



SHAREHOLDER'S LETTER OF EXPECTATIONS

BETWEEN

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

AND

**THE CHAIR OF THE BRITISH COLUMBIA LOTTERY CORPORATION
(AS REPRESENTATIVE OF THE CORPORATION)**

PURPOSE

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

This Shareholder's Letter of Expectations letter replaces any previous such documents between the Shareholder and the Corporation.

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

CORPORATION ACCOUNTABILITIES

Government has provided the following mandate direction to British Columbia Lottery Corporation:

Government is committed to maintaining BCLC's mandate as defined under the *Gaming Control Act* for the conduct, management and operation of most commercial gaming in the Province of BC on behalf of government. Specifically, BCLC's mandate includes the responsibility to:

- Conduct, manage and operate lottery gaming;
- Conduct, manage and operate casino gaming;
- Conduct, manage and operate commercial bingo gaming; and
- Undertake marketplace management of horseracing.

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

- Conduct its affairs to achieve its mandate and the performance expectations and objectives of the Shareholder, including establishing and implementing corporate strategies, policies, programs, plans and financial outcomes that are consistent with the Shareholder's general direction and consistent with principles of efficiency, effectiveness, consumer choice and customer service;
- Prepare Service Plans with clearly articulated goals, objectives, strategies and performance measures and targets, and Annual Reports that detail progress toward achieving those goals, and post both documents on its website;
- Display all annual Statement of Financial Information schedules prepared under the *Financial Information Act* in an easily accessible location on its website (some of this information is included in annual reports and does not need to be otherwise displayed);
- Conduct its operations and financial activities in a manner consistent with the legislative, regulatory and policy framework established by the Shareholder;
- Develop and implement strategies to manage risks identified in the Service Plan as well as ongoing risks;
- Provide the Shareholder with reports and other information that would enable the Shareholder to carry out its responsibilities;
- Provide information to the Shareholder if the Corporation is unable to meet the targets identified in its Service Plan; and
- Take appropriate action to ensure that if Shareholder-directed transactions affect the Service Plan or financial targets of the Corporation, the Shareholder is informed of any impacts.

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

- Optimize the Corporation's financial performance within the gaming and social policy framework established by the Shareholder;

- Improve the performance of casino, bingo and lottery gaming through new products and approaches in response to customer and marketplace demand, consistent with the Corporation's mandate;
- Ensure the Corporation's products and services are provided in a socially responsible manner;
- Improve the quality of the casino product with better locations and casinos sized to suit the market;
- Develop and maintain a sound, responsive and adaptive technology infrastructure;
- Build public and key stakeholder trust/support, improve the quality of service to customers and improve relationships with service providers;
- Comply with the policy directives that may be issued from time to time by the Minister Responsible for the Gaming Control Act and with policies, directives and standards that may be issued from time to time by the regulatory agency established under the Gaming Control Act;
- Operate the business of BCLC in an efficient and effective manner for the benefit of its customers and the Shareholder;
- Meet and/or improve on BCLC's financial and non-financial performance going forward;
- Inform the Shareholder on a regular basis of any major changes occurring or likely to occur that may impact on BCLC's achievement of its Service Plan targets either negatively or positively; and
- Participate with the Ministry of Public Safety and Solicitor General in the preparation and presentation of a Strategic Plan for BCLC's Conduct and Management of Gaming, including the proposed Consent to Operate Strategy.

SHAREHOLDER'S RESPONSIBILITIES

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

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

committees, in order to facilitate Crown corporations fulfilling their mandates and achieving the performance targets outlined in Crown corporations' Service Plans.

The Shareholder has developed policies for ministries and Crown corporations for Capital Asset Management (<http://www.fin.gov.bc.ca/tbs/camf.htm>) and Board remuneration policies for Crown agencies. The shareholder has also issued Best Practice Guidelines for board governance and disclosure to be implemented by April 2006 (<http://www.fin.gov.bc.ca/ooop/brdo/corporateguidelines.pdf>). During the term of this Letter, the Shareholder may provide policy direction to the Crown agency sector, and will communicate any such direction, including implementation expectations, to Crown corporations as decisions are made.

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

Specific to the Corporation, the Shareholder:

- Continues the Corporation as an agent of the Shareholder under the Gaming Control Act, which establishes its mandate, structure, financial framework and legislated responsibilities and accountabilities;
- Preserves the right to provide broad policy direction on gaming and has empowered the Corporation to implement policies and procedures that allow it to operate in a business-like manner within the legislative and policy structure for gaming that has been established by the Shareholder;
- Has established the Ministry of Public Safety and Solicitor General as the agency of the government responsible for the overall integrity of gaming and horseracing in the province;
- Has established policy, horse racing, registration, audit, investigation and other functions to ensure that integrity is maintained;
- Has established policy and funding mechanisms to address problem gambling and ensure gaming is provided in a responsible manner;
- Has established mechanisms to manage government's proceeds from gaming; and
- Confirms the role of the Minister of Finance as fiscal agent to the Corporation, providing the Corporation with access to government financing and banking services.

AREAS OF SHARED ACCOUNTABILITY:

Communications

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

Reporting

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

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

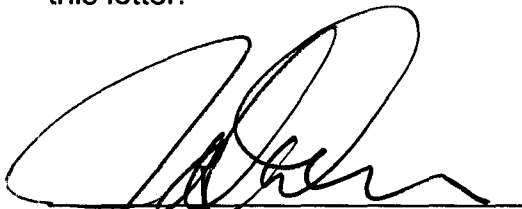
In addition to these financial and performance reporting requirements, the Corporation agrees to provide information to the Shareholder related to risks and opportunities anticipated in achieving financial forecasts.

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

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

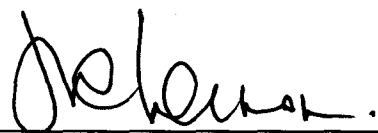
Review and Revision of this Letter

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



Honourable John Les
Minister of Public Safety and Solicitor General

July 31 / 06
Date



John R. McLernon
Chair of the Board
British Columbia Lottery Corporation

Aug 2 / 2006
Date

pc: Honourable Gordon Campbell
Premier

Jessica McDonald
Deputy Minister to the Premier and Cabinet Secretary

Dana Hayden
Deputy Minister, Strategic Policy, Natural Resources and the Economy

Tamara Vrooman
Deputy Minister and Secretary to Treasury Board
Ministry of Finance

Molly Harrington
A/CEO
Crown Agencies Secretariat

David Morhart
Deputy Minister
Ministry of Public Safety and Solicitor General

Vic Poleschuck
President and Chief Executive Officer
British Columbia Lottery Corporation

Derek Sturko
Assistant Deputy Minister
Gaming Policy and Enforcement