

*All for  
Here*



**Business Plan Fiscal 2016–17**  
Ontario Lottery and Gaming Corporation

*This document contains forward-looking statements about our expected or potential future business and financial performance. For OLG, forward-looking statements include, but are not limited to, statements about possible transformation initiatives; future revenue and profit guidance; and other statements about future events or conditions. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to, the uncertain economic environment; fluctuations in customer demand; foreign currency exchange rates; the outcome of litigations; and changes in government or regulation.*

*Although such statements are based on Management's current estimates and expectations and currently available competitive, financial and economic data, forward-looking statements are inherently uncertain. The reader is cautioned that a variety of factors could cause business conditions and results to differ materially from what is contained herein.*

*The following business plan is guided by the direction contained in OLG's Fiscal 2016–17 Business Plan, Annual Budget and Financial Projections, Fiscal 2017–18 to 2019–20, which was approved by the Board of Directors in December 2015 and reviewed by the Ministry of Finance in October 2016.*

## **TABLE OF CONTENTS**

<b>EXECUTIVE SUMMARY .....</b>	<b>2</b>
<b>OVERVIEW OF THE CORPORATION.....</b>	<b>3</b>
<b>PLANNING ENVIRONMENT .....</b>	<b>7</b>
<b>STRATEGIC DIRECTION AND IMPLEMENTATION PLAN .....</b>	<b>15</b>
<b>FISCAL 2016-17 PLANNING APPROACH.....</b>	<b>25</b>
<b>FINANCIAL PLAN: 2016–17 TO 2019–20.....</b>	<b>26</b>
<b>APPENDIX.....</b>	<b>29</b>

## ***Executive Summary***

Ontario Lottery and Gaming Corporation (OLG) continues to provide the Ontario government with its largest source of non-tax revenue. The \$2 billion Net Profit to the Province (NPP) delivered in fiscal 2014–15 went to support provincial priorities such as the operation of hospitals and funding for charitable and not-for-profit organizations. In addition, OLG further supports local economies through the more than 16,000 direct and indirect employees across the province, \$235 million in commissions paid to lottery retailers and \$130 million in payments to municipalities that host OLG gaming facilities.

OLG's strategic focus is on modernization and executing an effective transformation of the organization, horse racing integration and improving the effectiveness of the existing business lines (i.e., Lottery, Charitable Gaming, iGaming, Slots and Casinos and Resort Casinos). After modernization, OLG will become a leaner, more focused organization, accountable for the conduct and management of lottery and gaming while the day-to-day delivery of lottery and gaming will shift to private sector service providers. OLG will continue to provide a source of regulated and responsible entertainment for the people of Ontario.

Transforming the lottery and gaming business will provide financial and economic benefits to the Province and the people of Ontario. The benefits include a balance between incremental NPP, new full-time and temporary jobs and private sector capital investment including an upfront payment for the existing assets.

Land-based gaming modernization took a critical step forward in fiscal 2015–16 when OLG selected Ontario Gaming East Limited Partnership, through its procurement process, as the preferred service provider for the East Gaming Bundle. Fiscal 2016–17 includes significant progress as the Request for Proposal (RFP) for the GTA Gaming Bundle is expected to be released to the market and the RFPs for the North and Southwest Gaming Bundles are expected to close.

Other key aspects of modernization include revitalizing the charitable gaming market with the establishment of new electronic Charitable Gaming Centres across Ontario, continuing the operation of PlayOLG, the first regulated Internet gaming web site in Ontario, and working with the Government of Ontario and the horse racing industry to help nurture the conditions for a sustainable horse racing sector.

The fiscal 2016–17 Business Plan is a significant transformational plan consisting of modernization initiatives that will help achieve OLG's goal of generating greater and more sustainable financial benefits for the province. NPP is expected to grow from \$2.0 billion in fiscal 2014–15 to \$2.4 billion by fiscal 2019–20. Lottery and land-based gaming include significant growth from modernization activities by fiscal 2019–20.

As modernization continues over the next few years, OLG will become a more efficient, modern organization committed to delivering sustainable lottery and gaming entertainment that serves Ontario customers and visitors in a way that benefits the province, its communities and its people while leading North America in responsible gambling. In fiscal 2014–15, OLG was recognized by the World Lottery Association (WLA) for Best Overall Responsible Gaming Program from among 44 eligible global lottery and gaming operators. This prestigious award was paired with the WLA's re-accreditation of OLG's RG program at Level 4, an achievement originally earned in 2011 and the highest and only level at which WLA members become eligible for the award.

## Overview of the Corporation

Ontario Lottery and Gaming Corporation (OLG or “the Corporation”) and its contract management companies employ more than 16,000 people across Ontario. OLG is responsible for 24 gaming sites, the sale of lottery products at approximately 9,700 retail locations, the PlayOLG Internet gaming web site and the delivery of electronic gaming products at 31 Charitable Gaming Centres across the province.

Classified as an Operational Enterprise Agency of the Province of Ontario, the Corporation is intended to provide gaming entertainment in an efficient and socially responsible manner that maximizes economic benefits for the people of Ontario, related economic sectors and host communities.

The Ontario Lottery and Gaming Corporation Act, 1999 requires that net revenue from its operations be paid to the Government of Ontario Consolidated Revenue Fund. In fiscal 2014–15, this revenue supported services such as the operation of hospitals, amateur sports and the prevention, treatment and research of problem gambling. Revenue from these activities is also made available to the Ontario Trillium Foundation by the Government of Ontario for distribution to charitable and not-for-profit organizations. OLG’s Charitable Gaming program also makes direct funding contributions to charitable gaming associations.

See Appendix for OLG’s Governance and Management Structure.

## Vision and Mission

- Our **vision** is to create excitement and fulfill dreams.
- Our **commitment** is to build trust by delivering gaming responsibly.
- Our **success** is demonstrated by the profit and jobs we generate.
- Our **strength** is our sophisticated understanding of our customers.
- Our **goal** is to be a destination of choice for world-class entertainment.

## Values

- **Be Accountable.** We accept the responsibility of setting and attaining high standards for ourselves in serving our customers and acting in the public interest.
- **Act with Integrity.** This means doing the right thing. We will balance what our customers and business partners ask of us with what the people of Ontario expect of us.
- **Respect our customers, employees, partners and the people of Ontario.** Respect starts with listening openly and honestly to the diversity of people and ideas around us.

## Economic Impact

Since 1975, OLG has provided nearly \$42 billion to the Province and the people of Ontario. OLG's annual payments to the province have helped support the operation of hospitals; prevention, treatment and research of problem gambling; amateur sport through the Quest for Gold program; and local and provincial charities through the Ontario Trillium Foundation. In addition to OLG's payments to the province, there are several direct beneficiaries of gaming proceeds, including 23 host municipalities and Ontario First Nations.

OLG operations also contribute to the economy in a number of other ways. In fiscal 2014–15 alone, OLG operations generated \$3.4 billion in total economic activity in Ontario:



<sup>1</sup> Net Profit to the Province is the amount the Corporation returns to the Province of Ontario after stakeholder and other payments

<sup>2</sup> Based on government policy that directs 2% of forecasted slot machine gross revenue (excluding OLG's Resort Casinos and OLG Slots at Great Blue Heron Charity Casino) to problem gambling funding

<sup>3</sup> Direct employees are those employed directly by OLG. Indirect employees are those employed by OLG's Resort Casinos and the Great Blue Heron Slot Machine Facility

## OLG Financial Stakeholders

### Municipalities

Host municipalities benefit directly from hosting fees, property tax revenue, development fees, local impacts from economic development and the creation of permanent jobs.

Effective April 1, 2013, a new and consistent formula was utilized to determine the fee that municipalities receive for hosting an OLG gaming facility. This formula is applied consistently to all municipalities across the Province of Ontario and is part of the Municipality Contribution Agreement (MCA).

Under this MCA formula, host communities, including the cities of Niagara Falls and Windsor but excluding the Mississaugas of Scugog Island First Nation and the Chippewas of Rama First Nation, receive:

- 5.25 per cent on the first \$65 million of annual slot revenue; plus
- 3.0 per cent on the next \$135 million of annual slot revenue; plus
- 2.5 per cent on the next \$300 million of annual slot revenue; plus
- 0.5 per cent on annual slot revenue above \$500 million; plus
- 4.0 per cent on table game revenue, where applicable.

OLG also pays property taxes, makes payments (in lieu of property taxes) where it owns and runs gaming facilities and contributes to municipal emergency services in Rama. In fiscal 2014–15, OLG paid \$129.3 million to municipalities that hosted OLG gaming facilities, including Resort Casinos and Charitable Gaming Centres plus \$285 million in provincial and federal taxes (including Government of Canada payments).

### Retailers

The approximately 9,700 retailers that serve as OLG's primary distribution network for lottery products represent a key stakeholder constituency. Under contract with OLG, lottery retailers receive the following:

- Sales commissions of 5 per cent for Lotto (e.g., LOTTO 6/49, LOTTO MAX) and Sports games (e.g., PRO•LINE) and 8 per cent for INSTANT products (e.g., CROSSWORD and BINGO scratch games).
- Prize redemption fees of 2 per cent for Lotto and Sports games and 3 per cent for INSTANT products.

### Charitable Gaming Industry

OLG continues to work in collaboration with the charitable gaming industry to revitalize the sector in order to i) support thousands of local level charities and the social benefits that they bring to their communities, ii) drive economic benefits back to local markets and iii) provide a modernized and distinct entertainment experience to customers across Ontario in a socially responsible manner.

Charitable Gaming stakeholders include the thousands of charities and non-profit agencies, site service providers and municipalities that benefit from bingo centres in Ontario. Under the Charitable Gaming Revitalization's standard agreements with each stakeholder group, charities, site service providers and municipalities receive a commission to deliver services to OLG. Commissions are based on a percentage of adjusted net gaming win (after payment of prizes and applicable marketing expenses). In fiscal 2014–15, \$20.8 million in Charitable Gaming proceeds were distributed to participating local charities, while \$2.8 million was paid to municipalities that hosted a Charitable Gaming Centre.

## First Nations

### a) Great Blue Heron Charity Casino

The Mississaugas of Scugog Island First Nation will continue to receive an amount equal to 5 per cent of Gross Revenues, as defined, of the slots at the Great Blue Heron Slot Machine Facility on a month-to-month basis. This agreement was extended a further 24 months to June 28, 2017.

### b) Casino Rama

Beginning August 1, 2011, the Post-2011 Contract relating to Casino Rama for the 20-year period commencing August 1, 2011 and relating to possible future development (the “Post-2011 Contract”) provides for a variety of payments to the Chippewas of Rama First Nation (RFN), including the payment of an annual fee equal to the greater of 1.9 per cent of the gross revenues, as defined, of Casino Rama and \$5.5 million over the 20-year term of the Post-2011 Contract, unless further extended.

### c) Ontario First Nations Limited Partnership

On February 19, 2008, the Ontario First Nations Limited Partnership and the Ontario First Nations (2008) Limited Partnership ratified a Gaming Revenue Sharing and Financial Agreement (GRSFA) that provides Ontario First Nations with, among other things, an amount equal to 1.7 per cent of gross revenues, as defined, per year commencing fiscal 2011–12. The initial term of the GRSFA is 20 years.



## ***Planning Environment***

OLG assesses and is affected by a wide number of factors that impact its operating and planning environment. An assessment of OLG's macroeconomic environment indicates a moderately favourable outlook for Ontario over the medium term.

- Economic Landscape – Continued moderate growth in Ontario's economy is expected, averaging 2.2 per cent between 2016 and 2018
- Ontario Labour Market – Unemployment rate is projected to fall, declining to 6.5 per cent by 2017 as employment outpaces labour force growth
- Consumer Spending – Consumer attitudes driven by debt pressures may reduce discretionary spend in 2016

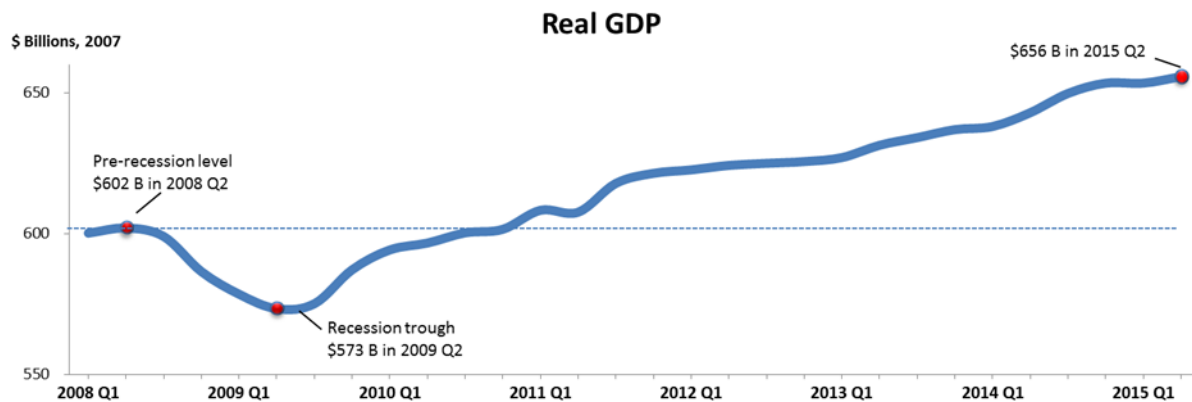
In addition, OLG assesses specific market trends to further inform its planning environment

- Lottery Market Trends – Despite recent strong performance in Lottery revenue, key underlying market trends indicate moderate growth over the immediate planning period:
  - Revenue for all Canadian lottery jurisdictions is above prior year levels
  - Player Participation rates have continued to experience a significant decline over the past decade
- Gaming Market Trends – A stable and consistent gaming market is expected over the immediate planning period:
  - Revenue in many jurisdictions in Canada is declining moderately year over year
  - Revenue in U.S. regional gaming markets has seen moderate growth of 2 per cent over the previous period
  - Cross-Border Visitation – U.S. visitation to OLG facilities is positively influenced by the exchange rate in the short term
  - Competition – Competition from the U.S. market remains a significant consideration for OLG's gaming facilities located in regions proximate to the U.S. border
- Canadian Internet Gaming Market Trends – A consistent gaming market is expected over the immediate planning period:
  - Competition from the grey market operators continues to negatively impact PlayOLG

## Economic Landscape

Continued moderate growth in Ontario's economy is expected, averaging 2.2 per cent between 2016 and 2018.

The Ontario economy has largely recovered from the effects of the global recession of 2008-09. Ontario's post-recession expansion has been supported by gains in household spending, investment and exports.

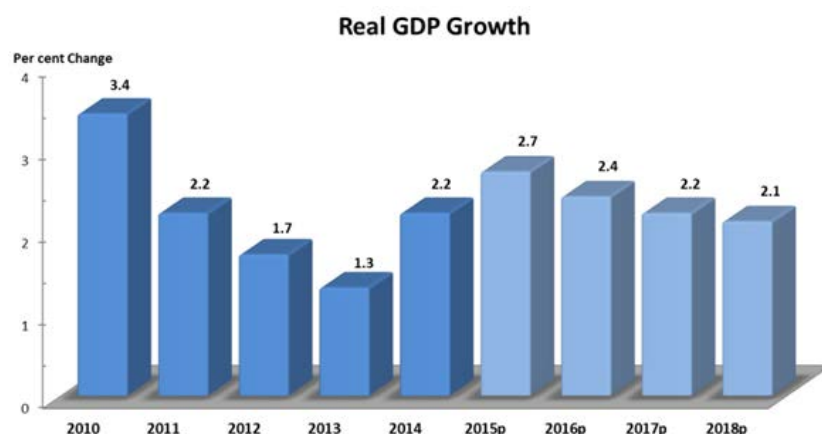


Source: Ministry of Finance, Ontario Economic Accounts

As of the first quarter of 2015, Ontario's real Gross Domestic Product (GDP) has increased 14 per cent since the end of the recession in Q2 2009; and 6 per cent above pre-recession peak in Q2 2008.

The Ministry of Finance is projecting continued moderate growth in Ontario's economy with real GDP forecasted to grow by 2.7 per cent in 2015, 2.4 per cent in 2016, 2.2 per cent in 2017 and 2.1 in 2018.<sup>4</sup>

The projection for moderate growth is expected to be supported by improved net exports, strong business investment and moderate gains in consumer spending.



Source: Ministry of Finance, Ontario Economic Accounts  
p = Ontario Ministry of Finance planning projection, 2015 Ontario Budget

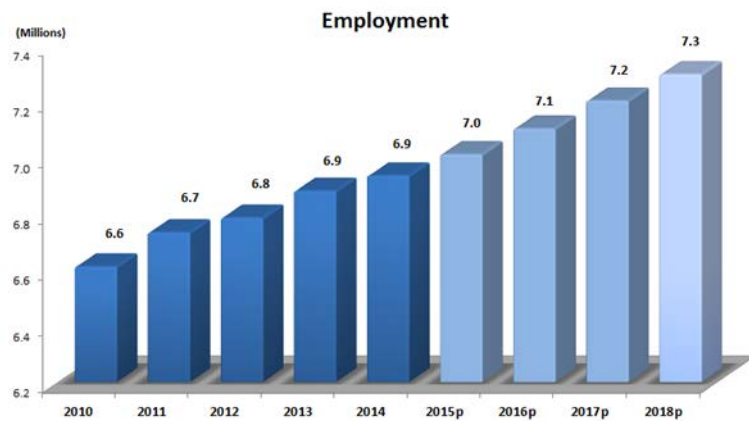
<sup>4</sup> Source: Ministry of Finance planning projection

## Ontario Labour Market

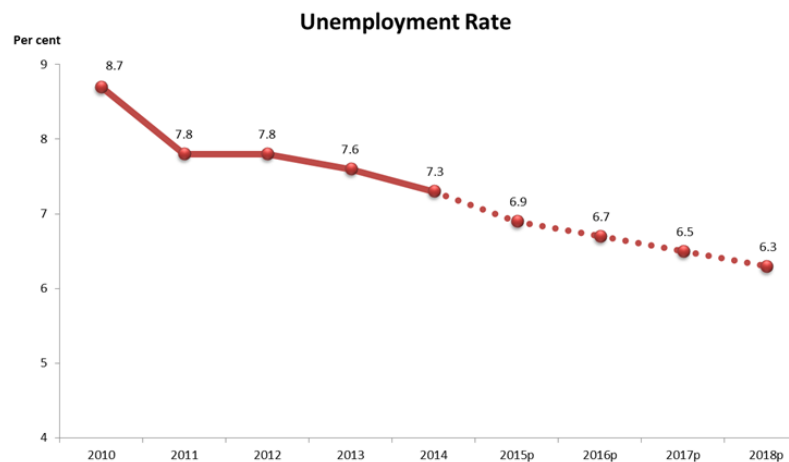
Unemployment rate is projected to fall, declining to 6.5 per cent by 2017 as employment outpaces labour force growth.

Ontario's employment is expected to increase by 1.1 per cent to 7.0 million, improving output growth and business confidence.

Job creation is expected to strengthen over the medium term increasing employment by 1.3 per cent in 2016, 1.4 per cent in 2017 and 1.3 per cent in 2018.



Ontario's unemployment rate is projected to decline steadily from an average of 6.9 per cent in 2015 to 6.3 per cent by 2018.<sup>5</sup>



Source: Statistics Canada,  
p= Ontario Ministry of Finance planning projection, 2015 Ontario Budget

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<sup>5</sup> Source: Ministry of Finance, 2015 Ontario Budget

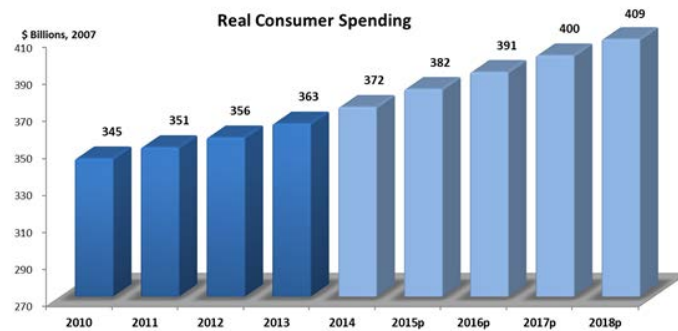
## Consumer Spending

Consumer attitudes driven by debt pressures may reduce discretionary spending in 2016.

Between 2016 and 2018, moderate gains in consumer spending are expected.

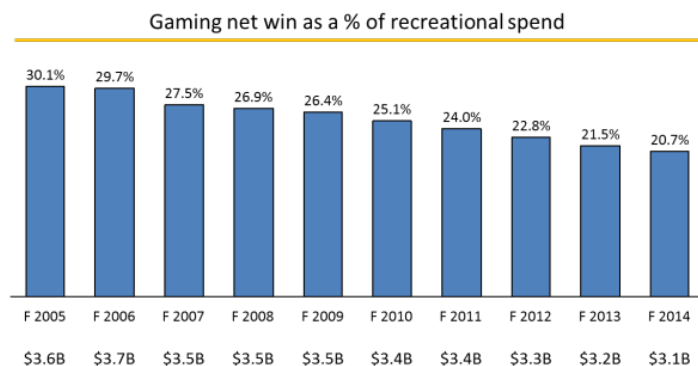
Real consumer spending is expected to increase 2.6 per cent in 2015, 2.4 per cent in 2016, 2.3 per cent in 2017 and 2.2 per cent in 2018.

However, consumer spending has been directed increasingly toward essential expenditures, such as food, shelter and transportation, and decreasingly toward discretionary expenditures such as entertainment.<sup>6</sup>



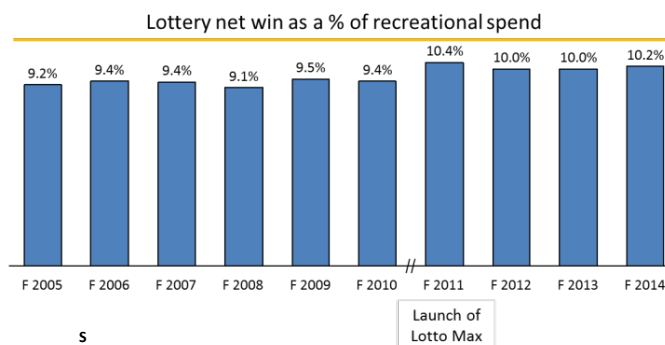
Source: Ministry of Finance, Ontario Economic Accounts  
p= Ontario Ministry of Finance planning projection, 2015 Ontario Budget

Gaming as an entertainment option has declined compared to other competing alternatives (e.g., live entertainment, cable and pay TV). Gaming net win as a percentage of recreational spending has declined to 21 per cent in fiscal 2013–14 from 30 per cent in fiscal 2004–05.



Source: Statistics Canada and OLG internal analysis

In contrast, Lottery net win as a percentage of recreational spending has been consistent since fiscal 2010–11.



Source: Statistics Canada and OLG internal analysis

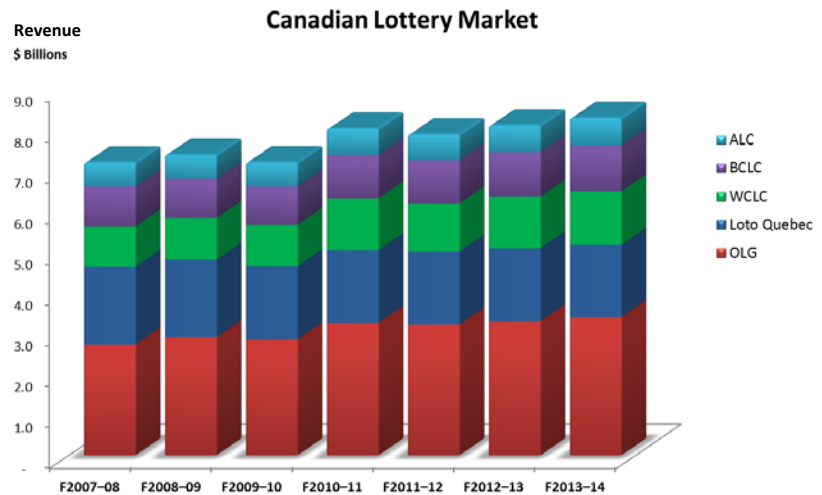
<sup>6</sup> Statistics Canada, Survey of Household Spending

## Lottery Market Trends

Revenue for all Canadian lottery jurisdictions is above prior year levels.

The Canadian lottery market<sup>7</sup> increased by 1.9 per cent to about \$8.3 billion in fiscal 2013–14, following a 2.9 per cent increase in the previous period.

OLG lottery sales, which account for more than 41 per cent of total lottery sales in Canada, are larger than the combined lottery sales of Atlantic Lottery Corporation (ALC), British Columbia Lottery Corporation (BCLC) and Western Canada Lottery Corporation (WCLC).



Player participation rates have continued to experience a significant decline over the past decade.

	FY06	FY15	Change
Adult Population	9.7M	11.1M	14%
Current Lottery Players	5.1M	5.0M	-2%
Player Participation	53%	45%	-8 pts

Player participation rates for lottery have been experiencing long-term declines. While the adult population has grown 14 per cent over the past 10 years, lottery customers have not kept pace, having declined by 2 per cent.

The fiscal 2014–15 current player participation is 45 per cent, the lowest penetration in over a decade.

Furthermore, almost 80 per cent of lottery sales are being generated by 19 per cent of the population (e.g., weekly customers, males, 35 years of age and older). These lottery sales are generated by growing per capita spending in this core group, which is also declining in size.

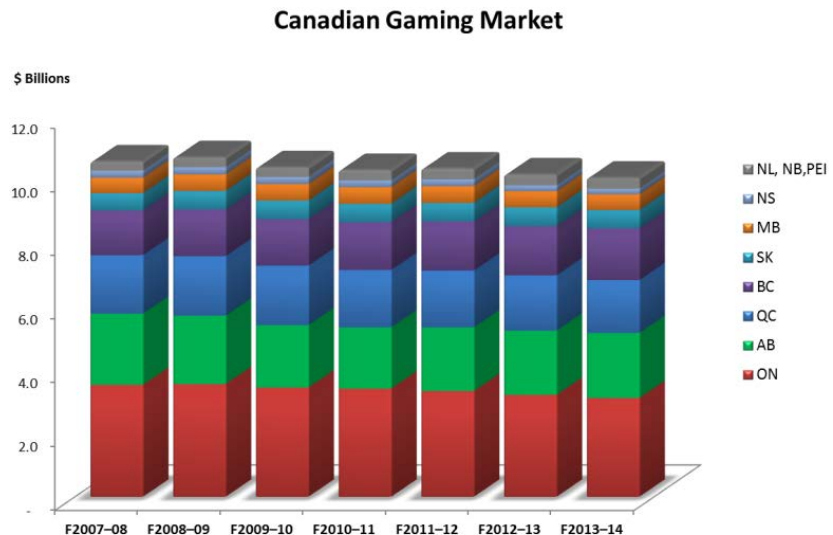
<sup>7</sup> Interprovincial Lottery Corporation

## Gaming Market Trends

Revenue in many jurisdictions in Canada is declining moderately year over year.

The Canadian casino-style gaming market decreased by 1.0 per cent to just over \$10 billion in fiscal 2013–14<sup>8</sup>.

The top four Canadian jurisdictions – Ontario, Alberta, Québec and British Columbia – account for over 80 per cent of the total Canadian gaming market.



Revenue in U.S. regional gaming markets has seen moderate growth of 2 per cent over the previous period

### Top U.S. Casino Gaming Jurisdictions

U.S. commercial casino gaming revenue grew by 2 per cent to \$39.7 billion year over year.

Nevada and Pennsylvania are the top two U.S. jurisdictions with gaming revenue of \$3 billion and more.

	(US\$ Millions)	Aug 2014 - Sep 2015	Aug 2013 - Sep 2014	Growth in %
1	Nevada	\$11,082	\$11,138	-0.5%
2	Pennsylvania	\$3,764	\$3,684	2.2%
3	Louisiana	\$2,640	\$2,444	8.0%
4	New Jersey	\$2,428	\$2,696	-9.9%
5	Indiana	\$2,217	\$2,250	-1.5%
6	New York	\$2,186	\$2,082	5.0%
7	Mississippi	\$2,074	\$2,054	1.0%
8	Ohio	\$1,868	\$1,573	18.8%
9	Missouri	\$1,687	\$1,658	1.7%
10	Illinois	\$1,442	\$1,464	-1.5%
11	Iowa	\$1,422	\$1,390	2.3%
12	Michigan	\$1,368	\$1,320	3.6%
...	Others	\$5,545	\$5,184	7.0%
<b>Total</b>		<b>\$39,724</b>	<b>\$38,937</b>	<b>2.0%</b>

Sources: respective state gaming control board/commission

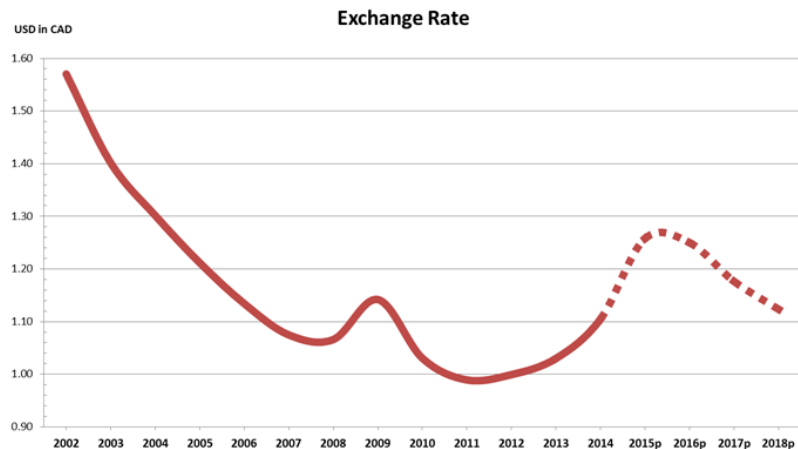
<sup>8</sup> Net win reported by respective gaming commissions

## Cross-Border Visitation

U.S. visitation to OLG facilities is positively influenced by the exchange rate in the short term.

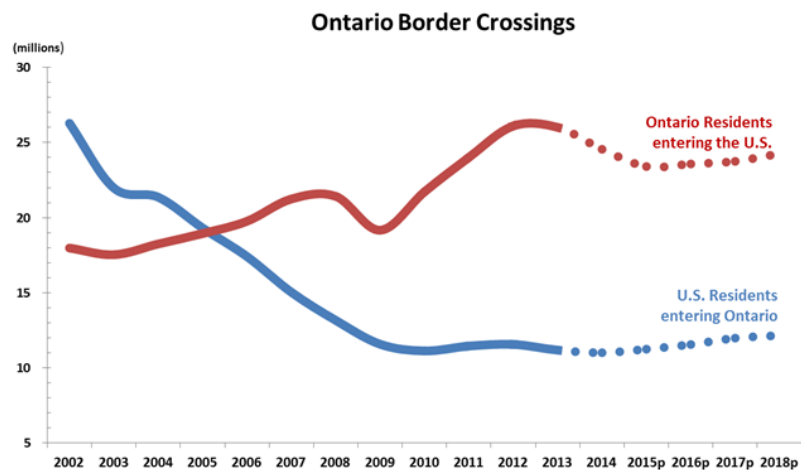
Six of OLG's gaming facilities are located in regions proximate to the U.S. border, leaving the Corporation sensitive to variances in both inbound and outbound cross-border traffic.

The U.S. dollar (USD) is expected to remain above parity over the medium term. For the first six months of 2015, the USD averaged \$1.24 CAD ranging from a high of \$1.26 CAD in March to a low of \$1.21 CAD in January. Over the medium term, the USD is expected to remain above parity averaging \$1.25 CAD in 2016, \$1.18 CAD in 2017, \$1.12 CAD in 2018.



Source: Bank of Canada,  
p= Ontario Ministry of Finance planning projection, 2015 Ontario Budget

A lower Canadian dollar is expected to drive additional U.S. visitation to OLG gaming facilities. The number of U.S. residents entering Ontario is expected to increase by 2.8 per cent in 2016, 3.7 per cent in 2017 and 1.4 per cent in 2018. The number of Ontario residents entering the US is expected to increase moderately by 0.7 per cent in both 2016 and 2017 before increasing by 2.2 per cent in 2018.



Source: Ontario Ministry of Tourism, Culture and Sport, Tourism Outlook

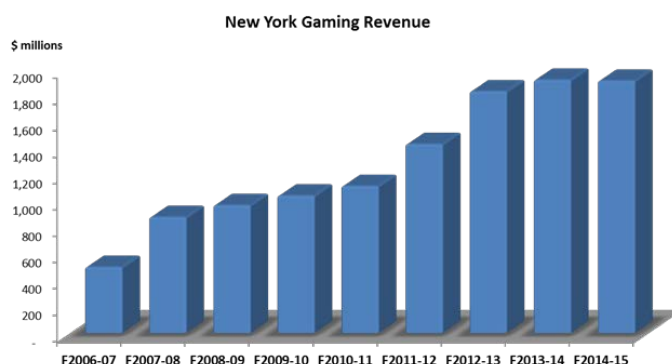
## Competition

Competition from the U.S. market remains a significant consideration for OLG's gaming facilities located in regions proximate to the U.S. border.

### Proximate US Border States

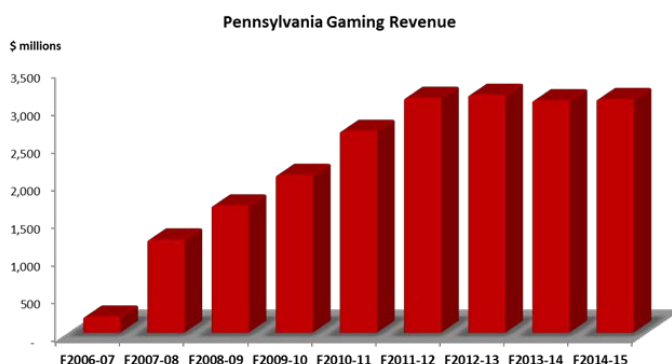
The expansion of gaming in New York State and Pennsylvania places further pressure on OLG's gaming facilities located in regions proximate to the U.S. border.

The nine New York casinos under the jurisdiction of the New York Lottery have generated \$1.9 billion U.S. over the period April 2014 to March 2015 representing a 0.4 per cent year-over-year decrease.<sup>9</sup>



Pennsylvania became the top gaming market in the northeastern U.S. and the number two state in the U.S. with regard to gaming revenue. This state generated \$3.1 billion for the period of April 2014 to March 2015 representing a 0.5 per cent year-over-year increase.

Pennsylvania now has 12 casinos with the opening of Valley Forge Casino Resort in March 2012. Four are in the Philadelphia region, with a licence issued for a fifth casino in south Philadelphia.



## Canadian Internet Gaming Market Trends

Competition from the grey market operators continues to negatively impact PlayOLG.

Gaming industry analysts estimated the Canadian Internet gaming market (regulated and unregulated) to be about \$1.2 billion; while, the iGaming market size in Ontario is estimated to be up to \$500 million.

There are a large number of online gaming web sites that are not regulated in Canada yet are accessible to Canadians. Current estimates suggest that approximately 500,000 Ontarians spend between \$400 and \$500 million each year on unregulated market gaming sites in Ontario.

As the only Internet gaming web site regulated by the Province of Ontario, PlayOLG's competition is made up exclusively of grey market operators. OLG's assessment of the market has identified the major players in the Canadian Internet gaming market to be Amaya/Poker Stars, Party Gaming, Bet 365, Bodog, William Hill and 888.com.

OLG cannot track the activity or the amount spent by Ontarians with these grey market operators. Since the launch of PlayOLG in January 2015, OLG has captured a small portion of the Ontario iGaming market.

<sup>9</sup> Source: New York Lottery – excludes First Nations.



## ***Strategic Direction and Implementation Plan***

### **Strategic Direction**

OLG's strategic focus is on modernization and executing an effective transformation of the organization; horse racing integration; and improving the effectiveness of the existing business lines (i.e., Lottery, Charitable Gaming, iGaming, Slots and Casinos and Resort Casinos).

After modernization, OLG will become a leaner, more focused organization, responsible for the conduct and management of lottery and gaming, while the day-to-day delivery of lottery and gaming will shift to service providers. OLG's modernization is consistent with the government's current strategic approach to its assets—maximizing the value of government assets while maintaining public ownership.

Throughout this multi-year effort, the goal has remained consistent: to become a modern, efficient organization operating in the best interests of Ontarians. At the same time, OLG continues to operate its core business and generate revenue for the province.

OLG remains the largest source of non-tax revenue for the Government of Ontario, providing approximately \$2 billion each year.

### **A Modern OLG**

Transforming the lottery and gaming business will provide financial and economic benefit to the Province and the people of Ontario. The benefits include a balance between incremental Net Profit to the Province, new full-time and temporary jobs and private sector capital investment.

Modernization introduces private sector investment in gaming facilities, technology and products while protecting and increasing OLG's contribution to the province. OLG will continue to provide a source of regulated and responsible entertainment for the people of Ontario.

In land-based gaming, over the years OLG has been financially impacted by competitive pressure and, in some cases, sub-optimal locations too far from population density. The lottery business has been facing a decreasing customer base and limited distribution channels. OLG was absent from Internet gaming, lagging behind other Canadian jurisdictions while unregulated Internet gaming operators developed a large Ontario market.

As a result, OLG designed its modernization to deliver higher and more sustainable revenue to government within a framework of responsible gambling. It is a plan to transform virtually all aspects of the business model while maintaining the legal obligations to conduct and manage gaming.

OLG's modernization continues to evolve since it was first launched. It now includes the integration of horse racing into the provincial gaming strategy.

## Modernization as of Today

Modernization took a critical step forward in September 2015 when OLG selected Ontario Gaming East Limited Partnership (OGELP), through its procurement process, as the preferred service provider for the East Gaming Bundle. Transition of day-to-day operations of OLG Casino Thousand Islands and OLG Slots at Kawartha Downs is planned to take place in early 2016.

The success of the East Gaming Bundle procurement process has confirmed that the concept behind modernization is viable and will generate financial and economic benefit to the Province and the people of Ontario. Through this process, OLG has entered into an agreement that will generate incremental Net Profit to the Province while enabling new employment and new service provider capital investment of approximately \$100 million in the associated gaming facilities. Included in the service provider capital investment plan, OGELP has announced that it will build a new gaming and entertainment facility in the Belleville area subject to required regulatory, municipal and provincial government approvals.

Other key milestones under land-based gaming modernization include:

- Toronto City Council passed a resolution in support of expanded gaming at OLG Slots at Woodbine Racetrack subject to specified conditions. This outcome is expected to generate significant service provider interest in the GTA Gaming Bundle while enabling capital development that will further optimize the Toronto gaming market.
- GTA Bundle Request for Pre-Qualification (RFPQ) closed in September 2015.
- Niagara Falls Entertainment Centre RFPQ was released in November 2015 and is expected to close in Spring 2016.
- Request for Proposal (RFP) for each of the North and Southwest Gaming Bundles was released to pre-qualified proponents in November 2015 and is expected to close in 2016.
- RFP for the GTA Gaming Bundle is expected to be released in early 2016.

A key focus of modernization is to be where customers want OLG to be, providing games they want to play in a responsible way. That is why, in January 2015, OLG launched PlayOLG, the first Internet gaming web site regulated in Ontario. From fiscal 2015–16 to fiscal 2019–20, PlayOLG is estimated to deliver a cumulative \$70 million in additional Net Profit to the Province.

Another aspect of OLG's modernization is revitalizing the charitable gaming market with the creation of new electronic Charitable Gaming Centres across Ontario. To date, 31 Charitable Gaming Centres support more than 1,600 community organizations. Since 2005–06, more than \$85 million has been raised for participating charities in Ontario.

OLG is working with the Government of Ontario and the horse racing industry to help nurture the conditions for a sustainable horse racing sector.

OLG's focus will be on maintaining and increasing revenue within a framework of responsible gambling and the public interest. As modernization rolls out over the next few years, OLG will become a more efficient, modern organization committed to delivering sustainable lottery and gaming entertainment that serves Ontario customers and visitors in a way that benefits the province, its communities and its people while leading North America in responsible gambling.

## Overview of Key Initiatives

The following section provides an overview of the key initiatives to achieve the three key objectives of OLG's modernization:

1. Becoming more customer-focused—being where our customers want us to be, offering products and services in their areas or in the ways they want to buy them;
2. Selecting qualified service providers for the specific day-to-day operation of lottery and gaming; and
3. Renewing OLG's role in the conduct and management of lottery and gaming in the province.

Together, the following initiatives will transform OLG from an organization that operates most of its own Lottery and Gaming businesses to one that more efficiently conducts and manages a multi-channel gaming industry in Ontario, including dynamic Lottery, Gaming, Internet and Charitable Gaming businesses.

### Strategic Procurement Initiatives

OLG continues the Request for Proposal (RFP) process for Gaming and Lottery. In order to do so, OLG is following all government protocols for public procurement.

OLG is committed to a fair and competitive procurement process for all relevant stakeholders. Accordingly, OLG has engaged an impartial Fairness Monitor and an independent Fairness Advisor to advise throughout the process and provide oversight on the integrity and fairness of the procurement process.

#### Strategic Procurement for Gaming Sites

This process has been designed to be fair, open and transparent to all proponents. The procurement is divided into geographically-based gaming bundles within which there are designated gaming zones. The 29 gaming zones identified by OLG in Ontario have been grouped into seven gaming bundles, each representing a separate bidding opportunity. Gaming bundles are intended to create opportunities for qualified service providers to be more efficient by operating multiple facilities in a designated region.

In September 2015, OLG completed the selection of a service provider for its first gaming bundle when Ontario Gaming East Limited Partnership was selected as the preferred service provider for the East Gaming Bundle. Since that time, OLG has worked diligently to ensure a smooth transition to the service provider, which is anticipated in January 2016. OLG will incorporate the lessons learned from this process to enhance the effectiveness and efficiency of the RFPs for the remaining gaming bundles. In fiscal 2016–17, OLG plans to continue executing the procurement process by closing the North and Southwest Gaming Bundle RFPs.

#### Strategic Procurement for the Lottery Business

OLG is pursuing a similar procurement process for the Lottery business. In fiscal 2012–13, OLG initiated a competitive procurement process to select a service provider for the operation of select components of the Lottery business, including the Lottery terminal network. In fiscal 2013–14, OLG received submissions to the RFPQ and is currently in the RFP phase of procurement.

The selected service provider will be expected to assist in improving Lottery purchase options at large multi-lane retail outlets, including supermarkets and big box stores as well as through the Internet and mobile devices. At the same time, the selected service provider will provide innovative game development to foster sustainability and increase responsiveness to market opportunities.

## **Internet Gaming (“iGaming”) Program**

PlayOLG was launched province-wide on January 8, 2015. Weekly customers and revenues have grown steadily since launch. PlayOLG continues to add new slot games to its product portfolio which presently includes slot and table games, as well as selected Lottery games (i.e., LOTTO MAX, LOTTO 6/49 and ENCORE).

## **Charitable Gaming Revitalization Program**

OLG conducts and manages 31 Charitable Gaming Centres across Ontario. To meet the mandate of revitalizing an industry that supports thousands of local level charities and the benefits they bring to their communities across Ontario, OLG has the following key goals:

- Stabilize and grow the primary source of funding for 2,800 charities to sustain the social benefits they provide to communities across Ontario;
- Drive economic benefits into communities;
- Deliver a customer entertainment experience that is different from other forms of gaming by modernizing the products and services offered;
- Leverage the numerous charity brands to enhance OLG’s corporate brand; and
- Realize key goals while achieving annual operational break-even performance within an eight-year period.

OLG continues to focus on achieving the objectives for all stakeholders while working with the industry to review the current business model to address a number of sector challenges in support of long-term sustainability and responsible growth.

## **Horse Racing Integration**

OLG is working with the Government of Ontario and the horse racing industry to help nurture the conditions for a sustainable horse racing sector. Helping to set the conditions to anchor this industry is critical to preserve and grow the more than 25,000 jobs associated with this vital component of Ontario's rural economy.

A key requirement for a healthy industry in the future is the creation of a financial model to help sustain the sector after the Horse Racing Partnership Plan (HRPP) ends in 2019. OLG is working with all stakeholders to create a new program that uses this momentum to generate healthy commercial growth that builds confidence and sustains investment. Among other elements, this will include co-branding initiatives designed to reinforce the interest of current horse racing fans and grow interest with new players to establish a firm fan base that will sustain the industry going forward.

## Responsible Gambling

OLG has a statutory, regulatory and policy mandate to make Responsible Gambling (RG) a core business priority. OLG's RG program aims to reduce the incidence of problem gambling through prevention efforts and to mitigate harm for those who may have developed a problem by providing a gateway to support services and community resources. To this end, OLG works formally with government and independent agencies to provide information and tools to help customers make informed gambling decisions. The enterprise-wide program encompasses customer education, customer assistance, self-exclusion, employee engagement and training, policy development, standards compliance and stakeholder relations.

OLG contributes to Ontario's broader problem gambling strategy. The Province of Ontario allocates 2 per cent of forecasted slot machine gross revenue (excluding OLG Resort Casinos and OLG Slots at Great Blue Heron Charity Casino) to the Ministry of Health and Long-Term Care (MOHLTC) to support the prevention, treatment and research of problem gambling. Ontario's RG program is one of the best funded in North America; in fiscal 2014–15, the Province of Ontario allocated \$38 million of OLG revenues to the MOHLTC. Since fiscal 2003–04, approximately \$444 million of OLG revenues have been allocated by the province for these purposes. In addition to these funds, OLG spent more than \$16 million in fiscal 2014–15 on its own internal RG program and has spent approximately \$111 million since fiscal 2005–06.

OLG's RG program benefits from formal collaborations with independent experts who are international leaders in research, counselling and education on problem gambling. These groups include the Responsible Gambling Council, Gambling Research Exchange Ontario, the Centre for Addiction and Mental Health (CAMH) and the Ontario Problem Gambling Helpline.

Since 2006, all OLG employees receive responsible gambling training to deliver on the commitments outlined in the OLG Responsible Gaming Code of Conduct. OLG collaborates with CAMH to provide relevant and practical training to gaming employees on how to recognize and respond to red flag behaviours.

OLG works constantly to evolve its RG program through evidence-based research and emerging best practices and to build knowledge on how to best support customers by gathering and using data strategically. OLG benchmarks its program and tracks its measures and progress year over year. Objectives and program reporting are based on measures for player/public awareness, factual gambling knowledge, player behaviour outcomes, employee confidence and performance and public opinion outcomes.

In fiscal 2014–15, OLG was recognized by the World Lottery Association (WLA) for Best Overall Responsible Gaming Program from among 44 eligible global lottery and gaming operators. This prestigious award was paired with the WLA's re-accreditation of OLG's RG program at a Level 4, an achievement originally earned in 2011 and the highest and only level at which WLA members become eligible for the award.

As of April 2014, all 19 OLG-operated slots and casino facilities have obtained external RG programming accreditation from the Responsible Gambling Council (i.e., RG Check), joining Caesars Windsor which earned the distinction in 2012 – the first casino in Canada to do so. The RG Check accreditation is only awarded to facilities that meet a stringent, internationally recognized set of standards in areas like self-exclusion, informed decision-making and employee training. This certification must be completed every three years.

Drawing from best practices across Canada and the world, OLG has embedded RG and safe play mechanisms into all aspects of the PlayOLG web site. The platform also provides direct links to register for Voluntary Self-Exclusion and links customers to support services. Sophisticated third-party age and identity verification technology has been integrated into the registration process to limit unauthorized access to the web site.

In June 2015, OLG piloted a new RG pre-commitment tool at OLG Slots at Georgian Downs. *My PlaySmart* is featured as part of the new Gaming Management System (GMS) designed for OLG Slots by Bally Technologies, allowing slot customers to make pre-commitments on limits on their time and money spent gambling, enabling them to monitor and assess their play, and promoting safe gambling habits. OLG intends to expand *My PlaySmart* to all gaming facilities.

### **Gaming Management System (GMS) Program**

OLG is replacing the GMS that tracks activities on each of the more than 12,500 slot machines in the 19 Slots and Casinos locations throughout Ontario.

The new GMS will include:

- The Central GMS – OLG-owned central systems and components to manage land-based gaming; and
- The Site GMS – service provider-owned, site-based systems that will integrate with OLG systems and meet all OLG mandated requirements.

In 2015, a Site GMS pilot was successfully deployed at OLG Slots at Georgian Downs. The Site GMS operates as expected and the pilot phase of the GMS program closed in December 2015 leaving OLG Slots at Georgian Downs fully operational. The GMS program will now focus on deploying a Central GMS system into which the service provider-owned, site-based GMS system will integrate.

The new Central GMS will provide key support for OLG's modernization and its mandate to conduct and manage gaming in the province. The Central GMS will provide applications, systems configurations and business processes that support OLG's responsibility to conduct and manage gaming, including instantaneous control of all electronic gaming devices at gaming sites operated by service providers. The system will also strengthen OLG's ability to maintain game integrity, manage player protection, conduct complaint investigations, manage fraud and facilitate dispute resolution.

### **Customer Management Program**

Historically, OLG has used multiple methods of capturing customer information and stored that information on diverse and disconnected IT systems. This often led to incomplete customer information. As a result, OLG has launched a Customer Management initiative to enable a single view of customers across all lines of business.

Customer Management is improving OLG's capability to deliver RG programs, adhere to government policy objectives and ensure a consistent and accurate customer experience across all OLG's products, channels and services. It achieves this capability by applying a better understanding of customer behaviour and using these findings to improve existing programs.

## Risk Management

OLG is exposed to diverse risks that could adversely impact financial and non-financial business objectives related to its strategic priorities. OLG has a formal Enterprise Risk Management program (ERM) in place to support Management in identifying, assessing and managing risks – including strategic risks, governance risks (including compliance risk), operational risks, IT risks and workforce risks. ERM delivers a robust and consistent approach aligned with ISO 31000 and in conformity with the Ontario Public Service (OPS) risk management guidance and requirements.

This approach is supported by the principles that Risk Management:

- Creates and protects value
- Is an integral part of all organizational processes
- Is part of decision-making
- Explicitly addresses uncertainty
- Is systematic, structured and timely
- Is based on the best available information
- Is tailored
- Takes human and cultural factors into account
- Is transparent and inclusive
- Is dynamic, iterative and responsive to change
- Facilitates continual improvement of the organization

The Board, through its Audit and Risk Management Committee (ARMC), provides oversight for the risk management program. The ARMC receives quarterly reports on top risks, newly emerging risks and mitigation and/or response plans to address these risks. The CEO has ultimate accountability for risk management supported by Management and ERM. This group of individuals reviews risk information on a quarterly basis and will take additional actions if required to mitigate risks to acceptable levels. OLG's modernization has dedicated ERM resources to help Management ensure that all program components are risk assessed and mitigated on an ongoing basis.

Risks that are outside of OLG's ability to control, such as environmental risks (pandemics, extreme weather events), are mitigated by response plans which are regularly reviewed and updated by management. OLG also maintains insurance policies to mitigate the impact of losses from the operation or failure of our assets.

### Top Risks

Risk management begins with understanding strategic priorities. Risks are identified and assessed on an ongoing basis with quarterly reporting to Management and the ARMC. A yearly anonymous risk survey is conducted across the organization, inviting over 100 participants to provide their views on risks for the organization. Detailed risk identification and assessment is embedded into the project governance framework to ensure that projects and programs have risk management as a core component for decision-making. The following top risks have been identified.

#### 1. Workforce Management

This encompasses the risk that OLG could lose key skills or have difficulties replacing key skills and the risk of employee disengagement. OLG's workforce has several existing challenges that create risk for the organization:

- OLG is modernizing its operations which will result in many jobs moving to the private sector;
- OLG has a skilled workforce but does not have a readily available talent pool within the Province of Ontario; and
- Wage restraints.

OLG is managing this risk through:

- A focus on continual resource planning for the modernization effort to ensure that resource needs are addressed; this includes the staff augmentation workbench which enables OLG to engage with pre-approved vendors to supply temporary resources in a timely manner;
- Open and transparent communications, both bottom-up and top-down, through dedicated channels such as the Future Ready Network (FRN), OLG Connections, Modernization Minute weekly update and the AskOLG Q&A database;
- Dedicated change management resources to support the organization including FRN ambassadors and leads from across OLG who help to enhance the two-way dialogue between OLG leadership and employees;
- Targeted succession planning for executives; and
- Providing skills training for employees to help them retain and/or increase their marketability.

## **2. Continued pressure on revenue growth**

In land-based gaming, OLG's revenue has been negatively impacted by competitive pressure and, in some cases, sub-optimal locations, too far from population density. The lottery business is facing a decreasing customer base and limited distribution channels. Modernization represents OLG's strategic plan to address this risk by introducing private sector investment in gaming facilities, technology and products while protecting and increasing OLG's contribution to the province:

- Modernization is a multi-year transformative program which will require adjustments to both outcomes and process as the transformation unfolds. The program is being administered through project management, risk management and spending management disciplines to ensure that adjustments are fully considered, assessed and then incorporated into the program;
- Regular consultation with government to enable OLG to adjust to changing policy direction;
- Close cooperation between OLG and its regulator, the Alcohol and Gaming Commission of Ontario (AGCO), and with the Ministry of Finance to ensure timelines are feasible for approvals;
- Close collaboration with external stakeholders, including the horse racing industry, charitable gaming industry and municipalities that have a gaming site within their jurisdictions; and
- Mechanisms for private sector engagement to ensure that the interests of both the proponents and OLG are understood and remain aligned.

This plan may be further impacted by the following risk factors:

- The risk of the loss of staff who have knowledge of either modernization or critical components of the business;
- The risk of delays in modernization due to changes in the regulatory environment and, in particular, the modernization of OLG and AGCO governance models;
- The risk of delays to modernization due to complexity and stakeholder engagement;
- The risk of market fatigue due to changes in economic conditions or extended procurement timelines;
- The risk of changes in government policy and/or priorities; and
- The risk of further cost reduction pressures which impact employee engagement and the ability to execute modernization deliverables.



### 3. Regulatory compliance

OLG operates in a highly regulated environment. OLG's main regulator is the AGCO, which regulates gaming in the Province of Ontario. In addition, OLG is subject to federal anti-money laundering, anti-terrorist financing, anti-bribery and anti-corruption laws and regulations. Under these laws and regulations, OLG reports significant transactions conducted at its gaming sites to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). OLG also complies with many other laws and regulations that govern its operations. Therefore, the risk of regulatory compliance is one of OLG's top risks. An additional factor that increases this risk is that:

- AGCO is modernizing its regulation model while OLG is undergoing a transformation that will result in conducting and managing its operations through third-party service providers.

OLG is managing this risk through:

- A Compliance Department that is being staffed with professionals with expertise across the various legislative and regulatory requirements, and that is putting new control structures in place;
- The introduction of automated solutions to track the fulfillment of reporting requirements and required notifications to the regulators;
- Continued cooperation between OLG and its main regulators at the highest levels; and
- A methodology to manage future service providers has been developed and is being implemented across OLG to ensure governance models will be in place prior to new service providers being brought on board.

### 4. Information Technology and Infrastructure

OLG must ensure that while supporting modernization, its systems continue to sustain core business and that access to systems and/or information is not compromised with expanded private sector delivery of lottery and gaming. Factors contributing to this risk include:

- Reliance on aging technology;
- Introduction of new technologies across multiple business lines;
- A worldwide increase in the type and severity of cyber-attacks;
- Complexities and constraints of integrating old and new technology; and
- Limited resources with required skill sets.

### Other Risks

OLG has identified other high risks that are actively managed, either through direct management or through the use of response plans and/or insurance if no further mitigation is possible and the risk remains at a level that requires action. These risks include, in no specific order: fraud risk, project risk, business continuity risk (including the risk of severe weather events) and pandemic risk.

## Communications Plan

OLG communicates, interacts and works in partnership with a range of external stakeholders in fulfilling its mandate under the Act to:

1. generate revenues for the province;
2. promote responsible gambling; and,
3. enhance the economic development of the province.

In addition, OLG has more recently assumed an expanded role in support of the horse racing industry.

With respect to these objectives, OLG uses communications and outreach activities to build relationships with Ontario First Nations and various stakeholders which include, municipal governments, the horse racing industry, the charitable gaming industry, lottery retailers and casino operators. More broadly, OLG seeks to build awareness and enrich the public's understanding of and connection to OLG as a well-governed, customer-focused, responsible Crown agency whose proceeds support communities across Ontario.

This is achieved through the following activities:

- internal and external strategic communications;
- government relations, stakeholder outreach and community partnerships;
- media relations; and
- a corporate online presence.

OLG ensures alignment with its shareholder – the Government of Ontario – on legislation, regulations, public policy and emerging issues. OLG informs internal and external audiences about its various lines of business and their key initiatives. OLG also informs these stakeholders about the progress and benefits of its modernization – a significant transformation of the Crown agency's day-to-day operations of lottery and gaming. In addition, OLG provides information to customers on how to play lottery and casino games responsibly and how to seek help if necessary.

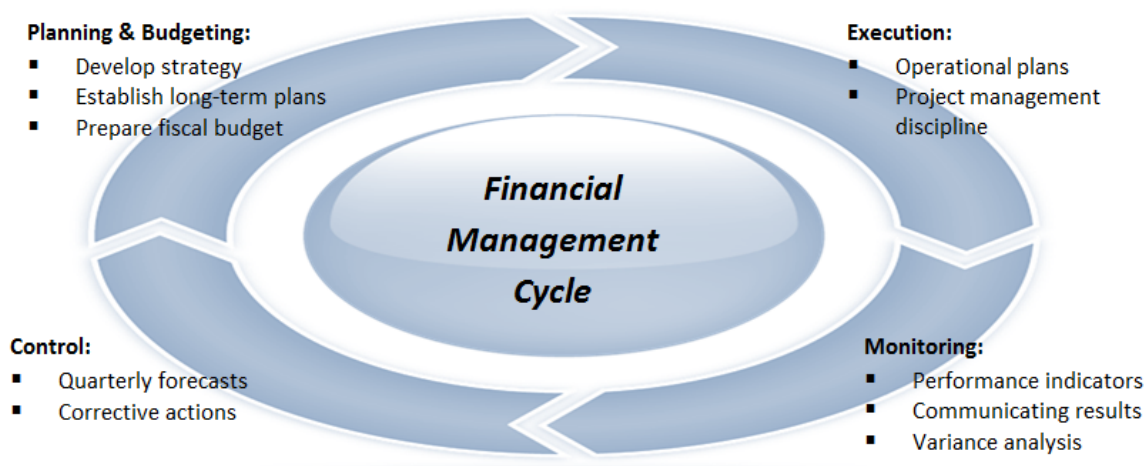
OLG operates in a gaming marketplace where it relies on its stakeholders, including lottery retailers and casino operators, to be engaged and directly involved in the delivery of its products and services. As OLG transforms its business model, it will continue to demonstrate accountability for areas of public interest (e.g., game integrity, customer information, responsible gambling and anti-money laundering). OLG also promotes its reputation by engaging multiple audiences through community and event sponsorships, speeches at various community events, regular meetings with municipal leaders and through paid and earned media.

### Principles

OLG's communications approach is one that focuses on openness, transparency and clarity and accountability to the Government of Ontario and other stakeholders, including the public. OLG upholds high standards of timely information disclosure with all its stakeholders while adhering to personal privacy and commercial confidentiality requirements. Prior to launching communications or stakeholder outreach campaigns, OLG engages the Ministry of Finance to ensure awareness of messaging and timing, as well as alignment with broad government policy.

## ***Fiscal 2016-17 Planning Approach***

OLG employs a closed-loop financial management cycle connecting planning and budgeting with execution, monitoring and control. The setting of the fiscal 2016–17 Budget forms one important aspect of the planning and budgeting phase.



The primary objectives of OLG’s fiscal 2016–17 planning and budgeting process are to:

- support the development and communication of OLG’s long-term strategy;
- align strategies with the operating plans of the Corporation;
- maximize allocation of scarce resources; and
- demonstrate fiduciary responsibility.

OLG’s planning and budgeting process applies to all OLG business lines, Corporate Services and the Resort Casinos.

## **Principles**

OLG has utilized a hybrid approach to planning and budgeting for fiscal 2016–17 by employing:

- relevant macro-economic data to inform the expected operating environment;
- driver-based support and validation of key revenue items;
- zero-based budgeting principles where practical;
- historical trend analysis as appropriate;
- adjustments for known and anticipated impacts from the proposed future gaming business model.

Legislative and regulatory matters were considered when building the plan:

- The fiscal 2016–17 Plan reflects International Financial Reporting Standards (IFRS) and will form the basis for reporting comparative years.

## Financial Plan: 2016–17 to 2019–20

Presented on the following pages are the fiscal 2016–17 Budget for OLG and the fiscal 2017–18 to fiscal 2019–20 financial projections.

OLG's fiscal year covers the period between April 1 and March 31 of any given year.

OLG is undertaking a significant transformational business plan consisting of a number of specific initiatives that will achieve OLG's goal of generating greater and more sustainable Net Profit to the Province (NPP).

### Gaming Revenue and Net Operating Profit (NOP): for the fiscal years 2012–13 to 2019–20



**NPP** is the amount the Corporation returns to the Province of Ontario after stakeholders and other payments. NPP is calculated as Net Income plus Win Contribution (an expense paid to the Province of Ontario).

**NOP** represents net profit generated from OLG's core operations. It is calculated as total revenue less expenses before Gaming Revenue Share Payment, Modernization and Horse Racing Integration.

## Gaming Revenue

*NOTE: Numbers in the following tables have been rounded or truncated for ease of readability. Consequently, certain tables may not add or cross-tabulate.*

Gaming revenue is projected to increase at a compound annual growth rate (CAGR) of 3.2 per cent from \$6.5 billion in fiscal 2014–15 to \$7.7 billion in fiscal 2019–20.

The Lottery division is expected to grow its revenue at a CAGR of 3.8 per cent. This is primarily due to the execution of a product and channel development roadmap that looks to maximize returns from its four unique product categories and expand distribution through introduction of new sales channels.

Charitable Gaming revenue is projected to grow at a CAGR of 7.5 per cent, which will be achieved through refreshing products as well as optimizing the location of gaming terminals/BOT Dispensers across the sites based on unit level performance.

iGaming revenue is projected to grow at a CAGR of 52.8 per cent primarily through the addition of new products, which will enhance the PlayOLG web site and in turn, help grow the player base. PlayOLG launched in January 2015, and revenue is expected to grow from \$8 million in fiscal 2014–15 to \$70 million by fiscal 2019–20.

Land-based gaming, which is comprised of OLG's Slots and Casinos and Resort Casinos, is projected to grow at a CAGR of 2.1 per cent through the transition of gaming sites to private sector service providers and through the introduction of new and/or relocated/expanded facilities.

Revenue (in millions of dollars)	Fiscal Years					
	2014–15 Actual	2015–16 Forecast	2016–17 Budget	2017–18 Projection	2018–19 Projection	2019–20 Projection
Lottery	3,269	3,380	3,311	3,349	3,554	3,935
Charitable Gaming	115	152	162	163	165	165
iGaming	8	47	39	51	57	70
Land-Based Gaming	3,145	3,202	3,212	3,270	3,339	3,481
<b>Consolidated OLG Gaming Revenue</b>	<b>6,537</b>	<b>6,781</b>	<b>6,724</b>	<b>6,832</b>	<b>7,116</b>	<b>7,651</b>
Consolidated OLG Non-Gaming Revenue	108	109	110	102	57	38
<b>Consolidated OLG Total Revenue</b>	<b>6,644</b>	<b>6,890</b>	<b>6,834</b>	<b>6,934</b>	<b>7,173</b>	<b>7,689</b>

## Net Operating Profit (NOP) and Net Profit to Province (NPP)

NOP is projected to grow from \$2.2 billion in fiscal 2014–15 to \$2.5 billion by fiscal 2019–20 (3.1 per cent CAGR), while NPP is projected to grow from \$2.0 billion in fiscal 2014–15 to \$2.4 billion by fiscal 2019–20 (3.7 per cent CAGR).

The Lottery division's strategy of product development produces incremental revenue and contribution with minimal increases to indirect costs. With the introduction of a regulated private sector service provider in fiscal 2017–18, it is anticipated that there will be incremental distribution channels culminating in NOP growth of 3.5 per cent CAGR.

While the Charitable Gaming division is projecting revenue growth at a CAGR of 7.5 per cent, NOP is projected to increase in fiscal 2017–18 and start to decrease in fiscal 2018–19 as assets need to be replenished. The Charitable Gaming division continues to explore alternatives in achieving break-even NOP while providing stabilized funding to Ontario charities.

iGaming is projected to generate NOP of \$7 million in fiscal 2016–17, in its second full year of operations and grow to \$25 million by fiscal 2019–20, primarily through new product offerings. iGaming will also deliver incremental NOP of approximately \$2 million per year beginning in fiscal 2016–17 through the sale of lottery products (reflected in the Lottery financials).

Land-based gaming NOP growth of 2 per cent CAGR will be accomplished through the transition of gaming sites to private sector service providers, the introduction of new and/or relocated/expanded facilities and operational cost efficiencies.

Modernization Plan includes costs associated with implementing the key strategies for the program.

Horse Racing product development and estimated integration costs have been embedded in the multi-year plan.

NPP (in millions of dollars)	Fiscal Years					
	2014–15 Actual	2015–16 Forecast	2016–17 Budget	2017–18 Projection	2018–19 Projection	2019–20 Projection
Lottery	975	1,002	965	972	1,025	1,160
Charitable Gaming	(37)	(26)	(19)	(15)	(17)	(21)
iGaming	(19)	5	7	14	18	25
Land-Based Gaming	1,407	1,449	1,404	1,439	1,458	1,552
Corporate Services	(155)	(186)	(215)	(197)	(187)	(182)
<b>NOP</b>	<b>2,170</b>	<b>2,245</b>	<b>2,140</b>	<b>2,213</b>	<b>2,297</b>	<b>2,534</b>
Gaming Revenue Share Payment	(122)	(122)	(122)	(122)	(123)	(128)
Modernization Plan	(50)	(38)	(43)	(62)	(196)	-
Horse Racing Integration	-	(6)	(10)	(10)	(10)	(10)
<b>NPP</b>	<b>1,999</b>	<b>2,079</b>	<b>1,965</b>	<b>2,020</b>	<b>1,967</b>	<b>2,396</b>

## Appendix

### Governance and Management Structure

Classified as an Operational Enterprise, OLG has a single shareholder, the Government of Ontario, and for fiscal 2015–16 reported through its Board to the Minister of Finance. Members of the Board and its Chair are appointed by the Lieutenant Governor in Council. Neither the Chair nor members of the Board are full-time, nor are they members of Management.

A Memorandum of Understanding sets out the framework for, and clarifies, the roles, relationships, mutual expectations and accountability mechanisms between the Minister of Finance and the Corporation, as required by the Management Board of Cabinet Agencies and Appointments Directive.

#### OLG Management/Accountability Structure

