, we initiated a design and discovery process with a vendor for a new anti-money laundering software to provide viable integration with existing BCLC systems. If integration is viable, this technology will enhance our ability to electronically monitor transactions and make it easier to respond to evolving compliance requirements.

Goal 3: BCLC is respected for how we operate

Government has entrusted BCLC to operate gambling within the province. BCLC depends on building and maintaining community support to operate gambling on behalf of British Columbians.

Objective 3: Improve the public perceptions of how BCLC conducts business based on the following four areas:

- Integrity: BCLC operates fairly and honestly.
- Social Responsibility: BCLC is a good corporate citizen.
- Well Managed: BCLC is a well-managed corporation.
- Trust: The public has trust and confidence in the games offered by BCLC.

Key Highlights:

- In collaboration with industry partners, implemented robust health and safety measures for the reopening of gambling facilities to support the wellbeing of our people, players and communities.
- Adopted the social purpose “we exist to generate win-wins for the greater good” and initiated a process to review aspects of our business and find opportunities to embed our social purpose.
- Began the development of an Indigenous relations and reconciliation strategy.

- Developed and launched a sustainable procurement policy and strategy which ensures we consider all costs and impacts and collaborate with vendors to support social purpose, sustainability and innovation across the supply chain.
- Continued to action our diversity, inclusion and belonging strategy including launching a portal to capture data on the composition of the workforce from a gender, ethnicity and diverse-ability lens. BCLC will use this data to inform our internal policies and programs.
- Initiated the development of an environmental, social and governance policy and framework which will support BCLC's commitment to sustainability, social purpose and good governance and which we will leverage to measure and report on progress in future years.

| Performance Measures | 2020/21 Actuals | 2021/22 Target | 2021/22 Actuals | 2022/23 Target | 2023/24 Target |
|---|-----------------|----------------|-----------------|----------------|----------------|
| 3.1a Integrity ¹ | 62% | 67% | 58% | 69% | 70% |
| 3.1b Social Responsibility ¹ | 61% | 64% | 57% | 66% | 67% |
| 3.1c Well Managed ¹ | 61% | 65% | 59% | 68% | 68% |
| 3.1d Trust ¹ | 66% | 67% | 61% | 68% | 68% |

Data Source: Continuous tracking survey conducted online by a third-party market research professional. The 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 Census. Population base used – 2016 Census BC 19+.

¹ The 2022/23 and 2023/24 targets for this performance measure were updated in the [2022/23 – 2024/25 Service Plan](#).

Discussion of Results

The above performance measures assess the percentage of the B.C. adult population that agrees with the above corresponding four statements in relation to BCLC's operations. BCLC is committed to operating according to our values of respect, integrity and community.

In fiscal year 2021/22, public perception metrics declined as the high-profile media coverage on money laundering in B.C. and the Cullen Commission continued. BCLC research indicates that awareness of the Cullen Commission is high among B.C. residents and that it is a concern for many. In addition, BCLC's research indicates the pandemic has heightened awareness of social issues and has influenced people's personal values, which may in turn impact perceptions of BCLC.

BCLC has adopted a social purpose which further focuses the organization on how it can positively impact society. We are enhancing our stakeholder engagement approach and will continue to engage our stakeholders in conversations about our operations and our impact on British Columbians. We will also continue to proactively share information with local governments, business and community stakeholders and the public to create awareness and understanding of BCLC and the gambling industry, including how Host Local Government revenue benefits communities.

Goal 4: Players are entertained

BCLC is shifting from products and distribution to focus on player experience and seeking opportunities to offer omnichannel experiences and products which deliver enhanced entertainment.

Objective 4: Increase the Player Entertainment Needs Index Score

Key Highlights:

- Introduced new games, offerings and promotions to players.
- Continued technology initiatives that will ultimately enhance the player experience through greater personalization and player health supports.
- Introduced lottery sales in self-checkout lanes and piloted new experiences at lottery retailers.
- Launched single-event sports betting and piloted new sports experiences in hospitality and casino venues.
- Enhanced the Encore Loyalty program, offering exclusive contests for members both in gambling facilities and on PlayNow.com.
- Reopened gambling facilities across B.C. following a prolonged closure and introduced new game content and gaming floor designs to ensure the best offerings within patron capacity limits.

| Performance Measures | 2020/21 Actuals | 2021/22 Target | 2021/22 Actuals | 2022/23 Target | 2023/24 Target |
|---|-----------------|----------------|-----------------|----------------|----------------|
| 4.1 Player Entertainment Needs Index Score ¹ | 56 | 62 | 54 | 64 | 66 |

Data source: Survey conducted online by a 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. To qualify for these measures, a respondent will need to have played at least one BCLC game in the past year.

¹ The 2022/23 and 2023/24 targets for this performance measure were updated in the [2022/23 – 2024/25 Service Plan](#).

Discussion of Results

Gambling facilities reopened in July 2021 following a prolonged closure as a result of the COVID-19 pandemic. To ensure the health and safety of players and compliance with public health orders, gambling facilities made changes to their operations including a mask requirement, limitations on capacity levels, physical distancing and the introduction of a proof of vaccine requirement in September 2021. While these measures were paramount to protect players and employees, they did impact the player experience and contributed to results this year being below target.

Nonetheless, enhancing our players' experience and providing them with high entertainment value is a key focus for our business and we created a new Player Experience team dedicated to understanding players' expectations and experiences when engaging with all aspects of our business. These player focused insights will help inform our business strategies across the

organization to improve both our products and delivery channels. In addition, we continued leveraging technology and piloting new initiatives in our facilities to deliver more relevant and personalized experiences for our players. Some examples include expanding stadium gaming within existing sites and to new sites across the province, as well as introducing electronic table and new experiences which connected live tables and electronic table games.

BCLC will continue to study player entertainment preferences through insights obtained by our customer support center and by listening to player feedback on how to improve the entertainment experience. Through these efforts, we expect to steadily improve the Player Entertainment Needs Index Score in the years to come.

Goal 5: BCLC delivers our promised financial return to the Province of B.C.

BCLC's mandate is to generate net income for the benefit of all British Columbians.

Objective 5: Optimize net income through investing to sustain the long-term health of the business.

Key Highlights:

- Worked collaboratively with casino service providers to reopen gambling facilities, providing a safe environment for our players under evolving health and safety restrictions to manage several waves of the pandemic.
- Implemented several business initiatives to facilitate the successful reopening of gambling facilities following the extended period of closure due to the COVID-19 pandemic. These initiatives included audit and compliance oversight, providing gaming cashflow assistance to gambling facility service providers on a temporary basis and providing eligible gambling facility service providers with an option to receive an advance against future commissions.
- Capitalized on our diversified portfolio of service and channel offerings to help mitigate revenue loss during brick-and-mortar gambling facility closures throughout the first quarter of the fiscal year and as the brick-and-mortar casino business begins to recover.
- Enhanced revenue generating activities through investments in PlayNow.com and successfully launched single-event sports betting, further diversifying BCLC's product portfolio.
- Continued to upgrade lottery systems, casino equipment and technology to support the long-term health and integrity of the business.
- Continued to invest in understanding customer needs and expectations to deliver relevant products and experiences and increased availability of content on mobile devices.

| Performance Measures | 2020/21 Actuals | 2021/22 Target | 2021/22 Actuals | 2022/23 Target | 2023/24 Target |
|---|--------------------|-------------------|--------------------|-------------------|-------------------|
| 5.1 Net Income (\$ millions) ¹ | 430 | 840 | 1,314 | 1,310 | 1,520 |

Data Source: BCLC's financial plan/[audited financial statements](#), see page Appendix D. Actual results are calculated in accordance with International Financial Reporting Standards (IFRS).

¹ The 2022/23 and 2023/24 targets for this performance measure were updated in the [2022/23 – 2024/25 Service Plan](#).

Discussion of Results

In fiscal year 2021/22, BCLC achieved total net income of \$1,314 million, with \$1,303 million delivered to the Province of B.C. and \$11 million to the federal government, from total revenue of \$2,362 million.

BCLC's 2021/22 net income of \$1,314 million was \$474 million higher than budget and \$884 million higher than the previous year. The significant increase in net income compared to budget and the prior year was primarily driven by the successful reopening of gambling facilities in the beginning of the second quarter of the fiscal year after being closed through the entirety of the 2020/21 fiscal year.

Since casinos reopened, casino revenue, BCLC's primary contributor to its net income, has generated at an average of 93 per cent compared to pre-pandemic levels under evolving and imposed COVID-19 health and safety measures throughout the year such as: fluctuating capacity restrictions, implementing the vaccine passport requirements and managing through the Omicron variant.

BCLC's diversified product portfolio mitigated some of the lost revenue from the gambling facilities with both eGaming and Lottery channels setting new revenue records. PlayNow.com sustained the majority of revenue growth experienced during casino closures in fiscal 2020/21 and continued to grow through strategic initiatives such as the successful launch of single-events sports betting. Lottery revenue exceeded budget expectations in all categories and exceeded prior year results in aggregate. The performance was mainly driven by the favourable Lotto Max jackpot roll patterns that resulted in a record-breaking prize offering of a \$70 million main jackpot and 70 MAXMILLIONS (70 individual \$1 million prizes).

BCLC managed costs closely while making investments in programs that supported the successful reopening of gambling facilities, enhanced revenue from lottery and eGaming product lines, and ensured the long-term health of the organization. These investments and reduced costs experienced during the pandemic returning to pre-pandemic levels were balanced with BCLC's rationalization of programs, workforce allocation and re-alignment to maximize operational efficiency.

Financial Report

For the auditor's report and audited financial statements, [see Appendix C](#). These can also be found on the BCLC website corporate.bclc.com.

Discussion of Results

Financial Performance

While continuing to navigate the ongoing impacts of the COVID-19 pandemic, BCLC earned net income of \$1,314 million, with \$1,303 million provided to the Province of B.C. and \$11 million to the federal government, from total revenue of \$2,362 million.

These results were driven by solid performance across BCLC's product categories. The company's brick-and-mortar gambling facilities, which reopened on July 1, 2021, rebounded to 93 per cent of pre-pandemic revenues after being closed for the previous 16 months. Although only open for nine months in the fiscal year, and despite fluctuating capacity restrictions and vaccine passport requirements, income from gaming facilities accounted for \$667 million (51 per cent) of BCLC's net income, lottery accounted for \$354 million (27 per cent) and eGaming \$293 million (22 per cent).

Capital expenditures were impacted by the pandemic, global supply chain issues, and talent acquisition/retention challenges. Actual investments of \$78 million trailed behind plan by \$18 million. A significant portion of this difference will cascade into spending in future fiscal years.

Financial Position

BCLC implemented several business initiatives to facilitate the successful reopening of gambling facilities. These initiatives included providing gaming cash floats on a temporary basis and providing eligible gambling facility service providers with one-time access to an advance against future commissions. The financial impact of these initiatives is recorded as assets on BCLC's statement of financial position.

BCLC adopted a change in accounting policy related to its post-retirement benefit plan based on clarifying guidance issued in the year by the International Financial Reporting Standards Interpretations Committee. As a result of this change in accounting policy, BCLC retrospectively adjusted its fiscal year 2020/21 figures, resulting in a \$7 million decrease to the accumulated deficit, and a \$1 million decrease to the accumulated other comprehensive loss.

Financial Summary

| (\$ millions) ¹ | 2020/21 Actual ² | 2021/22 Budget | 2021/22 Actual | 2021/22 Variance ³ |
|---|--------------------------------|-------------------|-------------------|----------------------------------|
| Total Revenue | \$ 966 | \$ 1,702 | \$ 2,362 | \$ 660 |
| Direct Costs | 177 | 443 | 658 | (215) |
| Gaming Support Costs | 54 | 52 | 54 | (2) |
| Operating Costs | 183 | 212 | 200 | 12 |
| Amortization and Other | 80 | 94 | 79 | 15 |
| Total expenses | 494 | 801 | 991 | (190) |
| Net Income before Taxes | 472 | 901 | 1,371 | 470 |
| Indirect tax | 42 | 61 | 57 | 4 |
| NET INCOME | \$ 430 | \$ 840 | \$ 1,314 | \$ 474 |
| Total Liabilities | \$ 522 | \$ 523 | \$ 628 | \$ (105) |
| Accumulated Deficit | (18) | (25) | (18) | 7 |
| Accumulated Other Comprehensive Income (Loss) | (22) | (7) | 49 | 56 |
| Total Equity (Deficit) | \$ (40) | \$ (32) | \$ 31 | \$ 63 |
| Capital Expenditures | \$ 73 | \$ 96 | \$ 78 | \$ 18 |

Note 1: The above financial information was prepared based on International Financial Reporting Standards (IFRS).

Note 2: 2020/21 actuals have been restated with the retrospective application of a change in accounting policy related to the attribution period for the post-retirement benefit plan.

Note 3: Favourable (unfavourable).

Variance and Trend Analysis

Revenue

Revenues are comprised of the amounts earned from the provision of gaming products to players, and the provision of gaming services to other jurisdictions. Actuals of \$2,362 million represent a \$1,396 million (145 per cent) increase from prior year and are \$660 million (39 per cent) higher than budget. The variance from prior year is due predominantly to the reopening of brick-and-mortar gambling facilities and the variance from budget is due predominantly to a stronger return of players to casino facilities than forecast. However, Lottery and eGaming revenues also outperformed the prior year and expectations, contributing to the favourable variance.

Direct Costs

Direct costs, which vary with revenue, primarily relate to commissions paid to private sector gambling facility service providers and lottery retailer partners. Actuals of \$658 million represent a \$481 million (271 per cent) increase from prior year and are \$215 million (48 per

cent) higher than budget. The difference from prior year and from budget is primarily due to the impact of casino facilities reopening as there were no commissions paid to casino and community gaming service providers in the prior year. Lottery retailer commissions and eGaming revenue share payments to PlayNow.com gaming content providers were also higher than prior year and budget because of the increase in Lottery and eGaming revenue.

Gaming Support Costs

These costs are largely for gaming systems maintenance and upkeep and do not vary significantly with gaming activity. Actuals of \$54 million are comparable to the prior year and are \$2 million (4 per cent) higher than budget. The variance from budget is due to higher gaming support costs for one-time projects. However, these one-time projects, in aggregate, are under budget due to lower than anticipated operating costs as noted in the section that follows.

Operating Costs

These costs are made up of items such as salaries and benefits, marketing and advertising, professional fees, cost of premises and equipment. Actuals of \$200 million represent a \$17 million (9 per cent) increase from the prior year but are \$12 million (6 per cent) lower than budget. The increase from prior year is attributable to higher salaries and benefits due to normalization of the workforce after a period of hiring freezes, increased marketing and advertising costs in support of the reopening of gambling facilities and BCLC's sports strategy. These year-over-year increases are partially offset by a decrease to legal fees. The variance from budget is due to lower salaries and benefits as pension expenses were lower than anticipated and from lower equipment costs for one-time projects (partially off-set by the higher gaming support costs noted above). These favourable variances are offset by higher marketing costs to support the reopening of gambling facilities and single-event sports betting.

Amortization and Other

This balance relates primarily to depreciation of property and equipment and amortization of software costs. Actuals of \$79 million represent a \$1 million (1 per cent) decrease from the prior year and are \$15 million (16 per cent) lower than budget. The variance from budget is driven primarily by depreciation/amortization due to lower than anticipated capital expenditures. Additional impacts are attributable to lower interest expense than budgeted due to favourable rates and a smaller principal balance, and a smaller loss of the disposal of obsolete slot machines.

Indirect Tax

These costs relate to GST, as prescribed under the *Games of Chance Goods and Services Tax/Harmonized Sales Tax Regulations* of the *Excise Tax Act* (Canada), and PST, as prescribed under the *Provincial Sales Tax Act*, paid on purchases. Actuals of \$57 million represent a \$15 million (37 per cent) increase from the prior year but are \$4 million (6 per cent) lower than budget. The change from prior year is primarily due to an increase in GST expense associated with commissions to gambling facility service providers as a result of re-opening facilities. The variance from budget is the result of a retroactive GST refund which was identified after the service plan was developed and PST applying to fewer transactions than originally anticipated.

Total Equity (Deficit)

Total Equity is comprised of Accumulated Surplus (Deficit) and Accumulated Other Comprehensive Income (Loss).

Accumulated Surplus (Deficit) represents the cumulative balance of net income from all years of operation, less any distributions of net income to the Government of British Columbia or the Government of Canada. In accordance with the *Gaming Control Act*, net income in each fiscal year, after deducting contractual amounts due to the Government of Canada, is paid into the province's consolidated revenue fund.

As BCLC remits all its net income, the reported accumulated deficit relates strictly to the retrospective application of changes in accounting standards or policies as these changes do not result in any adjustments to the amounts of net income remitted. The \$7 million (30 per cent) favourable variance from budget is due to a change in accounting policy for how BCLC attributes post-retirement benefits. This change was based on clarifying guidance that was issued during the year by the International Financial Reporting Standards Interpretations Committee. The application of this guidance resulted in the shortening of the benefit attribution period for post-retirement benefits which, when applied retrospectively, resulted in a decrease to the prior year accumulated deficit.

Accumulated Other Comprehensive Income (Loss) represents items on income and expenses that are not recognized through profit or loss (net income). For BCLC, those items relate primarily to the remeasurement of the company's defined benefit plans. The \$56 million favourable variance from budget is due to changes in the financial assumptions (primarily the discount rate) for the calculation of BCLC's defined benefit plans.

Capital Expenditures

| (\$ millions) | 2020/21 Actual | 2021/22 Budget | 2021/22 Actual | 2021/22 Variance |
|-----------------------------|-------------------|-------------------|-------------------|---------------------|
| Casino & Community Gaming | \$ 31 | \$ 52 | \$ 51 | \$ 1 |
| Lottery & eGaming | 28 | 23 | 13 | 10 |
| Corporate | 14 | 21 | 14 | 7 |
| Capital Expenditures | \$ 73 | \$ 96 | \$ 78 | \$ 18 |

In fiscal year 2021/22, capital spending of \$78 million was \$5 million higher (7 per cent) than the prior year but \$18 million (19 per cent) less than budget. The increase from prior year is due to the one-time nature of capital projects which vary from year-to-year. When compared to the prior year, there was a \$23 million increase in the purchase of slot machines which was partially offset by a decrease in capital expenditures related to the Lottery Terminals and Systems Replacement project. The variance of \$18 million is primarily due to delays in project spend because of the pandemic, global supply chain issues, and talent acquisition/retention challenges.

| Significant IT Projects (over \$20 million in total) | Year of Completion | Project Cost to March 31, 2022 (\$m) | Estimated Cost to Complete (\$m) | Anticipated Total Cost (\$m) |
|--|-------------------------------|---|---|---|
| Lottery Terminals and Systems Replacement | 2022/23 | \$34 | \$9 | \$43 |
| This project involves the replacement of legacy retail lottery equipment and supporting systems. This equipment supports the majority of lottery revenue and is nearing end-of-life. | | | | |

Appendix A: Additional Information

Organizational Overview

For an organizational overview of BCLC, please visit <https://corporate.bclc.com/>

Corporate Governance

[Governance and Oversight](#)

[BCLC Senior Executive](#)

Contact Information

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Appendix B: Subsidiaries and Operating Segments

Active Subsidiaries

The consolidated financial statements of BCLC include BC Lottotech International Inc., a wholly owned subsidiary of BCLC. The primary purpose of BC Lottotech is to optimize sales taxes through the purchase of capital assets for leasing to BCLC. The main operating activities are revenue from the lease of assets to BCLC and the depreciation associated with capital acquisitions.

The management and oversight of BC Lottotech is consolidated within BCLC operations and the Board reviews and approves capital purchases through BCLC's annual business planning and budget process.

Financial Summary

| (\$ millions) ¹ | 2020/21 Actual | 2021/22 Budget | 2021/22 Actual | 2021/22 Variance ² |
|----------------------------|-------------------|-------------------|-------------------|----------------------------------|
| Total Revenue | \$ 65 | \$ 78 | \$ 65 | \$ (13) |
| Total Expenses | 66 | 79 | 65 | 14 |
| Net Gain (Loss) | \$ (1) | \$ (1) | \$ - | \$ 1 |

Note 1: The above financial information was prepared on an accrual basis.

Note 2: Favourable (unfavourable).

Operating Segments

BCLC's operating segments consist of Casino and Community Gaming, Lottery, and eGaming. BCLC's casino and community gaming operations are results from land-based gaming facilities offering slots, tables and bingo games. Lottery operations are results from brick-and-mortar retail sales of lottery draw-based games, lottery instant tickets and sports betting. eGaming operations are results of BCLC's website PlayNow.com, which extends all of BCLC's product offerings for play online. Operating costs for any departments that are not directly dedicated to supporting one of these areas of operations are allocated proportionally across these areas based on their revenues.

Financial Summary

CASINO & COMMUNITY GAMING OPERATIONS:

| (\$ millions) ¹ | 2020/21 Actual | 2021/22 Budget | 2021/22 Actual | 2021/22 Variance ² |
|--------------------------------|-------------------|-------------------|-------------------|----------------------------------|
| Total Revenue | \$ - | \$ 797 | \$ 1,337 | \$ 540 |
| Direct Costs | - | 274 | 467 | (193) |
| Gaming Support Costs | 18 | 21 | 22 | (1) |
| Operating Costs | 26 | 92 | 91 | 1 |
| Amortization and Other | 53 | 65 | 57 | 8 |
| Total expenses | 97 | 452 | 637 | (185) |
| Net Income before Taxes | (97) | 345 | 700 | 355 |
| Indirect tax | 11 | 28 | 33 | (5) |
| NET INCOME | \$ (108) | \$ 317 | \$ 667 | \$ 350 |

Note 1: The above financial information was prepared based on International Financial Reporting Standards (IFRS).

Note 2: Favourable (unfavourable).

LOTTERY OPERATIONS:

| (\$ millions) ¹ | 2020/21 Actual | 2021/22 Budget | 2021/22 Actual | 2021/22 Variance ² |
|--------------------------------|-------------------|-------------------|-------------------|----------------------------------|
| Total Revenue | \$ 544 | \$ 497 | \$ 588 | \$ 91 |
| Direct Costs | 107 | 101 | 116 | (15) |
| Gaming Support Costs | 23 | 19 | 21 | (2) |
| Operating Costs | 92 | 73 | 65 | 8 |
| Amortization and Other | 19 | 22 | 17 | 5 |
| Total expenses | 241 | 215 | 219 | (4) |
| Net Income before Taxes | 303 | 282 | 369 | 87 |
| Indirect tax | 17 | 18 | 15 | 3 |
| NET INCOME | \$ 286 | \$ 264 | \$ 354 | \$ 90 |

Note 1: The above financial information was prepared based on International Financial Reporting Standards (IFRS).

Note 2: Favourable (unfavourable).

eGAMING OPERATIONS:

| (\$ millions) ¹ | 2020/21 Actual | 2021/22 Budget | 2021/22 Actual | 2021/22 Variance ² |
|--------------------------------|-------------------|-------------------|-------------------|----------------------------------|
| Total Revenue | \$ 422 | \$ 408 | \$ 437 | \$ 29 |
| Direct Costs | 70 | 68 | 75 | (7) |
| Gaming Support Costs | 13 | 12 | 11 | 1 |
| Operating Costs | 65 | 47 | 44 | 3 |
| Amortization and Other | 8 | 7 | 5 | 2 |
| Total expenses | 156 | 134 | 135 | (1) |
| Net Income before Taxes | 266 | 274 | 302 | 28 |
| Indirect tax | 14 | 15 | 9 | 6 |
| NET INCOME | \$ 252 | \$ 259 | \$ 293 | \$ 34 |

Note 1: The above financial information was prepared based on International Financial Reporting Standards (IFRS).

Note 2: Favourable (unfavourable).

Appendix C: Auditors' Report and Audited Financial Statements

British Columbia Lottery Corporation (BCLC) Top Issues

Issue 1: Replacement *Gaming Control Act*

- Government is modernizing the *Gaming Control Act* (GCA) and introduced a replacement Act on October 5, 2022. The new Act is anticipated to come into force in Fall 2023, upon finalizing supporting regulations.
- The proposed replacement GCA establishes new authorities for the General Manager (GM) of an Independent Gambling Control Office, supports separation of regulatory and revenue generation functions by eliminating overlaps between the roles of the GM and BCLC, and makes changes aligned with recommendations by Dr. Peter German and the Cullen Commission on anti-money laundering.
- The new GCA will give the Minister responsible for BCLC the authority to issue directives to BCLC on its conduct and management of provincial gaming schemes, agreements entered into by BCLC, and matters of general policy. The minister will also have the authority to approve new lottery schemes.
- The new GCA will also require changes to how BCLC conducts its market assessments and determines opportunities for new or relocated gaming facilities, as the current delegation to BCLC to make decisions on location, relocation and substantial change to a facility will be eliminated and ministerial approval will be required in the future.

Cabinet Confidences
Cabinet Confidences

Issue 2: Online Gambling

- PlayNow.com is the fastest-growing channel of BCLC's business, with continuous year-over-year growth. In FY 2021/22, BCLC generated \$1.3 billion in net income for the Province, with PlayNow.com accounting for \$293 million.
- The legalization of single-event betting by the federal government in 2021 allowed BCLC to expand its PlayNow.com offerings.
- While PlayNow.com continues to be an area of growth for BCLC business, illegal online competitors continue to target B.C. and occupy a significant share of the overall online gambling market.
- Cabinet Confidences; Government Financial Information



Issue 3: BCLC's Role in Anti-Money Laundering

- BCLC has made significant investments in detecting and preventing potential financial crime over the past five to ten years. This includes investments in new technologies and ongoing collaboration with law enforcement and industry stakeholders.
- In FY 2020/21, BCLC became a principal partner in the Counter Illicit Finance Alliance of British Columbia (CIFA-BC) and continues to participate in the Gaming Integrity Group.
- In June 2022, Justice Cullen released his final report to government on the Commission of Inquiry into Money Laundering in British Columbia. Of the 101 recommendations, the majority are not directed towards BCLC or casinos/gaming facilities, and instead focus on areas such as real estate transactions and luxury goods.
- Four recommendations are specific to casinos and CAS will require support from BCLC to implement:
 1. **Recommendation 4:** Lower the threshold for requiring proof of the source of funds for casino transactions conducted in cash and other bearer monetary instruments to \$3,000.
 2. **Recommendation 5:** The Minister Responsible for Gaming direct BCLC to implement 100 percent account-based, known play in BC's casinos within a timeframe specified by the minister.
 3. **Recommendation 6:** Keep in place the current limits on the amounts that casinos are able to pay out to patrons in the form of convenience cheques.
 4. **Recommendation 7:** Ensure that the Independent Gaming Control Office, once established, maintains the authority to issue directives to BCLC without the consent of the Minister Responsible for Gaming or any other external authority.
- While the report confirmed issues of money laundering in BC casinos in the past, it also acknowledged a substantial shift by BCLC to seriously address suspicious transactions and money laundering in casinos.



BRIEFING NOTE
CROWN AGENCIES

Name: BC Ferry Authority (BCFA)

Legislative Authority:

The BCFA is established and governed by the Coastal Ferry Act and provides oversight for the operations of and is the sole voting shareholder for BC Ferries (BC Ferry Services Corporation).

The BCFA is not part of the Government Reporting Entity (GRE). BC Ferries is responsible under the Coastal Ferry Act for paying the operational costs of the BCFA.

Mandate:

The BCFA is responsible for overseeing the strategic direction of BC Ferries in support of the public interest of all British Columbians, appointing the Board of Directors of BC Ferries Services (BCFS), and establishing compensation plans for Directors and approving compensation plans for executives of BC Ferries.

Current Appointees:

The BCFA's Board consists of nine directors. The Chair is selected by the Board.

- Four directors are appointed by the Province:
 - Lecia Stewart – Chair
 - G. Wynne Powell – Vice Chair
 - Jessica Bowering
 - David R. Levi
- Four directors are nominated by coastal regional districts:
 - Gary Coons *Northern Coastal and North Vancouver Island Appointment Area*
 - Marlene G. Kowalski *Southern Vancouver Island Appointment Area*
 - J. Wayne Rowe *Southern Mainland Appointment Area*
 - Marc Tremblay *Central Vancouver Island and Northern Georgia Strait Appointment Area*
- One director is nominated by the trade union representing BC Ferries workers:
 - Andrew Ross

Appointments required:

- There are no appointments required within the next 90 days.

Key Contact:

Kim Horn
Executive Lead, Crown Agencies Secretariat
250-896-3680



BC Ferry Authority (BCFA) Top Issues

Issue 1: Governance and Relationships

- The governance structure for BC Ferries is complex involving BCFA as the oversight body, the BC Ferries Commissioner to oversee the setting of fares and approval of capital expenditures and BC Ferries Services Corporation (BC Ferries), which delivers coastal ferry services on behalf of government through a Services Agreement with the Ministry of Transportation and Infrastructure (MOTI).
- This structure means that BC Ferries is not included within the Government Reporting Entity (GRE), which means that its debt is not reflected on government's financial statements. However, it also means that government does not have the ability to provide direction to BC Ferries, with the exception of agreed-upon service levels and requirements negotiated through its Services Agreement with MOTI.
- The BCFA made several changes to the BCFS Board in June 2022 with the goal of improving its ability to better fulfill its oversight mandate and support a refreshed focus on public interest in delivering ferry services to coastal communities.
- The June 2022 appointment of the new BC Ferries board is viewed by the BCFA as an opportunity for greater collaboration between the two boards to better serve the public and to more effectively work with stakeholder groups, especially Indigenous communities.
- Advice/Recommendations

Issue 2: BCFA Views on BC Ferries' Submission on Performance Term 6 (PT6)

- PT6 is BC Ferries' four-year operating plan submission to the BC Ferries Commissioner – it is required in order to obtain a decision from the Commissioner on the appropriate price caps (fare increases) over the term of the agreement, as well as notional approval for planned capital expenditures.
- The BCFA had several working sessions with BCFS board directors and management on the development of the new PT6 submission in September 2022 to the Ferries Commissioner (required under legislation).
- Advice/Recommendations; Government Financial Information
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26,
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- Cabinet Confidences

Issue 3: Executive Compensation

- BC Ferries has historically expressed a reluctance to make changes to bring BC Ferries executive compensation in line with public sector guidelines (required under the Coastal Ferries Act).
- In the midst of a BCFA-led executive compensation review in 2021, BC Ferries' former board of directors approved higher compensation for newly-appointed BC Ferries executive members, against the stated direction of the BCFA.
- In February 2022, the BCFA board of directors formally approved new limits on executive compensation and advised BC Ferries board of directors accordingly; however, current executive compensation levels at BC Ferries are higher than these new limits.
- The new BC Ferries board of directors has indicated they will work to follow the new compensation plan and its limits, including for the new CEO when appointed; however, it has noted that this might take time to implement given that current executive members are over the limit.



BRIEFING NOTE

CROWN AGENCIES

Name: Insurance Corporation of British Columbia (ICBC)

Legislative Authority:

Insurance Corporation Act, Insurance (Vehicle) Act and the Motor Vehicle Act

Mandate:

ICBC is a provincial Crown corporation which provides universal compulsory (Basic) automobile insurance, regulated by the British Columbia Utilities Commission (BCUC), for all BC motorists.

ICBC is one of B.C.'s largest corporations and one of Canada's largest property and casualty insurers. Its insurance products and services are available through a province-wide network of approximately 900 independent brokers, government agents and appointed agents. Each year, ICBC processes approximately one million claim coverages through a 24-hour telephone claims handling service and online claims reporting. ICBC has a presence in communities throughout the province and works with material damage suppliers (e.g., collision and glass repair shops) and healthcare professionals to help customers after a crash.

ICBC competes with private insurance companies to offer various Optional vehicle insurance coverages. ICBC also provides a number of non-insurance services on behalf of the provincial government, including driver licensing, vehicle registration and licensing, and fines collection. The Board has the power and authority given to it by the *Insurance Corporation Act* and subject to the Act it manages and supervises the affairs and business of ICBC.

The Crown Agencies Secretariat (CAS) supports the Minister responsible for ICBC.

Current Appointees:

| Name | Position | Appointment | |
|-----------------------------|----------|-------------|------------|
| | | Start | End |
| Ms. Catherine Holt | Chair | 01/07/2022 | 31/07/2027 |
| Ms. Catherine (Cathy) McLay | Director | 18/07/2020 | 31/07/2023 |
| Ms. Bonnie Pearson | Director | 31/07/2020 | 31/07/2023 |
| Mr. Rajvinder (Raj) Khatar | Director | 31/12/2020 | 31/12/2023 |
| Mr. Jeremy Bell | Director | 31/07/2021 | 31/07/2023 |
| Ms. Jill Leversage | Director | 31/07/2021 | 31/07/2024 |
| Ms. Jennie Moushos | Director | 31/07/2021 | 31/07/2024 |
| Ms. Janet Wood | Director | 16/04/2022 | 16/04/2025 |
| Ms. Mary Lee Flamond | Director | 31/07/2022 | 31/07/2025 |
| Mr. Allan Seckel | Director | 31/07/2022 | 31/07/2024 |
| Mr. Andrew Robinson | Director | 19/09/2022 | 07/09/2023 |

Appointments required:

- None

Issue(s):

- ICBC is required to file its next Basic rate application to the BCUC by December 15, 2022, for new Basic rates starting April 1, 2023.

Key Contact:

Toby Louie
Executive Lead (Crown Agencies Secretariat)
778 974-3805



Insurance Corporation of British Columbia (ICBC) Top Issues

Issue 1: ICBC Basic Insurance Rates and Rate Filing

- ICBC is required to make its annual Basic insurance rate filing to the BC Utilities Commission (the regulator of ICBC Basic rates) by December 15, 2022.
- While typical ICBC rate filings are one year, the Corporation will be making a two-year filing for the period from April 1, 2023 to March 31, 2025.
- In doing so, ICBC will be able to file for a 0% rate increase over the two years. While there will be no request to BCUC to increase Basic rates over the next two years, Cabinet Confidences

Cabinet Confidences

- The filing will also include changes to its capital management plan (i.e., reserve funds).
- Cabinet Confidences

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Issue 2: Cabinet Confidences

- ICBC is working with the Crown Agencies Secretariat (CAS) on Cabinet Confidences

Cabinet Confidences

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- The proposal would Cabinet Confidences

Cabinet Confidences

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Issue 3: Head Office

- ICBC is planning to relocate staff from its current North Vancouver head office over the next 3 to 5 years to a significantly smaller hub in Burnaby or Vancouver, and other ICBC office locations.
- ICBC will retain a smaller office space in North Vancouver.
- Retaining a very large head office location no longer makes sense for ICBC for the following reasons:
 - Since ICBC introduced its flexible work model in 2021, the head office building is only 20-40% occupied on any given day, which is not efficient.
 - More than 70% of head office staff currently live outside of North Vancouver and commute from across Metro Vancouver.
 - The corporation's action to reduce its carbon footprint includes building emissions. The move is a step towards reaching its target of a 50% reduction in building emissions by 2030.

- Cabinet Confidences



Issue 4: Proposed Legislative Changes

- Cabinet Confidences
-
- Advice/Recommendations; Cabinet Confidences

Issue 5: Driver Licence Number Project:

- ICBC is changing its systems and processes to increase the length of the Driver's Licence Number from seven to eight digits, effective July 2023.
- The change enables ICBC's continued ability to accept new clients and deliver on its government mandated services of issuing new B.C. Driver Licences, B.C. Identification Cards and B.C. Services Cards.
- ICBC is working closely with impacted government stakeholders to ensure that future systems interactions can accommodate an 8 digit DL number.

Issue 6: Enhanced Care Communications Strategy

- In May 2021, all BC drivers shifted to the Enhanced Care insurance model, lowering the price of insurance by an average of \$490 or 28% for those who buy Basic and optional coverage from ICBC (when compared to the cost under the former legal-based model).
- Advice/Recommendations
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Issue 7: Advice/Recommendations; Cabinet Confidences

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MINISTRY PROFILE

Ministry:

The work that the Crown Agencies Secretariat (CAS) leads with Crown agencies directly supports government's priorities, such as improving affordability for British Columbians and ensuring good jobs and livelihoods for citizens. CAS's ongoing work will help establish a culture of collaboration, transparency and accountability across the Crown sector, enabling government to be nimble and responsive when issues emerge.

Ministry Mandate:

The Crown Agencies Secretariat is a central agency that supports public sector organizations (PSOs) to operate effectively, in the public interest, and aligned with government's strategic direction and priorities. There are approximately 250 PSOs in BC. They include agencies, boards, commissions, tribunals, advisory bodies, independent authorities and societies. PSOs deliver public services to the people of BC and collectively provide stewardship of almost two-thirds of the provincial budget. They are accountable to the public through a responsible government minister.

CAS supports specific Crown agencies that are strategically important to government including the oversight of the Liquor Distribution Branch (LDB), British Columbia Lottery Corporation (BCLC), B.C. Ferry Authority (BCFA), and the Insurance Corporation of British Columbia (ICBC). CAS is also actively supporting a range of other ministries with their Crowns on an advisory basis, including the Ministry of Attorney General and Minister Responsible for Housing, Ministry of Energy, Mines and Low-Carbon Innovation, Ministry of Transportation and Infrastructure and Ministry of Tourism, Arts, Culture and Sport. CAS includes the Crown Agencies and Board Resourcing Office (CABRO), which provides oversight of governance, training, corporate accountability and appointments to all Crown corporations, agencies, boards and commissions.

CAS was established in November 2020 to provide strategic oversight and support to Crown agencies and the Crown sector. CAS adopts a collaborative approach to supporting and advising ministries and their public sector organizations, working in partnership with the organizations and their responsible ministries to manage and resolve issues and leverage opportunities. CAS offers a range of services, including:

- Integrated financial, policy and communications oversight for select Crown agencies.
- Analytical services including expertise in public sector finance, policy, communications and stakeholder engagement, governance, and performance planning and reporting.
- Identification and management of risks and opportunities in the Crown sector.
- Advisory/consultative services as requested by ministries or Crowns including issues management.
- Centralized leadership for the delivery of Crown agency mandate letters, and the legislated annual budget planning and reporting cycle for ministry and Crown agency service plans and annual service plan reports.
- Leadership and oversight of appointments to 264 public sector organizations and approximately 2000 appointees.
- Governance supports and training for public sector boards and executive, as well as operational support for Crown executive and management.

Full Time Equivalents (FTEs):

46 Cabinet Confidences; Government Financial Information
does not include the Liquor Distribution Branch (LDB))

it

Executive Organizational Chart:



**LDB is a separate entity from the Crown Agencies Secretariat, but reports through to the Associate Deputy Minister.*

Budget:

| Core Business Area | 2021/22 Restated Estimates | 2022/23 Estimates | 2023/24 Plan | 2024/25 Plan |
|-----------------------------------|----------------------------|-------------------|--------------|--------------|
| Operating Expenses (\$000) | | | | |
| Crown Agencies Secretariat | 2,589 | 7,034 | 6,962 | 6,871 |

Note that the Crown Agencies Secretariat's budget is included as a line in the 2022/23 - 2024/25 Ministry of Finance's Service Plan. Cabinet Confidences; Government Financial Information

Cabinet Confidences; Government Financial Information *Budget does not include the LDB.*