

ONTARIO'S LOTTERY

All for
the

INVEST
100% OF PR



FISCAL 2019–20 BUSINESS PLAN

Annual Budget and Financial Projections

Fiscal 2020–21 to 2022–23

This document contains forward-looking statements about OLG's expected or potential future business and financial performance. 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 information contained in this document is current to November 2018.

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Executive Summary

Ontario Lottery and Gaming Corporation (OLG) set new records in its financial contribution to the province during fiscal 2017–18 with \$2.4 billion Net Profit to the Province (NPP), once again the largest source of non-tax revenue from Government Business Enterprises. These contributions are used by the government to help support provincial priorities, including the operation of hospitals; problem gambling prevention, treatment and research; amateur sport; and local and provincial charities, among other initiatives.

OLG is maintaining this strong financial performance while it implements a new vision and strategy which includes commitments to digital development, a performance-driven culture, an enhanced customer focus and the continuation of strong and responsible growth across the organization.

OLG has made significant progress in advancing its digital strategy with the completion of procurement activities for a new digital player platform and a new sports betting platform. OLG will adapt its strategy in fiscal 2019–20 to continue to meet customer needs for gaming entertainment as they evolve.

The six-year initiative to modernize the Land-based Gaming business is concluding with the construction of the Niagara Falls Entertainment Centre nearing its completion and the transition of the Niagara Gaming Bundle to a private sector service provider scheduled to occur in fiscal 2019–20. With the private sector operating nearly all Land-based Gaming sites in Ontario, the benefits of modernization are already being realized, and moving forward, these service providers are expected to invest significant capital and create additional jobs and economic benefits for the province.

In fiscal 2019–20, OLG will continue to work towards implementing a new and sustainable business model for the charitable gaming industry. Together with the Ontario government, OLG will also implement a long-term funding arrangement for horse racing in order to strengthen and sustain the industry in Ontario.

In 2018, OLG renewed its position of leadership in Responsible Gambling (RG), having been awarded, for the second time, the “Best Overall Responsible Gaming Program” by the World Lottery Association. This accolade recognizes OLG’s continued investments and advancements of its *Playsmart* program that educates players on safe play and responsible gambling.

This business plan outlines OLG’s customer-focused initiatives that will help achieve its vision to develop world-class gaming entertainment in Ontario and increase NPP to more than \$3.3 billion by fiscal 2022–23.

About Us

Overview

Ontario Lottery and Gaming Corporation (OLG or the Corporation) conducts and manages gaming facilities, the sale of province-wide lottery games, PlayOLG Internet Gaming and the delivery of bingo and other electronic gaming products at Charitable Gaming Centres. OLG is also helping to build a more sustainable horse racing industry in 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.

Vision and Mission

In fiscal 2016–17, OLG committed to new Vision and Mission statements as a response to a changing gaming environment:



Guiding Principles

To complement its Vision and Mission, OLG adopted the following principles that will guide the Corporation in its pursuit to develop world-class gaming entertainment for Ontario:

- **Innovation** – Make innovation a key driver of how we grow
- **Customer Focus** – Assess OLG’s impact on customers and their experience in everything we do
- **Policy Shaping** – Play a strong role in shaping gaming policy in Ontario and Canada to create growth opportunities
- **Partnerships** – Effectively partner with stakeholders, customers, employees and the private sector
- **Responsibility** – Foster a healthy, sustainable player base through education, risk reduction and player assistance
- **Economic Stewardship** – Drive profitable growth, be cost conscious, invest efficiently and generate employment opportunities in Ontario

Organizational Characteristics

OLG has also identified Organizational Characteristics it needs to remain a viable and vibrant force in a changing gaming environment.

- **Resourcefulness** – Identify and develop innovative opportunities using a fact-based approach
- **Execution Excellence** – Commit to and deliver against strategic priorities
- **Agility** – Focus on a bias to action and always be willing to take on new challenges
- **Ownership** – Develop an environment where employees commit to and are held accountable for results
- **Empowerment** – Create a culture of opportunity, transparency and trust that enables employees to deliver exceptional results

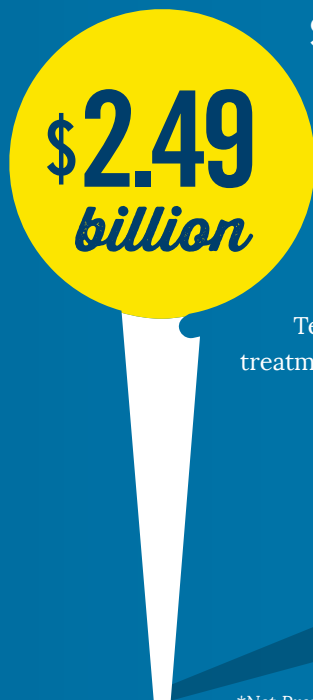
ECONOMIC IMPACT

Since 1975, OLG has provided nearly \$50 billion to the people and the Province of Ontario. OLG is also helping to build a more sustainable horse racing industry in Ontario. OLG's annual payments to the province have helped support provincial priorities including the operation of hospitals; problem gambling prevention, treatment and research; amateur sport; and local and provincial charities. In fiscal 2017-18 alone, OLG contributed \$2.49 billion in Net Profit to the Province to support these programs. OLG is projecting contributions of more than \$3.0 billion annually by fiscal 2021-22.

In addition to OLG's payments to the province, there are several direct beneficiaries of gaming proceeds, including host municipalities and Ontario First Nations.

OLG operations also contribute to the economy in a number of other ways. In fiscal 2017-18, OLG generated more than \$4.1 billion in total economic activity in Ontario.

NET PROFIT TO THE PROVINCE*



\$2.44 BILLION

to support provincial priorities including the operation of hospitals, amateur sport and local and provincial priorities

\$45 MILLION

directed to the Ministry of Health and Long-Term Care for problem gambling prevention, treatment and research**

*Net Profit to the Province is the amount the Corporation returns to the Province of Ontario after stakeholder and other payments.

**based on government policy that directs 2% of annual forecasted OLG slot machine revenue (before service provider fee deductions and excluding slot machine revenue from the Resort Casinos)



SUPPORT FOR LOCAL ECONOMIES

\$1.58
billion

\$855.8 MILLION

in personnel costs for OLG's direct and indirect employees*** across the province

\$278.0 MILLION

in commissions to lottery retailers across Ontario

\$160.8 MILLION

in payments to municipalities and Ontario First Nations that host gaming facilities and Charitable Gaming Centres

\$139.6 MILLION

in payments to Ontario First Nations through the Gaming Revenue Sharing and Financial Agreement

\$142.7 MILLION

in goods and services purchased from Ontario businesses to support land-based gaming facilities owned and/or operated by OLG

***Direct employees are those employed directly by OLG. Indirect employees are those employed by the Resort Casinos.

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

CORPORATE RESPONSIBILITY

\$19.1 MILLION

that OLG directed to its Responsible Gambling program, including Resource Centres, education and technology, program delivery, staff training and self-exclusion capital costs.

\$64.7
million

\$41.4 MILLION

in Charitable Gaming proceeds distributed to participating local charities

\$4.2 MILLION

in corporate and lottery festival and event sponsorships

OLG Stakeholders

Municipalities

The Municipal Contribution Agreement (MCA) establishes the formula applied to municipalities across the Province of Ontario to determine the fee that they receive for hosting an OLG gaming facility.

Municipalities that host a Casino or Slots at Racetracks facility, operated by OLG or a Land-based Gaming service provider, including the City of Niagara Falls, the City of Windsor and the Mississaugas of Scugog Island First Nation (MSIFN), receive the following commissions as defined in the Municipal Contribution Agreement:

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

In addition, OLG pays property taxes and makes payments (in lieu of property taxes) where it owns and operates gaming facilities. In fiscal 2017–18, OLG paid \$160.8 million to municipalities and Ontario First Nations that host gaming facilities and Charitable Gaming Centres plus \$341.6 million in provincial and federal taxes (including payments to the Government of Canada).

Lottery Retailers

The approximately 9,800 retailers who serve as OLG's primary distribution network for lottery products represent a key stakeholder constituency. Under contract with OLG, lottery retailers receive commissions based on revenue earned by OLG, ticket redemptions or sales of major prize-winning tickets.

Horse Racing

The horse racing industry is vital to Ontario's rural communities, providing jobs for tens of thousands of people across the province. Working with the Ontario government, OLG is supporting the industry's sustainability efforts by:

- creating effective stakeholder relationships to support the needs of the horse racing sector
- contributing to the efficient and effective management of funding through performance measurements
- sharing expertise to help the industry adopt its own Responsible Gambling program
- developing a strong brand and marketing strategy with the industry.

OLG's Horse Racing division is supporting racetracks in Ontario by administering government funding for purses and operational costs. In fiscal 2017–18, OLG distributed approximately \$91 million in government funding to racetracks in Ontario to support close to 950 race dates. OLG contributes to the efficient and effective management of government funding by making available up-to-date facts and information related to the horse racing sector in Ontario. OLG established the Performance Management Excellence Group in early 2016 and began tracking industry performance measures to support fact-based decision making. Its first report was published in fiscal 2017–18 and results continue to be posted quarterly on OLG's website.

On May 7, 2018, the Corporation and the Ontario government executed a long-term funding arrangement for the horse racing industry that will provide up to \$105 million a year, for 19 years, beginning in 2019. This agreement is

aimed at strengthening and sustaining horse racing and breeding in Ontario. It will provide nearly two decades of stable funding to increase the strength and energy of the industry in the province.

Charitable Gaming

OLG continues to work with the charitable gaming industry to revitalize the sector to:

- support thousands of local level charities and the social benefits that they bring to their communities
- drive economic benefits back to local markets
- provide a modernized and distinct entertainment experience to customers across Ontario in a socially responsible manner.

Charitable Gaming stakeholders include the municipalities, site service providers and the thousands of charities and non-profit agencies 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 commissions to deliver services to OLG. Charitable Gaming service providers receive commissions based on a percentage of net win (gaming revenue net of prizes paid) or adjusted net win (net win after the payment of applicable marketing expenses). Charities and not-for-profit agencies receive a commission based on percentages of net win, adjusted net win or non-gaming revenue. In fiscal 2017–18, \$41.4 million in Charitable Gaming proceeds was distributed to charitable associations, while \$4.8 million was paid to municipalities that host a Charitable Gaming Centre.

First Nations

OLG values its relationships with Indigenous Peoples in Ontario. Host communities benefit directly from certain agreements, such as hosting fees and leasing payments, as well as from direct and indirect economic development, which includes the creation of jobs.

a) Great Blue Heron Casino

On September 8, 2016, MSIFN, OLG and the Province of Ontario entered into a long-term Lease Agreement (22+ years), a Contribution Agreement and a Revenue Sharing Agreement. These agreements were the result of an ongoing relationship with this important and historical Indigenous gaming partner. Commencing in fiscal 2016–17, MSIFN receives 4.0 per cent of Great Blue Heron Casino gaming revenue or \$3.9 million annually, whichever is greater.

b) Casino Rama

The Chippewas of Rama First Nation (RFN) is the host community for Casino Rama pursuant to agreements between OLG and RFN. The agreements continue until July 31, 2031, subject to earlier terminations or the exercise by OLG of two successive options to extend for periods of 10 and 5 years, respectively.

As the host community for Casino Rama, RFN receives, on an annual basis, 1.9 per cent of gross revenue from Casino Rama or \$5.5 million annually, whichever is greater. In addition, RFN receives lease payments for the Casino Rama complex and lands and annual payments are made for police and other local services.

c) Ontario First Nations Limited Partnership

Ontario First Nations, under the terms of a Gaming Revenue Sharing and Financial Agreement (GRSFA) ratified by the Province of Ontario, OLG, Ontario First Nations Limited Partnership and Ontario First Nations (2008) Limited Partnership, receive on an annual basis, among other things, an amount equal to 1.7 per cent of gross revenues, as defined in the GRSFA, commencing in fiscal 2011–12. The initial term of the GRSFA is 20 years.

Planning Environment

OLG considers economic and industry metrics to develop and tailor its strategic plan. Over the next three to five years, Ontario's macroeconomic environment and industry forecast provides a stable foundation for the implementation of OLG's strategic plan.

ECONOMIC LANDSCAPE

Ontario's economy is expected to continue its growth from 2018 to 2021 with a Compound Annual Growth Rate (CAGR) of 1.9 per cent.

ONTARIO LABOUR MARKET

Ontario's employment rate continues to trend positively, with unemployment steadily declining to 5.4 per cent by 2021.

CONSUMER SPENDING

While Lottery net win as a percentage of recreational spend remains steady, the downward trend of gaming net win as a percentage of recreational spend in the past decade illustrates that gaming as an entertainment option has declined compared to other alternatives.

CANADIAN LOTTERY AND LAND-BASED GAMING MARKET

The Canadian Lottery market is expected to continue to grow moderately, driven by a growing adoption rate of the mobile platform for gambling.

The Canadian Land-based Gaming market has remained steady with moderate year-over-year growth of 1.3 per cent. All Land-based Gaming facilities in Ontario are now operated by private sector service providers.

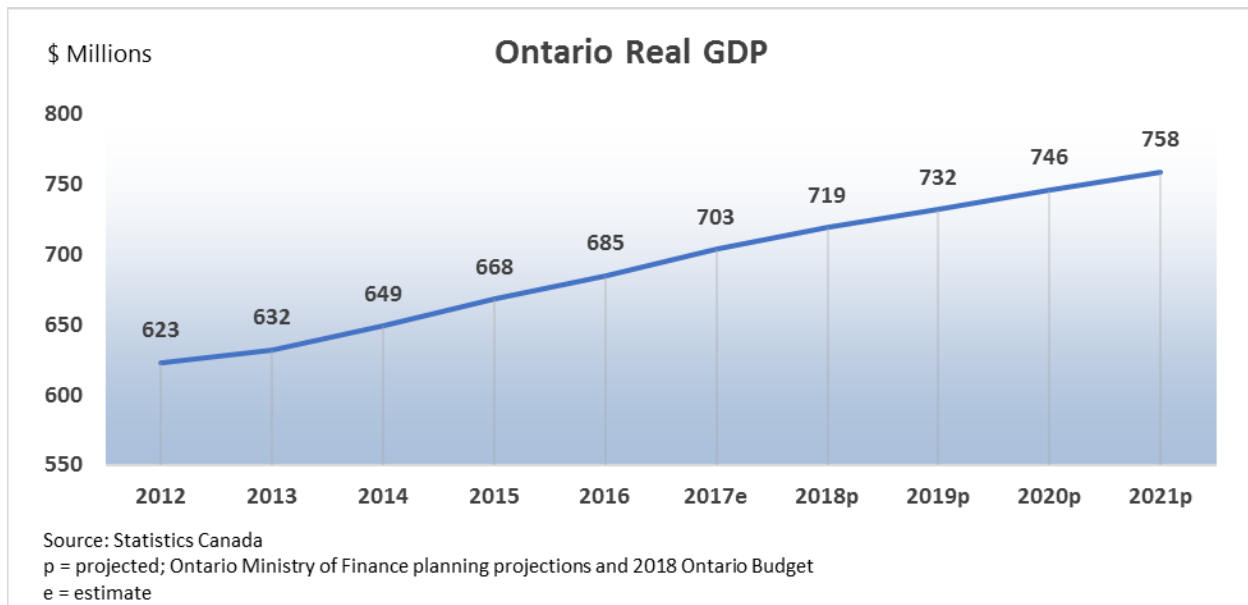
INTERNET GAMING MARKET

Trends indicate rapid growth with gross Ontario online gaming revenue projected to reach \$527.8 million by fiscal 2022-23.

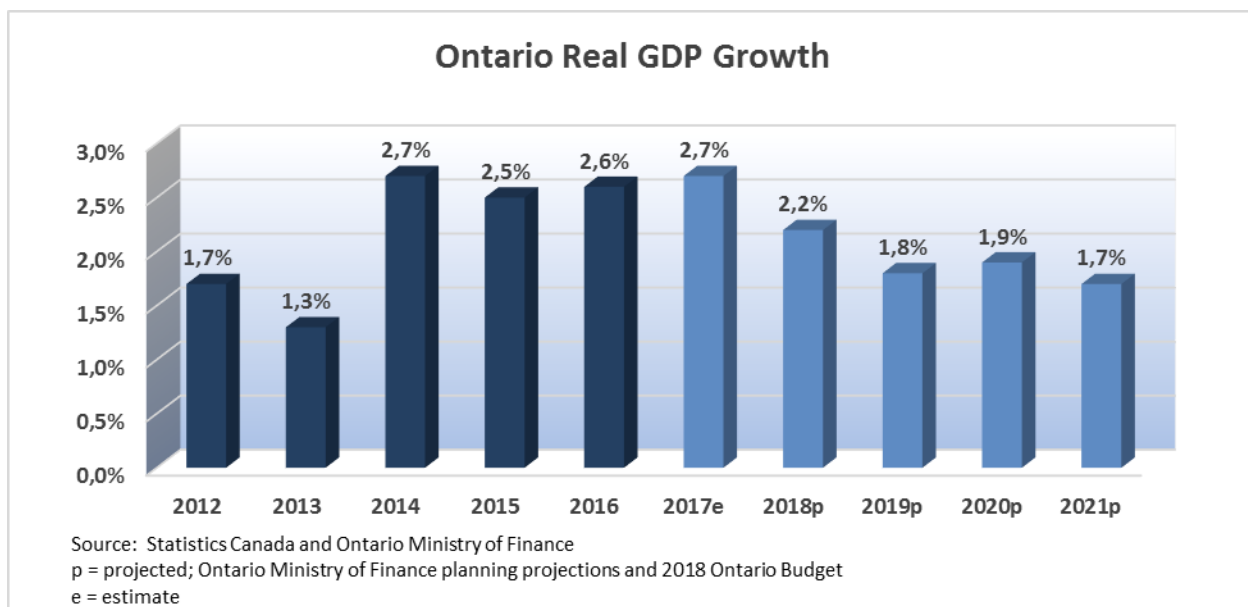
Economic Landscape

Ontario's economy is expected to continue its growth from 2018 to 2021 with a Compound Annual Growth Rate (CAGR) of 1.9 per cent.

Following a period of strong growth, Ontario's economy is expected to expand at a more moderate pace. Factors such as slower global economic growth combined with rising interest rates, higher oil prices and the strengthening value of the Canadian dollar are expected to moderate Gross Domestic Product (GDP) growth over the next four years.



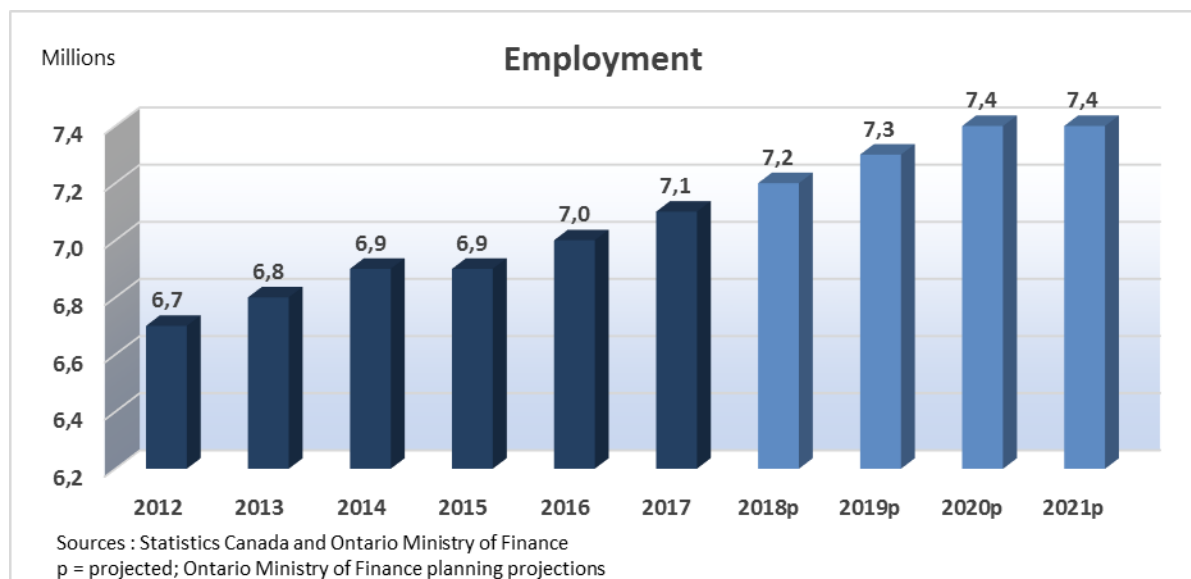
Although real GDP is expected to continue to grow over the next four years, it is expected to do so at a declining rate.



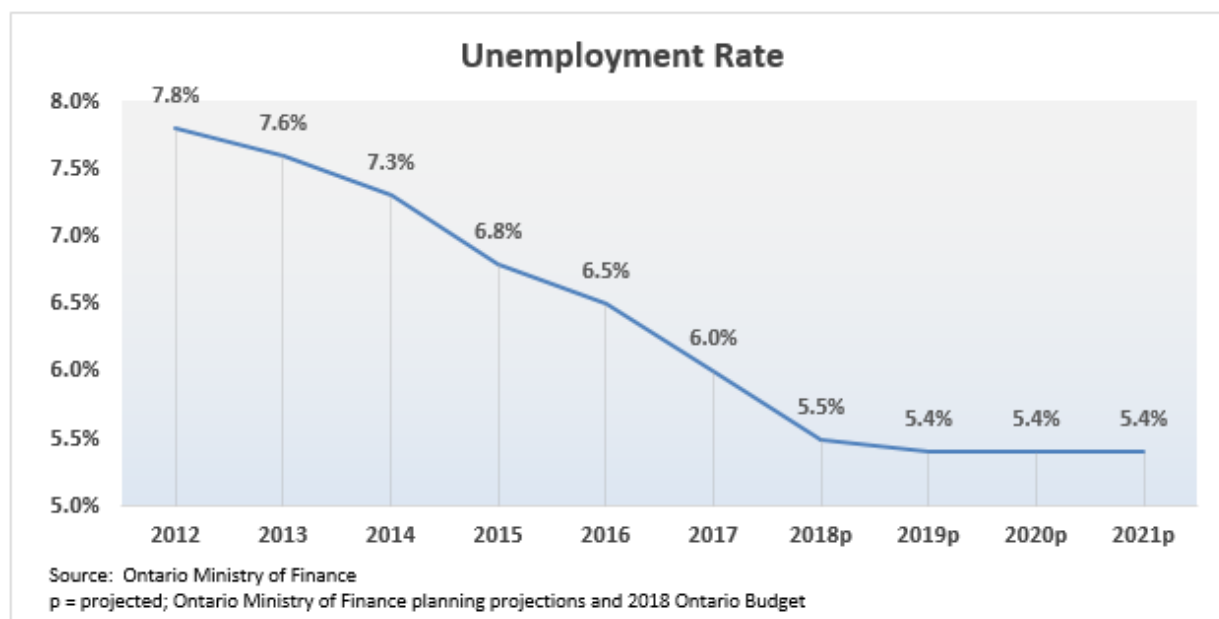
Ontario Labour Market

Ontario's employment rate continues to trend positively, with unemployment steadily declining to 5.4 per cent by 2021.

The total number of persons employed in Ontario rose from 6.7 million in 2012 to 7.1 million in 2017, with 811,000 net new jobs created between the recessionary low experienced in 2009 and early 2018. This positive and steady employment trend is expected to continue as 7.4 million persons are projected to be employed in 2020 and 2021.



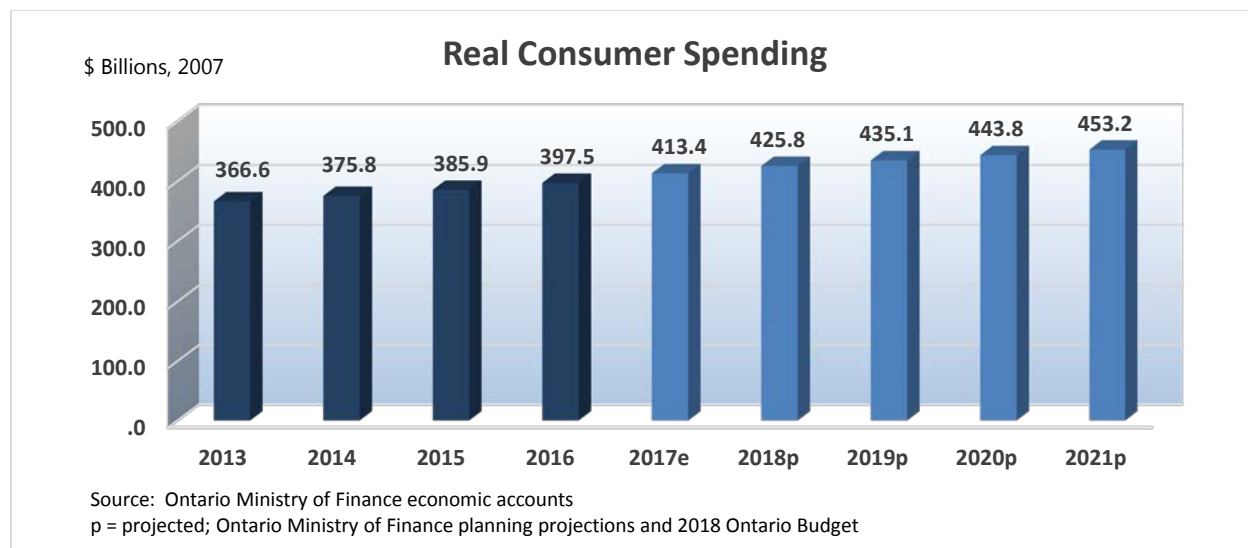
Ontario's unemployment rate is projected to stabilize at a low of 5.4 per cent from 2019 through 2021.



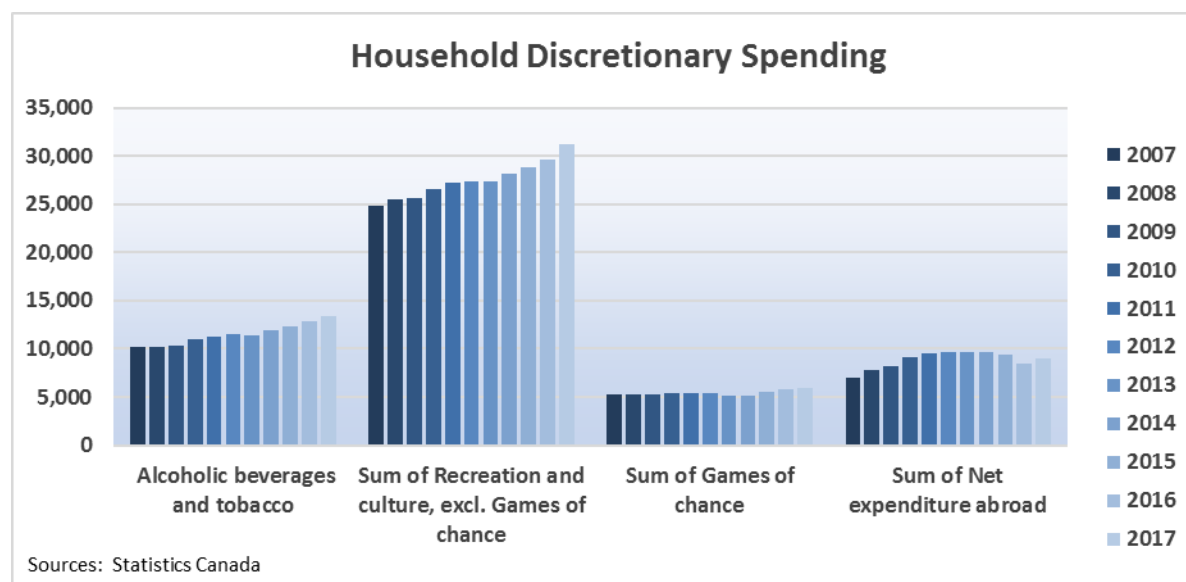
Consumer Spending

Consumer spending is expected to increase in 2018, representing a potential opportunity for the industry.

Demand for gaming entertainment depends on the level of consumer spending, which is influenced by the labour market, taxes and interest rates. The Ontario economy has been supported by steady employment gains; however, there are concerns about the impact of rising interest rates on Ontarians' ability to keep up with their debt repayments.

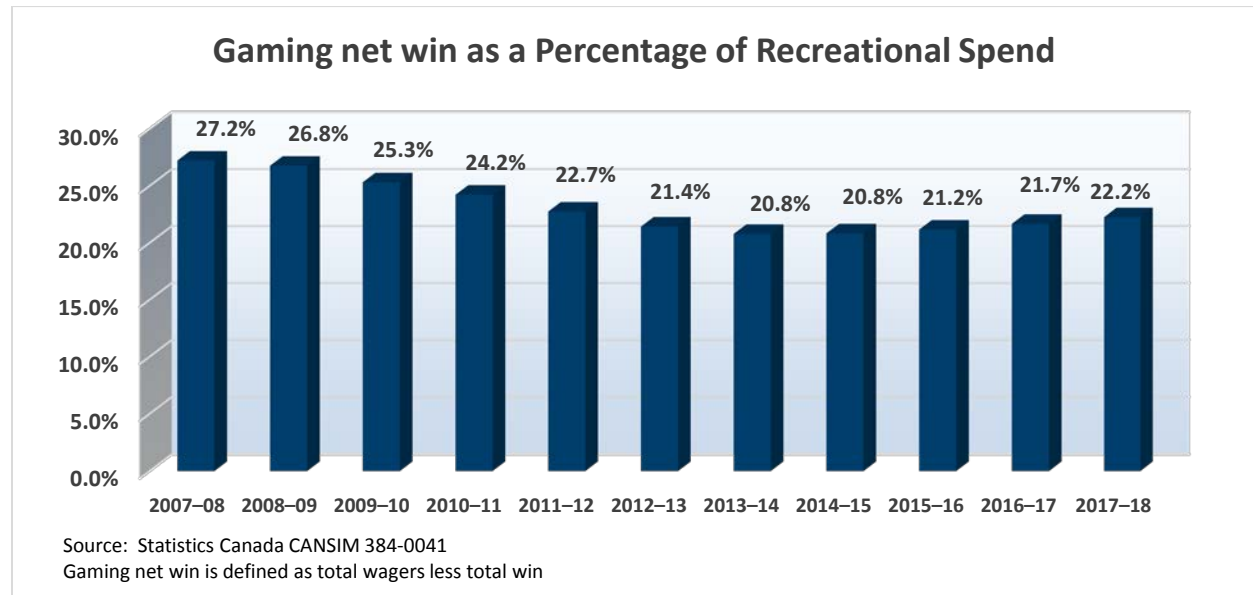


While spending on games of chance remains flat, there is an upward spending trend on recreation and culture, indicating that games of chance are not as popular as other entertainment options. The increase in recreation spending in the areas of entertainment and leisure, however, aligns well with OLG's vision to develop world-class gaming entertainment for Ontario.



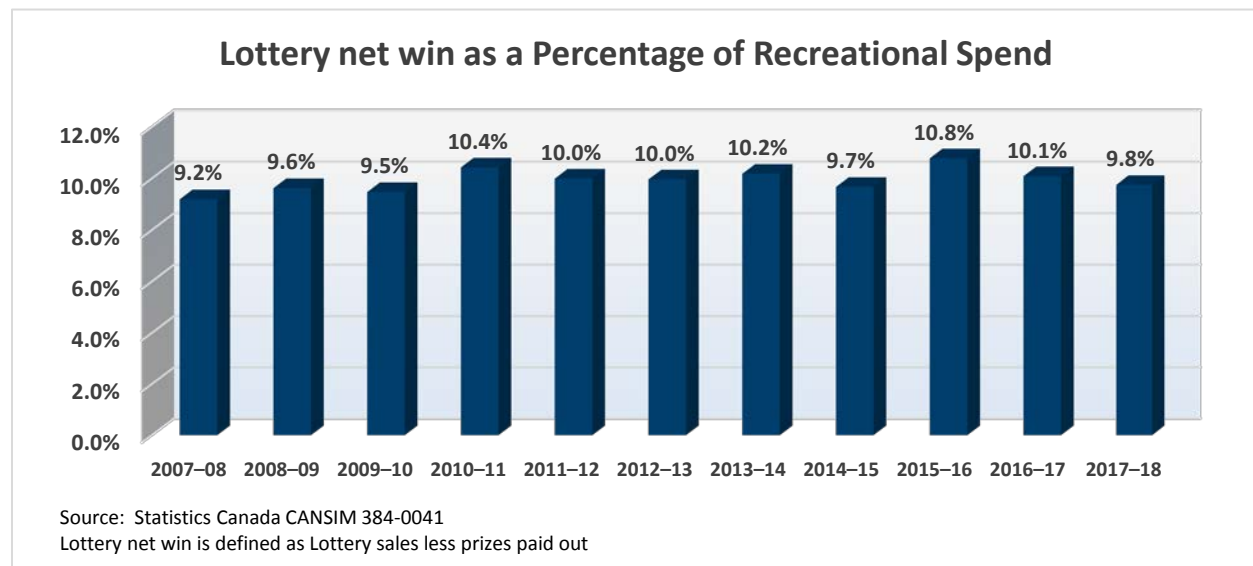
Gaming Net Win

Despite a slight increase in gaming net win as a percentage of recreational spend in 2017–18, the downward trend in that category over the past decade illustrates that gaming as an entertainment option has declined compared to other alternatives such as live entertainment, cable TV/live streaming, and sports recreation. OLG continues to focus on offering new forms of gaming entertainment to Ontario.



Lottery Net Win

Lottery net win as a percentage of recreational spend remains steady after experiencing high growth in fiscal 2015–16.

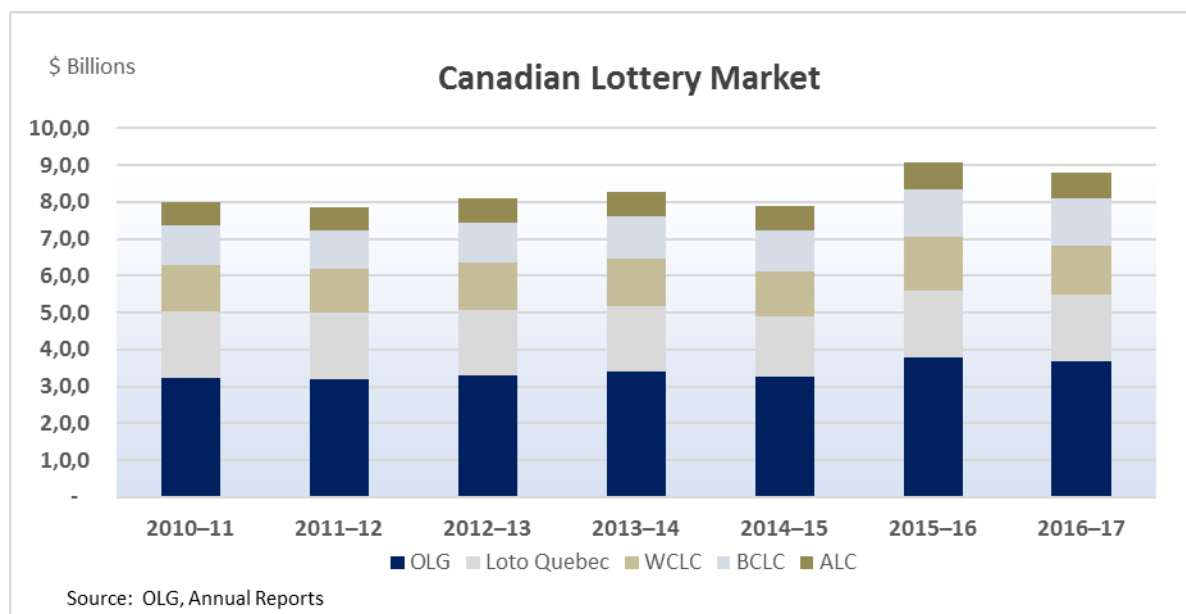


Canadian Lottery and Gaming Market Trends

Canadian Lottery Market

The Canadian Lottery market is expected to continue to grow moderately, driven by the growing adoption rate of the mobile platform for gambling.

During the period fiscal 2011–12 to fiscal 2016–17, Canadian lottery sales achieved a CAGR of 2.3%, from \$7.9 billion to \$8.8 billion.



Lottery Participation

Player participation rates in Ontario continued to decline over the past decade, as growth in the lottery player base has not kept pace with the growth in the adult population. Between fiscal 2007–08 and 2017–18, the adult population grew by 14.7 per cent while the lottery player base fell by 8.2 per cent.

	<u>2007-08</u>	<u>2017-18</u>	<u>Change</u>
Adult Population	10.2 million	11.7 million	14.7%
Estimated Number of Lottery Players	5.3 million	4.9 million	-8.2%
Player Participation Rate	52%	42%	-10 pts

Sample of about 3,600 respondents per year

Lottery Participation is defined as anyone who bought a lottery ticket in the past two months.

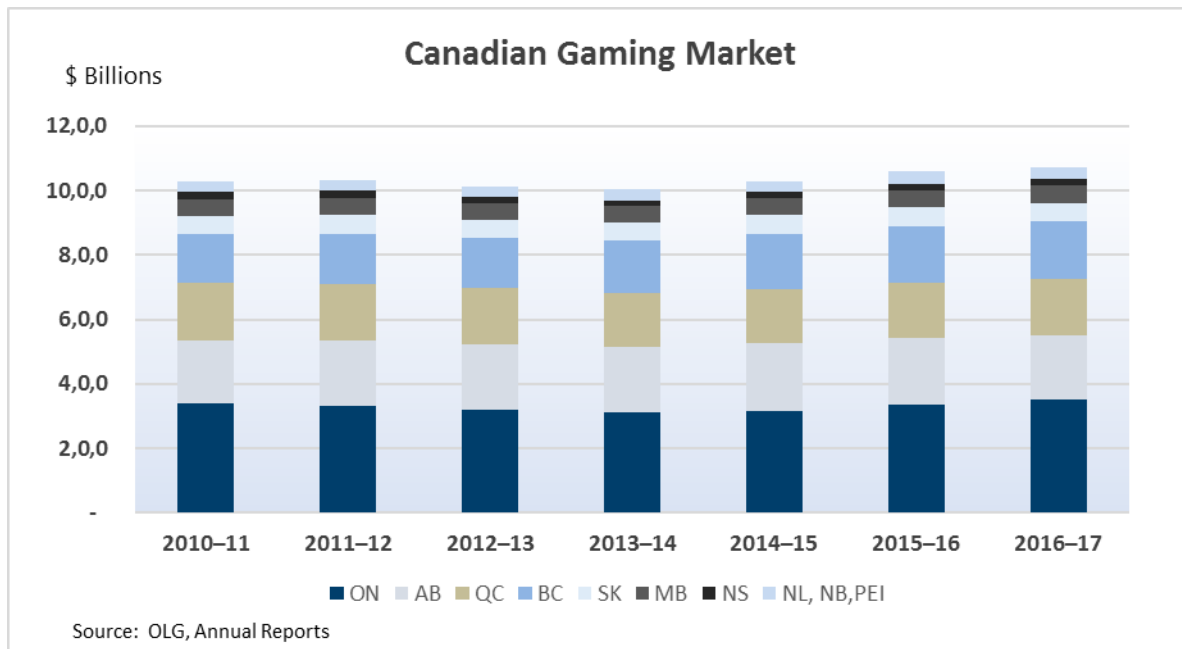
Source: OLG, LottoTrends

Canadian Land-based Gaming Market Overview

The Canadian Land-based Gaming market has remained steady with moderate year-over-year growth of 1.3 per cent. All Land-based Gaming facilities in Ontario are now operated by private sector service providers.

The top four Canadian jurisdictions – Ontario, Alberta, Quebec and British Columbia – account for 84 per cent of the total Canadian gaming market.

OLG revenue increased by 5.6 per cent in fiscal 2016–17.



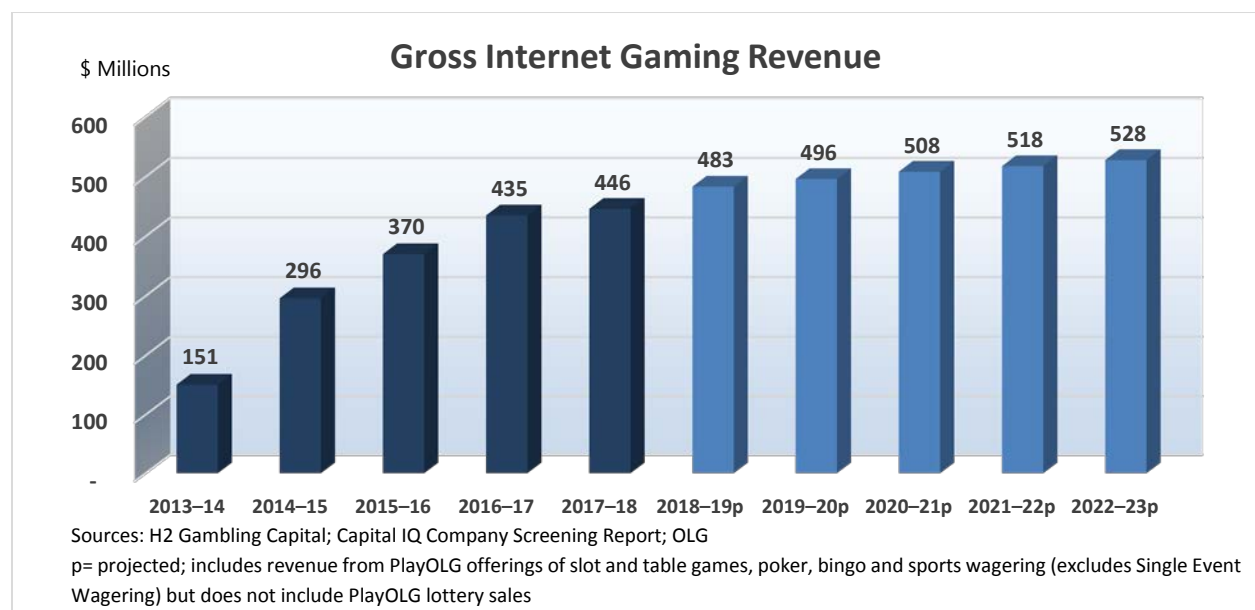
Canadian Internet Gaming Industry Trends

Ontario online gaming revenue is projected to reach \$527.8 million by fiscal 2022–23.

Grey market operators make up most of the Internet gaming market today. In fiscal 2017–18, gross Internet gaming revenue in Ontario was approximately \$446.0 million, with PlayOLG capturing a market share of approximately 19.0 per cent, or \$84.3 million.

Assuming the current business model and regulatory framework, the Internet gaming market in Ontario is expected to grow to more than \$527.8 million by fiscal 2022–23, representing a CAGR of 3.4 per cent from fiscal 2017–18.

With the implementation of a new player platform, OLG will develop a more competitive Internet gaming presence with a wider product offering while maintaining responsible gaming standards.



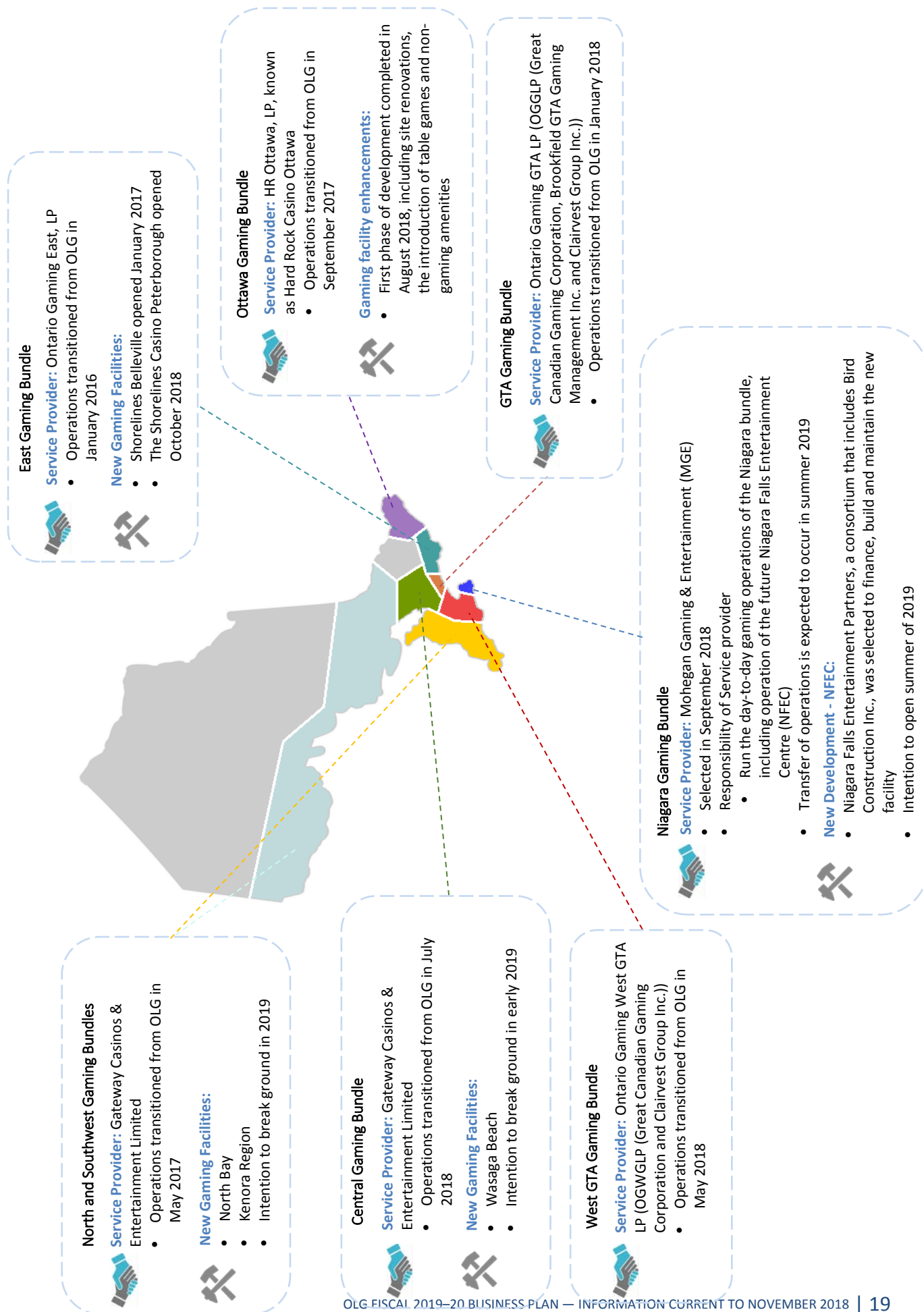
Modernization Today

On October 3, 2017, as part of the annual requirement in the directive for board-governed agencies, the Minister of Finance issued a Mandate Letter identifying priorities for OLG in fiscal 2018–19. Until a new Mandate Letter is received that identifies priorities for fiscal 2019–20, OLG will continue to execute on the October 2017 mandate by:

- modernizing the gaming business, including the completion of the remaining Land-based Gaming bundle procurements, leading to viable transactions that will provide more choice and convenience for customers
- continuing to modernize the lottery business and related digital strategy to ensure that technology and product solutions are responsive to changing customer needs and to unlock opportunities to create greater value for Ontario within a framework of social responsibility
- continuing to work with charitable gaming sector stakeholders on the implementation of a new business model
- continuing to further integrate the horse racing industry into the province’s gaming strategy
- continuing to develop customer-focused approaches while achieving continuous improvement in responsible gambling standards and social responsibility.

Land-based Gaming Modernization

As of fiscal 2018–19, OLG has finalized the transition of seven of its eight gaming bundles. The transition of the Niagara Gaming Bundle operations to Mohegan Gaming & Entertainment (MGE), selected as the operator in September 2018, will be completed in fiscal 2019–20. The modernization strategy for Caesars Windsor has yet to be finalized.



Lottery Modernization and Digital programs

OLG's Internet gaming website, PlayOLG, was launched in 2015 and continues to see revenue grow with its slots, table games and select Lotto game offerings (i.e., LOTTO MAX, LOTTO 6/49 and ENCORE). Additional casino games, new slot games (e.g., a progressive jackpot game), increased use of the mobile app by players and greater PlayOLG brand awareness achieved through broad-based advertising and targeted promotions were drivers of revenue and player growth during the past year.

In 2016, based on a comprehensive review, OLG chose to retain the operations of its lottery business and partner with the private sector to enhance its capabilities in technology and innovation, all within a framework of responsible gambling. Since then, OLG has made progress on a number of related initiatives:

1. Following a competitive procurement process, OLG selected Bede Gaming Canada Limited (Bede) in September 2018 to provide a new enterprise-wide digital foundation for OLG's products. The new player platform will facilitate product and channel integration by allowing OLG to add new games, improve the online experience and enable mobile responsiveness. It will also enhance OLG's existing digital capabilities in areas like player registration and player accounts.
2. Following a separate competitive procurement process, IDEMIA Identity & Security France SAS (IDEMIA) was selected in September 2018 to replace and update Lottery terminals in retail stores, maintain the terminals and manage the corresponding telecommunication network. This work will enable the addition of new products and provide for a better retail experience.
3. The procurement process to select a service provider to enhance and expand sports betting in Ontario is expected to be completed in the third quarter of fiscal 2018–19. The expansion of OLG's sports category will bring innovation and variety as new sports products can be offered at retail locations, on the Internet and through mobile devices.

Charitable Gaming Revitalization Program

To date, the Charitable Gaming Program has provided \$193.1 million to nearly 1,800 local charities through 31 Charitable Gaming Centres.

A key priority for OLG is to stabilize and grow the charitable gaming industry so it can continue to provide social and economic benefits to communities across Ontario. OLG has supported the industry with the creation of new Charitable Gaming Centres and products across Ontario and continues to work with the industry to review its current business model and address challenges to support long-term sustainability.

OLG is committed to increasing charitable gaming revenue within a framework of responsible gambling and public interest and to delivering a customer entertainment experience that is different from other forms of gaming through modernized products and services. OLG is also committed to communicating the positive impacts the Charitable Gaming Program has in local host communities.

Horse Racing

Ontario's horse racing industry plays an important role in economic development across the province, particularly in rural communities. Tens of thousands of people are employed by the industry in a variety of areas, both directly and indirectly. The Ontario government is committed to supporting a strong horse racing sector. Horse racing has been a part of the province's heritage for more than 250 years and continues to provide entertainment and economic benefits for Ontario communities.

Working with the Ontario government, OLG is supporting the industry's sustainability efforts by creating effective stakeholder relationships, providing up-to-date facts and information related to the horse racing sector in Ontario, sharing expertise to help the industry adopt its own Responsible Gambling program and developing a strong brand and marketing strategy with the industry.

On March 23, 2018, the Ontario government announced a long-term funding agreement for the horse racing industry that will provide up to \$105 million a year, for 19 years, beginning in 2019. This agreement is intended to strengthen and sustain horse racing and breeding in Ontario. It will provide nearly two decades of stable funding to increase the vitality of the industry in the province.

Responsible Gambling – *PlaySmart* Program

In addition to being part of OLG's statutory and regulatory mandate, Responsible Gambling (RG) is a core business priority and anchor of social responsibility. In both 2015 and 2018, the World Lottery Association (WLA), which recognizes excellence in responsible gambling, awarded OLG's *PlaySmart* program "Best Overall Responsible Gaming Program". OLG's *PlaySmart* program holds a Level 4 accreditation from the WLA – the highest level an organization can achieve.

The Responsible Gambling Council's RG Check Accreditation is another internationally recognized standard for responsible gambling. Since 2014, 19 slots and casinos facilities have held this designation, and every year a number of facilities are in various stages of recertification. This accreditation is only available to facilities that meet stringent criteria in areas such as self-exclusion, informed decision-making and employee training. OLG continues to look for new ways to improve the *PlaySmart* program, strengthen relations with stakeholders and enhance the knowledge and experience of players.

PlaySmart aims to prevent gambling harm through player education, to mitigate harm for those who may have developed a problem with their gambling and to provide a gateway to support services and community resources. Its integrated components include customer education and assistance, a self-exclusion program, employee engagement and training, policy development and service provider compliance with standards and stakeholder relations.

The Path Forward

Strategic Plan

OLG will realize its vision to develop world-class gaming entertainment for Ontario in a way that benefits the province, its communities and its people while leading North America in responsible gambling programming.

Designed to deliver against OLG's Vision and Mission are four Strategic Themes. These themes define OLG's focus on customers and communicate the commitments and priorities of the organization to the public and to OLG employees. The Strategic Themes will guide OLG's priorities over the next three to five years as the customer-focused strategic plan is implemented.

The following chart provides further details about the customer-centric approach OLG will pursue under each of the four Strategic Themes.





Digital Development

Ensure new products and experiences are available where and when customers want them.

Strategic Priority
1. Launch an improved digital customer experience with an enhanced product offering that interacts across all gaming entertainment options.
2. Establish a mobile first strategy for new products and experiences.
3. Converge retail and digital offerings to optimize growth and customer experiences.
4. Introduce a leading sports product for customers and enhance our retail and digital presence.



Culture of Performance

Develop a high functioning organization that responds to customers' needs.

Strategic Priority
1. Strengthen relationships with key stakeholders.
2. Evolve and optimize a risk-based strategy to monitor service provider plans and operations.
3. Implement the Office of the Future through optimized technology, workspaces and collaboration.
4. Attract, develop and retain the next generation of leaders and become an employer of choice in Sault Ste. Marie and Toronto.
5. Align the organization to best support an enterprise customer-centric business model.



Know our Customers

Understand customers' needs and identify new opportunities using data and analytics.

Strategic Priority
1. Advance the application of analytics and customer insights into all aspects of the business through a combination of internal and external collaboration.
2. Elevate the customer through the implementation of a comprehensive enterprise customer strategy across all gaming entertainment options.
3. Grow the quantum of known play and customer information within OLG's products and channels.
4. Develop an innovation culture at OLG to anticipate and deliver against the evolving needs of current and future customers.



Strong and Responsible Growth

Create long-term value for customers, Ontario's gaming market and the province in a socially responsible manner.

Strategic Priority
1. Protect and sustain the business to grow OLG's Net Profit to the Province to \$3.0 billion annually.
2. Advance OLG's world-leading Responsible Gambling program and maintain our commitment to social responsibility.
3. Position OLG to become a Top 100 Employer in Canada.

Risk Management

OLG has a formal Enterprise Risk Management (ERM) program that focuses on optimizing its performance and supporting Management by identifying, assessing and managing risks related to its strategy. The ERM program consists of a risk framework (aligned with ISO 31000 and the Ontario Public Service risk management guidance and requirements); an assessment process; regular monitoring of key risks; and quarterly reporting of these findings to the Audit and Risk Management Committee of the Board of Directors. The President and CEO has the ultimate accountability for risk management and is supported by Management, the Risk and Audit department and other governance-related departments including Regulatory Compliance, Finance, Legal and Information Security. Through the ERM process, 14 key risks have been identified and the President and CEO and Management have identified risk mitigation strategies for each.

The 14 key risks are in the following areas:

- Strategic Partnerships and Third-Party Engagement
- Competitive Products
- Workforce
- Information and Technology
- Governance, Legal and Compliance
- Operations
- Government and Stakeholder Relationships

Strategic Partnerships and Third-Party Engagement

Long-term agreements have been established with Land-based Gaming operators. Over the duration of these agreements, OLG needs to ensure service provider performance while maintaining healthy relationships with the operators. Operator performance may be impacted by a number of factors including unanticipated delays in municipal approvals for expansion and site development; changes in government direction on the Slots at Racetracks Program; and OLG decisions related to Land-based Gaming and other areas of operations.

As a result of new agreements for Lottery and digital customer experiences, OLG needs to ensure these private sector providers deliver the technology, innovative products and service levels expected while maintaining healthy business relationships. Technology integration among new vendors will be complex and OLG must ensure the ongoing performance of existing third parties that may ultimately transition to new third parties.

To mitigate this risk, OLG is establishing a third-party management program that includes research, regular risk assessments, new skill sets and clarification of key contract obligations. Efforts will focus on enhancing governance processes and creating holistic performance dashboards for all key operators and private sector partners.

To ensure OLG can deliver customer experiences that meet their expectations and gaming entertainment preferences, OLG is looking for new strategic partnerships. The requirements of OLG's regulatory environment and government policies and directives may present challenges to forming certain partnerships or moving quickly enough to compete with grey market operators.

As research capabilities evolve and the understanding of the potential of value-add partners and their requirements improves, OLG will mitigate this risk by exploring new and innovative procurement strategies.

Competitive Products

Distinct from experiences in bricks and mortar locations and retail environments, OLG needs to create new experiences by leveraging technology in the digital space. OLG strives to be agile while ensuring the quality and integrity of products and experiences. Two factors that may create challenges to the ability to adapt quickly to emerging or disruptive technologies are the gap between the current skills and capabilities available within OLG and those required for the desired level of agility; and the requirement that OLG operate within the parameters of the laws, regulations and internal standards that govern it.

To mitigate this risk, OLG is embarking on a two-year customer experience strategy and road map. Key skills and capability gaps are being identified and addressed.

Workforce

OLG employees and culture are fundamental to the successful execution of OLG's strategy. A new target operating model and a supporting organizational structure are being rolled out to align the structure of the organization with this strategy. OLG employees may need to adapt to new ways of working and develop new or different skills and capabilities. OLG may face competition from other employers to acquire individuals with certain skills and capabilities (e.g., data analytics, robotics, artificial intelligence). The loss of leadership or key employees at critical times could impede the progress of the strategic plan. Many of OLG's current and potential employees are in high demand worldwide because of their deep knowledge of the gaming industry and/or their experience with major transformation initiatives.

To mitigate this risk, OLG is completing internal talent assessments and finalizing its succession planning. Training and development will focus on preparing employees to take on leadership roles as required. Senior leadership will focus on strategies to ensure employees are engaged and the desired culture is achieved.

Information Technology and Infrastructure

OLG must ensure that, while implementing new technologies to support the digital strategy, legacy systems continue to sustain and grow the core business and that access to systems and/or information is not compromised with the expanded use of third parties. In addition, organizations around the world are regularly challenged by increasing incidents of cyberattacks and changing motivations (e.g., political and social justice causes) for those attacks.

To address these challenges, OLG is working to align its business needs with its technology requirements through a robust planning process. High-value technology improvements are planned to enhance functionality, reliability and flexibility.

OLG has a mature cybersecurity risk management program and continues to evolve the program. OLG's Information Security Department maintains a staff of cybersecurity professionals that performs robust and continuous vulnerability and patch management processes; monitors and aligns its controls to known and highly regarded frameworks; and assesses legal and regulatory changes accordingly. Cyber insurance is in place to mitigate impacts of cybersecurity incidents, and OLG will continue to update and enhance its capabilities to respond to the quickly evolving threat landscape. Further, operators and private sector partners are required to maintain cybersecurity controls and to provide OLG with independent assurance on those controls.

Governance, Legal and Compliance

OLG is required to comply with certain laws and regulations as it carries out its mandate. A focus on compliance is crucial as OLG implements its strategy, enters new relationships with third parties and advances into the digital environment. OLG needs to fully understand the legal and regulatory implications of new and innovative technologies. This includes ensuring that operators and private sector partners understand their obligations in a regulated environment as they may not be aware of the unique compliance requirements of public sector entities, specifically OLG (e.g., French Language Services). Recently, concerns in other gaming jurisdictions over anti-money laundering (AML) have brought a renewed focus on this legislation and OLG's own AML program.

To mitigate this risk, OLG has implemented an Enterprise Compliance Framework and maintains processes and dedicated compliance resources. Programs have been put in place to ensure that regulatory compliance requirements are considered with each new initiative. OLG and its third parties receive ongoing training on regulatory requirements. Enhancements to OLG's AML program will be made as required.

Operations

OLG is undergoing significant changes to align the organization and its processes to the strategy. These necessary changes are occurring in tandem with the execution of significant, complex initiatives so that OLG is able to keep pace with its competitors, including those in the grey market. While managing the magnitude of these organizational changes on the Corporation and its employees, Management is challenged to keep OLG focused on its priorities and to ensure the strategic initiatives are delivered on time and on budget.

To mitigate this risk, OLG is assessing the priorities of its initiatives and building capabilities for managing the portfolio of its projects.

Government and Stakeholder Relationships

OLG must communicate effectively with all levels of government (e.g., municipalities and First Nations) and a multitude of diverse stakeholders (i.e., charities, business associations, First Nation organizations, service providers, etc.) and balance their varying – and sometimes competing – interests. The successful execution of OLG's strategy is dependent on timely decisions on government policy and approvals. For example, a decision by the federal government on single-event sports wagering will impact OLG's strategy for its Sports products.

To help mitigate this risk, the President and CEO will continue to focus on the relationship with government. OLG will leverage well-developed planning instruments to help gauge when it requires government approvals and ensure the right materials are prepared and sufficient lead time is provided. OLG will also work proactively to ensure that its plans meet the outcomes that the government is seeking.

Communications Plan

OLG regularly communicates with its single shareholder, the Government of Ontario, and its many stakeholders, including customers, the public, employees and various entities in the private sector. OLG's communications are clear, open and transparent and demonstrate the Corporation's accountability to Ontarians. Communications, marketing and stakeholder outreach strategies support all new business and product developments and all mandatory and voluntary financial disclosures. OLG also promotes responsible play in its lottery and casino games and provides information on how and where customers can seek help should they experience problems with gambling.

OLG communicates through:

- the Internet – its corporate (public) and Intranet (internal) websites
- stakeholder outreach
- community sponsorships
- media relations
- advertising and marketing.

OLG ensures it is aligned with its shareholder – the Government of Ontario – on legislation, regulations, public policy and emerging issues. OLG partners with a range of external stakeholders, including municipal governments, Ontario First Nations, the horse racing industry, the charitable gaming industry, lottery retailers and casino operators, to support this effort.

As the number of private sector service providers in the industry increases, OLG continues to enhance its accountability in areas of public interest such as game integrity, responsible gambling, customer information and anti-money laundering.

Customer Service and Complaint Handling

The OLG Support Centre operates a 98-seat support office that fields phone calls, email and other forms of correspondence from customers and the retail network. During fiscal 2017–18, the Support Centre handled nearly 260,000 inbound and 113,000 outbound phone communications and processed more than 9,800 pieces of correspondence.

The Support Centre also handles social media interactions on Facebook and Twitter for Lottery, Gaming, *PlaySmart* and PlayOLG. In fiscal 2017–18, it responded to 12,850 interactions on Facebook and 3,833 on Twitter.

In support of the Corporation's balanced view of profit, player experience and public trust, the Support Centre monitors performance against an array of operational metrics such as abandon rate, speed of answer and call quality scores.

In addition to fielding routine correspondence and communications, the Support Centre, in conjunction with Regulatory and Compliance Services, is responsible for handling customer and retailer complaints. To that end, OLG has developed operating policies and procedures that:

- ensure all complaints from the public are handled completely in that they are recognized, documented, dealt with and closed by individuals with the appropriate skill sets and levels of authority
- handle complaints regarding “suspicious activity at retail” differently from complaints about lottery products and services (i.e., these complaints are forwarded to the Retail Complaint Review Team)
- ensure clear and separate accountabilities and reporting structures for those involved in building retailer relationships and those investigating retailers for potential fraud, theft and dishonesty
- ensure an open, cooperative working relationship among OLG, the Alcohol and Gaming Commission of Ontario (AGCO) and the Ontario Provincial Police when investigating suspicious complaints
- ensure there are quality assurance mechanisms to verify that each complaint has been handled properly and to continually improve the processes for handling such complaints.

Senior OLG Support Centre Specialists are responsible for calls that are high risk or relate to integrity, such as:

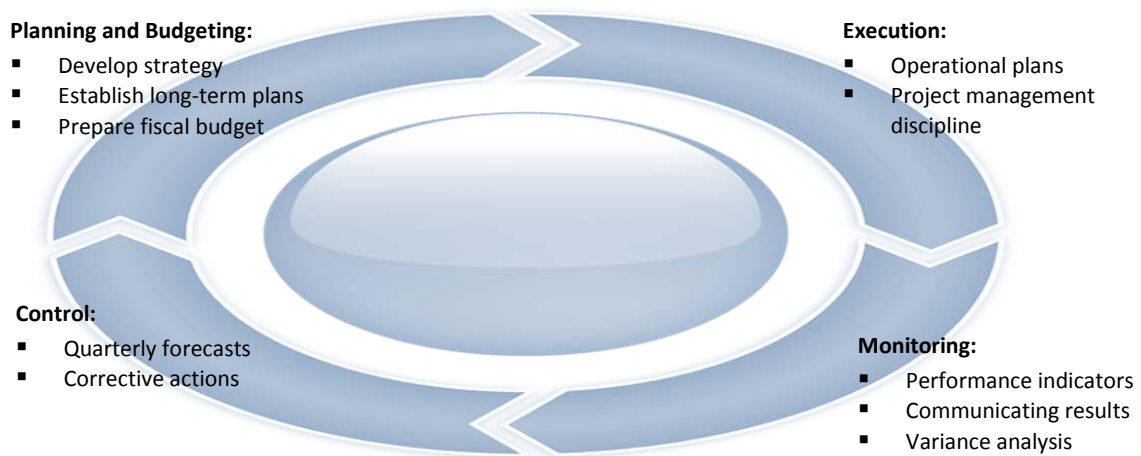
- threat to harm issues; threats to contact or direct contact from media, legal, government organizations and the Ombudsman
- integrity matters such as incorrect slot payouts
- compliance-related issues such as privacy and the *Accessibility for Ontarians with Disabilities Act, 2005*
- Winner’s Circle inquiries such as play activity, cash redemptions, closing and re-opening accounts and Winner’s Circle Rewards loyalty program issues
- Responsible Gambling related questions/concerns such as self-exclusion, reinstatement and “red flag” behaviours
- win/loss statements
- executive interaction requests, including the President and CEO and Board of Directors correspondence.

All other callers are directed to contact service providers directly.

Financial Plan: Fiscal 2019–20 to 2022–23

Planning Approach

OLG employs a closed-loop financial management cycle connecting planning and budgeting with execution, monitoring and control. The setting of the fiscal 2019–20 budget forms one important aspect of the planning and budgeting phase.



The primary objectives of OLG’s fiscal 2019–20 planning and budgeting process are to:

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

Principles

OLG uses a hybrid approach to planning and budgeting by employing:

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

Use of Estimates

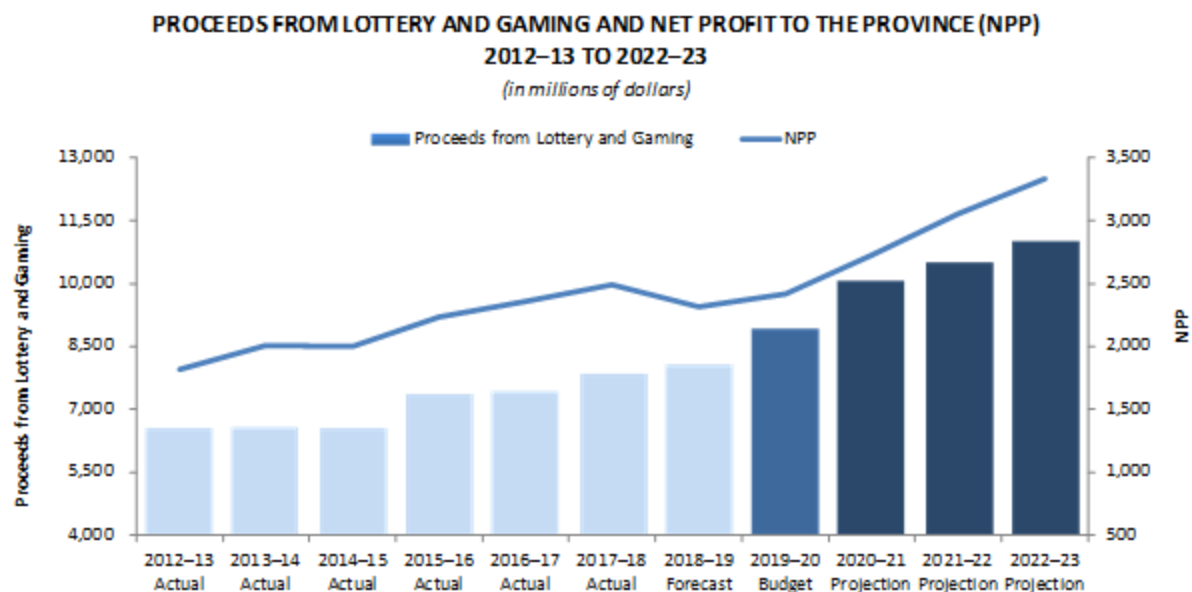
Preparation of the fiscal 2019–20 to 2022–23 business plan requires the Corporation to make estimates and assumptions that affect the expected amounts of revenue and expenses for the years covered by the plan. Significant estimates are used in determining economic factors, inflationary costs of goods and services, theoretical lottery roll patterns and modernization timelines and value, among other things. Actual results may differ from those estimates.

Financial Plan

Presented on the following pages are OLG’s fiscal 2019–20 to fiscal 2022–23 financial projections. OLG’s fiscal year covers the period between April 1 and March 31.

The budget and financial projections have been prepared in accordance with International Financial Reporting Standards (IFRS) in effect as of April 1, 2018. OLG has factored in a preliminary assessment of IFRS 16 – Leases which will be effective for the fiscal year beginning April 1, 2019.

OLG is undertaking a significant transformation of its business consisting of specific initiatives that will achieve OLG’s purpose of providing gaming entertainment in an efficient and socially responsible manner that maximizes economic benefits for the people of Ontario, related economic sectors and host communities.



Gaming Revenue

In fiscal 2019–20, proceeds from Lottery and Gaming are budgeted to be \$8.9 billion, an increase of \$844 million or 10.5 per cent compared to the fiscal 2018–19 forecast. Over the next four years, proceeds from Lottery and Gaming are projected to increase at a CAGR of 8.0 per cent, reaching \$11.0 billion by fiscal 2022–23.

The following activities, conducted in a responsible manner, are anticipated to contribute to the projected \$11.0 billion in proceeds from Lottery and Gaming by fiscal 2022–23:

- deploying significant capital investment by Land-based Gaming service providers related to the introduction of new, relocated and/or expanded facilities and the introduction of live table games, particularly in the GTA and West GTA bundles
- executing product and channel development strategy designed to maximize returns from Lottery's five unique product categories
- introducing twice weekly draws for LOTTO MAX, introducing new INSTANT games and launching new regional Lotto games including a twice weekly draw of LOTTARIO
- adding new lottery retail locations, expanding into additional multi-lane locations and rolling out new lottery terminals
- working towards amending the Charitable Gaming agreement with hall operators which would enable responsible growth at Charitable Gaming Centres.

OLG's total gaming revenue is presented after the deduction of lottery prizes and fees to Land-based Gaming service providers, in accordance with IFRS. Fees paid to the service providers are primarily comprised of a fixed fee, a variable fee (calculated as a percentage of gaming revenue above a set revenue threshold) and an amount for permitted capital expenditures.

Fees paid to service providers are projected to increase from \$1.1 billion to \$1.9 billion in fiscal 2019–20. This is due to a full year of service provider operations of the West GTA and Central Gaming Bundles, as well as the transition of the Niagara Gaming Bundle to a service provider in fiscal 2019–20. Fees paid to service providers are projected to further increase to \$2.5 billion by fiscal 2022–23 as a result of the forecasted growth in proceeds generated from Land-based Gaming.

While fees paid to service providers are increasing, OLG has realized significant decreases in operating expenses as Gaming Bundles have transitioned to service providers. The shift in cost responsibility and the impacts on OLG's operating results were anticipated with the implementation of the modernized operating model for Land-based Gaming.

(in millions of dollars)

	Forecast	Budget	Projection	Projection	Projection
<i>For the fiscal year</i>	2018–19	2019–20	2020–21	2021–22	2022–23
Proceeds from Lottery and Gaming					
Lottery & Digital	4,051	4,197	4,518	4,660	4,827
Charitable Gaming	179	185	241	265	286
Land-based Gaming	3,829	4,521	5,290	5,571	5,868
Proceeds from Lottery and Gaming	8,059	8,903	10,049	10,496	10,982
Less: Lottery Prizes	(2,234)	(2,325)	(2,498)	(2,565)	(2,639)
Less: Land-based Gaming Service Provider fees	(1,144)	(1,906)	(2,429)	(2,460)	(2,548)
Gaming Revenue	4,681	4,672	5,122	5,471	5,795
Non-Gaming Revenue	82	48	40	40	40
Total Revenue	4,764	4,721	5,162	5,511	5,835

Net Profit to the Province (NPP)

The fiscal 2019–20 NPP is budgeted to be \$2.4 billion, an increase of \$102 million or 4.4 per cent compared to the fiscal 2018–19 forecast. Over the next four years, NPP is projected to grow to \$3.3 billion, representing a CAGR of 9.6 per cent, driven primarily by revenue growth from Lottery, Digital and Land-based Gaming.

OLG's operating expenses are projected to decrease from \$2.6 billion in the fiscal 2018–19 forecast to \$2.4 billion in fiscal 2019–20 due to the continued transition of Land-based Gaming sites to service providers and an ongoing focus on management of discretionary expenditures. While OLG anticipates that discretionary expenditures will continue to decline through the life of the planning horizon, they will be partially offset by increases in personnel and marketing costs associated with the implementation of the new operating model and the achievement of revenue growth strategies in Lottery and Digital. Further, as proceeds from Lottery and Gaming grow through fiscal 2022–23, there will be a corresponding increase to payments to stakeholders including commissions, fees and payments to the Government of Canada.

Funding for the horse racing industry is expected to be \$108 million in fiscal 2019–20, dropping to \$53 million by fiscal 2022–23. Payments to Ontario First Nations of 1.7 per cent of gross revenues, as defined in the GRSFA, are projected to increase each year, driven by increases in proceeds from Lottery and Gaming.

The fiscal 2018–19 forecast included a one-time gain on sale of assets of \$43 million related to the transition of the West GTA and Central Gaming Bundles.

(in millions of dollars)

	Forecast	Budget	Projection	Projection	Projection
<i>For the fiscal year</i>	2018–19	2019–20	2020–21	2021–22	2022–23
Net Profit to the Province	2,311	2,414	2,724	3,056	3,329

Appendix

Governance and Management Structure

Classified as an Operational Enterprise Agency of the Province of Ontario, OLG has a single shareholder, the Government of Ontario, and for fiscal 2017–18 reported through its Board of Directors 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 (MOU) 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

