

**2021–22 ANNUAL REPORT  
ONTARIO LOTTERY AND GAMING CORPORATION**

## TABLE OF CONTENTS

Land Acknowledgement	2
Message from the Chair of the Board	3
Message from the President and Chief Executive Officer	5
Overview	8
Impact of the COVID-19 pandemic	9
OLG's Benefit to the Province of Ontario	10
Financial Highlights	11
Ontario Gaming Market	13
Delivering on Our Mandate	14
Game ON Plan	15
Game ON Strategic Priorities	16
Commitment to Responsible Gambling	21
Commitment to Indigenous Communities in Ontario	23
Governance	24
Board of Directors	25
Executive Committee	31
Management's Discussion and Analysis	32
Management's Responsibility for Annual Reporting	62
Independent Auditors' Report	63
Consolidated Financial Statements	67
Notes to the Consolidated Financial Statements	71

## **LAND ACKNOWLEDGEMENT**

OLG acknowledges that we live, work and conduct gaming on the traditional territories of many Indigenous nations across the province.

Our Toronto offices are hosted on the traditional territories of the Mississaugas of the Credit, the Anishinaabeg, the Haudenosaunee, and the Wendat. We also acknowledge that our Head Office located in Sault Ste. Marie is hosted in the Robinson-Huron Treaty Territory and the land is the traditional territory of the Anishinaabeg, specifically the Garden River and Batchewana First Nation, as well as the Métis. Today, Sault Ste. Marie is home to many Indigenous peoples.

These are the Indigenous peoples who lived on this land for thousands of years before us. OLG recognizes that simply acknowledging the land on which we stand is only one small gesture in the challenging work of truth and reconciliation. We are called upon to act as agents of justice, peace, and harmony in the workplace and beyond. Let us rise to the responsibility of this work by fostering open dialogue, respect and connection among all peoples on this great land to address the ongoing legacy of colonization.

## MESSAGE FROM THE CHAIR OF THE BOARD

The Ontario Lottery and Gaming Corporation (OLG) strives to improve life for the people and the Province of Ontario. Since joining as Chair in December 2021, I have been honoured to serve the Province working alongside an exceptionally dedicated group of Board members and management team, for the benefit of communities, First Nations and all Ontarians.

I want to thank OLG's employees for the warm welcome extended to me during a critical year as OLG contributes to Ontario's re-opening of the economy. They are doing difficult work to steer OLG through the ongoing challenges presented by the COVID-19 pandemic while positioning the organization for future success.

Despite the pandemic's impact on our business, particularly in Land-based Gaming, OLG delivered \$1.6 billion in Net Profit to the Province in fiscal 2021–22 — money that goes to support the priorities that Ontarians care about, such as health, education, and community programming. We were also proud to contribute to economic recovery by sharing our proceeds with casino host communities, 133 Indigenous communities, Ontario charities and thousands of lottery retailers. Our expanding cohort of lottery retailers reflects the vibrancy of small businesses which are the economic foundation of communities across Ontario.

OLG's leadership team has charted a new and exciting course for the organization with the release of Game ON. The three-year strategy lays the foundation for sustainable growth. It enables innovation to unlock even more revenue opportunities while supporting vibrant communities and our valued partners across Ontario. The Board supports the organizational and cultural change underway at OLG — and we believe it will help ensure OLG continues to provide value to Ontarians for generations to come.

As a Board, we understand that we play an essential role in maintaining the trust Ontarians have in OLG — trust critical to OLG's success and the long-term interests of our shareholder, the Government of Ontario. We oversee a Crown agency with a commercial mandate delivered with accountability, transparency, and effective management of costs and risks. By providing strong corporate governance and controls, we want to ensure OLG offers strong growth to the Province of Ontario while maintaining our leadership role in Responsible Gambling (RG).

Our Board remains focused on our commitment to pursuing the highest standard for RG and building on the success of OLG's globally recognized *PlaySmart* program. We are pleased that the program continues to receive international recognition, particularly by the World Lottery Association and the Responsible Gambling Council, through independent certifications in 2021 and 2022, respectively. OLG will continue to work closely with the government and independent agencies to evolve *PlaySmart*, which puts the customer at the heart of positive play. We will continue to invest in personalized options and supports, leveraging new technologies, consistent with our standard of customer care in Land-based Gaming, Lottery retail and our expanding digital products.

On behalf of the Board of Directors, I would like to extend a special thanks to all OLG employees, partners, stakeholders and suppliers for all they do, collectively and individually, to advance the critical work of this organization — particularly during recent uncertain and challenging times. The most important element of any company's success is its people. The good that OLG does for Ontario is only possible because of your dedication and commitment. Thank you for your continued contribution — to OLG and our Province.

In the year ahead, the Board looks forward to working closely with the Minister of Finance, Ministry partners and OLG's senior management team to build on the solid foundation established through Game ON — and drive OLG to reach new heights of success for local communities, First Nations and all of Ontario.

A handwritten signature in black ink, appearing to read 'J. Warren', with a long, sweeping flourish extending to the right.

Jim Warren  
Chair

## MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

I am pleased to present our 2021–22 Annual Report, which tells the story of an exceptional year at OLG.

The Retail Lottery and Digital Gaming business lines proved to be resilient and high performing despite the challenges presented by the ongoing COVID-19 pandemic. Although our Land-based Gaming division continued to be challenged by pandemic headwinds, in fiscal 2021–22, we delivered on our overall mandate by providing a strong return to the Province to support government priorities and the communities we serve. At the same time, we launched a transformative business strategy which is evolving, expanding and leveraging OLG's competitive position as a trusted gaming entertainment offering in Ontario.

The launch of our Game ON strategy in April 2021 marked a pivotal moment at OLG. Game ON introduced a strategy to level-up OLG into a purpose-driven organization that confidently seizes opportunities for growth while unlocking greater value for our partners and the Province. Game ON builds on our competitive advantages and trusted brand, as we stay grounded in our team's unwavering commitment to deliver for Ontario communities, while ensuring sustainable, responsible growth.

For decades, OLG has existed to contribute to a better Ontario. We are proud of the support we provide the Province as the only gaming provider that reinvests 100 per cent of its profits back into Ontario. We support host communities across the province through revenue sharing, as well as the support we provide for local charities. We remain a proud community partner in our head office location of Sault Ste. Marie, taking every opportunity to contribute to a vibrant labour market and local economy.

And we're delivering unmatched entertainment options for our customers, which includes a lottery network of approximately 9,800 retailers, world-class casino gaming, charitable gaming and an expanding digital offering.

Game ON launched at a time when we were facing increased competition, evolving customer needs and changes in the gaming marketplace. This was evidenced by the expansion of the internet gaming market in Ontario and the legalization of single event sports wagering — developments that are attracting interest from around the world.

With change comes opportunity and, at the beginning of the fiscal year, we moved swiftly to introduce a new operating model that is helping us capitalize on our unique value in the province's entertainment marketplace.

OLG is further seizing the opportunity to drive growth in digital gaming by building on our strengths. We provide customers with an expansive, omnichannel experience that includes iCasino, iSports and the only option for iLottery, all of which feature the full integration of our industry-leading PlaySmart responsible gambling program.

In July 2021, OLG.ca achieved an important milestone when we reached one million player registrations on our digital platform. We saw further growth in digital gaming throughout fiscal 2021–22 with the launch of several new initiatives and products, including the launch of our mobile apps for both Android and iOS, as well as the introduction of Live Casino and expanded iLottery options. By the end of the fiscal year, we reached 1.3 million player registrations on OLG.ca.

We also introduced PROLINE+, which was the first legal online sportsbook in Ontario, including single event wagering. After less than one full week of operation, PROLINE+ processed more than \$1 million in wagers. In total, our Digital Gaming line of business delivered \$511 million in total proceeds, up 44 per cent versus the prior year.

While our Digital Gaming business was gaining momentum in fiscal 2021–22, we continued to strengthen our core business channels in Retail Lottery and Land-based Gaming.

In Retail Lottery, we added new and exciting products to our lottery offerings and retail footprint. This included the launch of the new PROLINE at retail locations, which offers sports bettors a complete gaming experience with single event wagering under the trusted PROLINE brand.

We value our vibrant network of retail partners and the exceptional service they have continued to provide to lottery customers across the province during an unprecedented time. OLG was proud to return more profits and increased commissions to retailers — we delivered the highest commissions in the history of OLG, at over \$333 million. Retail Lottery proceeds reached an all-time high of \$4.5 billion during the fiscal year.

In Land-based Gaming, our focus in fiscal 2021–22 was working with our partners on the successful re-opening of gaming sites. Despite the impact of the pandemic on casinos, Ontario racetracks and Charitable Gaming Centres, OLG's Land-based Gaming operations generated \$528 million in Net Profit to the Province in fiscal 2021–22 and delivered \$116 million to municipalities and Ontario First Nations that host Land-based Casino Gaming facilities and Charitable Gaming Centres — and payments to charitable associations totaled \$35 million. OLG also celebrated several important Land-based Casino Gaming milestones in fiscal 2021–22, including the opening of new casinos in Pickering and North Bay. The new sites represent significant private sector capital investments and have created jobs in these communities. In addition, the two municipalities are now receiving host community payments from OLG that they can use to support local priorities.

As we work with our partners to move our business forward, social responsibility and responsible gambling will remain cornerstone values for OLG and keys to our future success. We will continue to advance our globally recognized PlaySmart program — which supports customers in making informed choices and positive play, while also providing assistance to adult Ontarians dealing with problem gambling.

Another area of focus for OLG is building a foundation for successful business relationships with First Nations by deepening our understanding, expanding our thinking, and engaging productively with Indigenous communities and leaders. In fiscal 2021–22, OLG's Board of Directors and our Executive Leadership Team were pleased to participate in a series of training sessions that were led by Gordon Peters, President and CEO of the Centre for Indigenous Sovereignty and Ava Hill, former Chief of Six Nations of the Grand River.

It must be noted that every element of Game ON's success depends on our people. As part of our strategic plan, we are building a winning culture by investing in and empowering our employees and developing our team to deliver excellent customer service in communities across Ontario. I want to thank every OLGer for contributing their talents, their perspectives and most importantly, their voices to OLG. It's because of our team that OLG was named on Forbes' list of Canada's Best Employers for 2022 — a wonderful way to confirm that the work we are doing to build a stronger culture at OLG is moving us in the right direction.

As we move ahead, we will do so with new leadership on OLG's Board of Directors. OLG's Executive Leadership Team was delighted to welcome our new Chair, Jim Warren, in December 2021. Jim has worked for some of the world's largest gaming companies, and we are thrilled that we have another strong voice on OLG's Board challenging and encouraging us as we deliver on our strategy, growth aspirations, and brand promise.

Guided by our Game ON strategy and the OLG Truths, we will continue to build on our brand equity and gaming footprint across the province — and unlock even more value from our business for the benefit of communities, First Nations, municipalities and the people of Ontario.

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

Duncan Hannay  
President and Chief Executive Officer

## OVERVIEW

The purpose of the Ontario Lottery and Gaming Corporation (OLG or the Corporation) is to contribute to a better Ontario by delivering great entertainment experiences for our customers. We provide gaming entertainment in a socially responsible manner that maximizes economic benefits for the people of Ontario, related economic sectors and gaming host communities.

We live by five truths, which are an articulation of what we stand for and how we act:

- 1. We Care for Ontario.** We're here to do good. We help build communities, create jobs and support our partners. One hundred per cent of our profits are reinvested in Ontario. Giving back is at the heart of all we do. This defines us. Motivates us. Inspires us.
- 2. We Play as One Team.** We play. We share. We challenge. We respect, support and value each other and our partners. Only together can we compete and win.
- 3. We are Player Obsessed.** Knowing our players allows us to deliver the excitement they crave, in a safe and responsible way. That's what keeps them coming back. Their loyalty makes our business stronger and our ability to give back even greater.
- 4. We Dream Big & Champion Change.** We think big, move fast and welcome change. We are bold, curious, open and always taking our game to the next level.
- 5. We Celebrate Our Differences.** We all bring value to the team. And our different perspectives, backgrounds and orientations make OLG a great place to work. Together we are more creative, innovative and inclusive.

OLG conducts and manages the sale of lottery games (including national and regional Lotto, INSTANT and sports) and Land-based Gaming (Casino Gaming and Charitable Gaming) in the Province of Ontario, as well as our digital gaming platform (OLG.ca and OLG App). We are also contributing to Ontario's horse racing industry.

In fiscal 2021–22, OLG's operations were organized under three lines of business:

**Lottery (Retail)** – OLG operates terminal-based lottery and sports games and offers INSTANT lottery products through approximately 9,800 retailers across the province.

**Land-based Gaming (Casino Gaming and Charitable Gaming)** – OLG is responsible for conducting and managing gaming at 29 Casino Gaming facilities and 37 Charitable Gaming Centres across Ontario. The Land-based Gaming line of business is also responsible for OLG's key relationship with the horse racing industry.

**Digital Gaming** – OLG conducts and manages iCasino, iLottery and iSports through its digital gaming platform. The platform offers slots and table games (including Live Casino), sports betting with PROLINE+, as well as sales of nine Lotto games (including LOTTO MAX and LOTTO 6/49).

## **IMPACT OF THE COVID-19 PANDEMIC**

Since the beginning of the COVID-19 pandemic, OLG's top priority has been, and continues to be, the health and safety of our employees, customers and valued partners — and we have consistently followed the advice of public health officials and all provincial protocols.

The pandemic continued to present challenges for OLG in fiscal 2021–22, particularly in Land-based Gaming. On July 16, 2021, after intermittent closures and re-openings in fiscal 2020–21, casinos and Charitable Gaming Centres once again began opening their doors across Ontario, with temporary capacity restrictions in place. However, on January 5, 2022, in the face of rising COVID-19 case numbers, the sites once again closed and then re-opened again on January 31, 2022.

Throughout fiscal 2021–22, we worked closely with our Land-based Gaming partners on ensuring the successful and safe re-opening of gaming sites. In addition, we celebrated a number of key milestones, including the opening of two new casinos by our service providers — in Pickering and North Bay.

Despite the challenges faced in Land-based Gaming, OLG continued to drive the performance of the Lottery retail and Digital Gaming businesses and launched several new products and initiatives, including PROLINE+, Live Casino and INSTANT TOP UP. Both Lottery retail and Digital Gaming proceeds achieved record results in fiscal 2021–22.

The actions OLG took to mitigate the effects of the pandemic and their impact on operations are presented in this report.

## OLG'S BENEFIT TO THE PROVINCE OF ONTARIO

Since 1975, OLG has generated approximately \$56.7 billion for the people and Province of Ontario, which has helped support provincial priorities including the operation of hospitals; problem gambling prevention and treatment; amateur sport; and local and provincial charities, among other initiatives. In addition, there are several direct beneficiaries of Lottery and Gaming proceeds, including host communities, Ontario First Nations, lottery retailers and Ontario's horse racing industry.

OLG operations contributed to the economy in many ways in fiscal 2021–22<sup>1</sup>, some of which are highlighted below.

- OLG ended the fiscal year with **\$1.6 billion** in Net Profit to the Province (NPP).
- OLG provided, among other contributions:
  - **\$2.6 billion** in lottery prizes to its valued customers
  - **\$333 million** in commissions to lottery retailers across the province
  - **\$81 million** to Ontario First Nations through the Gaming Revenue Sharing and Financial Agreement, based on the Corporation's prior fiscal year's Gross Revenues
  - **\$119 million** in direct funding to Ontario's horse racing industry through the Amended and Restated Funding Agreement for Live Horse Racing
  - **\$116 million** to municipalities and Ontario First Nations that host Land-based Casino Gaming facilities and Charitable Gaming Centres
- OLG's investments in its Corporate Social Responsibility programs that support Responsible Gambling and charitable organizations included:
  - **\$7 million** directed by OLG to its Responsible Gambling program, including *PlaySmart* Centres, education and technology, program delivery, staff training, and self-exclusion including capital costs for facial recognition systems
  - **\$35 million** in Charitable Gaming proceeds distributed to participating local charities
  - **\$1 million** in corporate sponsorships including festivals and events

Host municipalities also receive financial benefit from property tax revenue; development fees and other payments; and the creation of jobs. Ontario businesses also benefit from purchases of other goods and services made by OLG and its Land-based Casino Gaming and Charitable Gaming service providers.

<sup>1</sup> Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

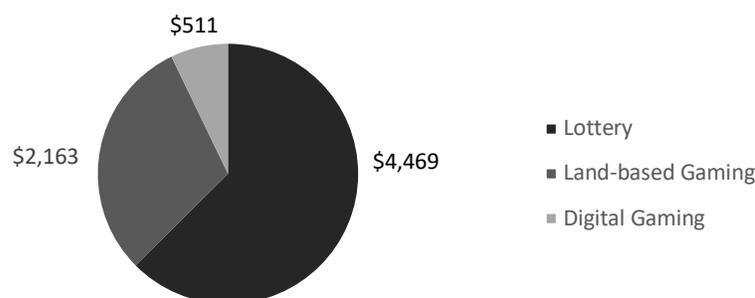
## FINANCIAL HIGHLIGHTS<sup>1</sup>

In fiscal 2021–22, OLG’s Lottery, Land-based Gaming and Digital Gaming lines of business collectively generated \$7.1 billion in total proceeds<sup>2</sup>. Compared to fiscal 2020–21, total proceeds increased \$2.3 billion or 49 per cent primarily due to fewer capacity restrictions which enabled a broader opening and stronger recovery of casinos and Charitable Gaming Centres. Land-based Gaming proceeds were \$2.2 billion, an increase of \$2.0 billion over the prior year. Lottery retail proceeds reached an all-time high of \$4.5 billion, an increase of \$235 million compared to the prior year — largely due to strong LOTTO MAX results and an increase in sports betting as sporting events continued to rebound from pandemic impacts. Digital Gaming proceeds set a record in fiscal 2021–22 of \$511 million, an increase of \$155 million from the prior year — attributed to the launch of several new initiatives and products as well as growth in player registrations.

OLG ended the fiscal year with Net Profit to the Province of \$1.6 billion, \$1.2 billion or 335 per cent higher than fiscal 2020–21.

### Proceeds by Line of Business

(in millions of dollars)



(in millions of dollars)

for the fiscal year ended March 31

2021-22

2020-21

#### Proceeds

Lottery (Retail)	\$4,469	\$4,234
Land-based Gaming	2,163	211
Digital Gaming	511	356
<b>Total OLG Proceeds</b>	<b>\$7,143</b>	<b>\$4,801</b>
<b>Net Profit to the Province</b>	<b>\$1,562</b>	<b>\$359</b>

<sup>1</sup> Numbers have been rounded or truncated for ease of readability. Consequently, certain charts or tables may not add or cross-tabulate.

<sup>2</sup> Proceeds is a non-IFRS measure which the Corporation considers to be a key measure of performance that is most reflective of its product offerings and its relationships with third parties.

Proceeds for each line of business are defined as follows:

Lottery (Retail):

- Sales from retail Lottery products (including regional and national LOTTO, INSTANT and Sports) before the deduction of prizes.

Land-based Gaming (Casino Gaming and Charitable Gaming):

- Net win before the deduction of service provider fees.

Digital Gaming:

- Net win from casino-style games (iCasino) and digital Sports products purchased on OLG's digital platform; and
- Sales from Lottery products purchased on OLG's digital platform (iLottery) before the deduction of prizes.

Proceeds from Lottery and Gaming does not include revenue from non-gaming sources (e.g., food and beverage service, accommodations) or revenue from leases.

## ONTARIO GAMING MARKET

OLG continues to develop an Ontario gaming market that offers both traditional gaming products and new entertainment experiences to ensure we meet and exceed the expectations of our current and future customers.

Our core Lottery business continues to be a driver of growth and brand equity across the province. We are replenishing our popular lottery product portfolio and ambitiously extending our reach into new distribution channels. We launched the new PROLINE at retail locations and are also actively working on new capabilities, like self-serve lottery technologies, to help us meet evolving consumer demand.

In Land-based Casino Gaming, we are working with our partners to advance ambitious development plans that will support the long-term vibrancy and excitement of the casino experience in Ontario for years to come.

We are growing our Digital Gaming business and improving speed-to-market across all digital categories — to introduce new products and experiences for customers. In fiscal 2021–22, OLG introduced Live Casino, as well as Ontario’s first legal online sportsbook, PROLINE+ — and OLG was the first to offer the newly legalized single event wagering.

On August 27, 2021, single event sports wagering became legal in Canada — and, as of April 4, 2022, Ontario’s online gaming market opened to other gaming operators who are licensed by the AGCO and meet its standards for online gaming. These two developments are attracting interest from around the world, and OLG is well positioned to compete with unique product offerings that delight customers with best in brand entertainment and state-of-the-art responsible gambling supports.

OLG’s new business strategy, which launched in fiscal 2021–22, builds on our competitive advantage, trusted brand and purpose-driven mission to reinvest in Ontario, build strong communities and create value for stakeholder partners including charities, Indigenous communities and horse racing. Backed by an intimate knowledge of our customers, we are positioned to continue to deliver an unmatched, integrated and secure entertainment experience leading with a higher purpose.

## DELIVERING ON OUR MANDATE

Through our operations, OLG is helping to make Ontario stronger by providing revenue to Ontario to support government priorities. This is our mandate as a crown agency.

OLG has one shareholder, the Government of Ontario. We report to the government through the Minister of Finance, who provides direction to OLG through our Board of Directors and sets specific priorities for the Corporation. Guided by these priorities, OLG establishes its own objectives and strategic direction that ensure we deliver on our mandate and contribute to a stronger Ontario.

The priorities for the 2021–22 fiscal year outlined by the Minister in his mandate letter to OLG included:

1. Working with the government, public health officials, service providers and the Alcohol and Gaming Commission of Ontario to ensure the health and safety of its customers and staff of land-based gaming facilities remains paramount, especially in the context of COVID-19.
2. Consulting with service providers and other stakeholders, other provincial gaming crown corporations and the Interprovincial Lottery Corporation to develop strategies for the provincial gaming sector in the COVID-19 environment.
3. Continuing to support the government's priorities for internet gaming, as outlined in the 2020 Ontario Budget.
4. Expanding OLG's internet gaming offering in Ontario to ensure a more competitive selection of products and broaden online customer appeal by utilizing private sector expertise duly procured by OLG.
5. Helping the horse racing industry build a more sustainable future for the rural businesses, jobs and communities that depend on it. This should be accomplished through financial support provided by the Long-Term Funding Agreement, and its related programs.
6. Improving customer-focused approaches across all business lines while ensuring responsible gambling, social responsibility programs and respect for customer privacy remains strong.
7. Providing a strong return for the Province of Ontario and explore new revenue opportunities by focusing on changing customer needs, including the ongoing development of transactional mobile applications (apps).
8. Working towards resuming of business levels within current provincial restrictions, with a view to maximizing revenue streams, minimizing risks to the operations and re-paying any amounts owing under the approved credit facility within three years.
9. Identifying efficiencies within OLG's workforce that reflect its new role within a modernized gaming framework in Ontario.
10. Continuing to work with the Alcohol and Gaming Commission of Ontario to review each agency's respective roles and responsibilities in oversight of service providers to increase efficiencies and avoid unnecessary duplication.
11. Adhering to directives and policies regarding expenditure management and executive compensation.

## GAME ON PLAN

OLG contributes to a better Ontario by delivering great entertainment experiences for our customers — that is our purpose.

Guided by our purpose, OLG launched a new strategic plan in April 2021 called Game ON — which signals an exciting new chapter for OLG and a bold transformation that is a game changer for our business.

Through the Game ON strategy, OLG is placing the customer at the centre of everything we do, and consistently delivering best-in-class products and experiences across more touchpoints and channels. The plan will see us leverage our unprecedented scale and reach across Ontario, offering our customers the most diverse and integrated array of entertainment experiences imaginable.

As part of the plan, we are building a winning culture by investing in and empowering our people and developing our team, while also attracting top talent where there is need. And we're expanding the depth and breadth of our partnerships to unlock ever more value in Land-based Gaming, Lottery retail and across our growing Digital Gaming business.

As OLG moves forward with our Game ON plan, we are guided by three aspirations designed to help us solidify our position as the entertainment leader in Ontario:

1. To be a customer-obsessed gaming market leader in Canada with a globally admired digital entertainment platform and dominant multi-channel brand that is a center of excellence for product and technology innovation.
2. To be a top employer with a winning culture. This includes being an organization with an agile, delivery-focused, fun and accountable workforce, a competitive mindset, and an ability to attract and retain top talent.
3. To be an exemplary partner known for value creation that is distinguished by a proven record of delivery for our shareholder, stakeholders and business partners.

To realize our aspirations, OLG has identified five strategic priorities for our business.

## GAME ON — STRATEGIC PRIORITIES

**Priority 1:** *Build a fun, inclusive and performance-driven culture that is a destination for top talent by upskilling and reskilling talent to prepare for our future, attracting and retaining the best talent, and enabling new ways of working to drive our strategy.*

Every element of our Game ON strategy depends on our people. That is why, at the beginning of fiscal 2021–22, coinciding with the launch of the strategy, OLG began a major transformation of our organizational structure — to lay the foundation for the fundamental cultural change that continues to take place at OLG and to support the achievement of our purpose, aspirations and growth potential.

Our new structure is customer-centric and organized around our three core lines of business — Lottery, Land-based Gaming and Digital — which are supported and enabled by a suite of shared services. By the end of fiscal 2021–22, work on the new structure was largely complete. The new structure better supports and empowers employees across the organization through greater accountability, leadership development and growth opportunities — and is an important part of our efforts to build a winning culture at OLG.

In November 2021, we reached an important milestone on our journey toward a winning culture with the launch of OLG’s Five Truths: we care for Ontario; we play as one team; we are player obsessed; we dream big and champion change; and we celebrate our differences. OLG’s Truths are an articulation of what we stand for and how we act. Together, they help to define our corporate culture and represent a key aspect of the exciting change underway at OLG.

Investing in the well-being of our employees is another way we are building a winning culture at OLG. In December 2021, we introduced Live Well, Work Well — a new wellbeing strategy. The first two initiatives OLG launched in support of the strategy were a consolidation and refresh of paid time off policies that included compassionate sick time for employees to care for an ill parent, child, or spouse — as well cost-neutral enhancements to areas of OLG’s Group Benefits Plan.

We are also supporting our employees by continuing to build a more inclusive and diverse environment where they can bring the best of themselves to work. In October 2021, OLG conducted its second Equity, Diversity & Inclusion (EDI) employee census, which helps us better understand the makeup of OLG and how we experience OLG’s culture, programs and policies. More than 70 per cent of OLGers took part in the census and the organization saw a 10 per cent improvement in its inclusion score compared to 2020.

As part of our EDI efforts, OLG is committed to fostering an accessible and inclusive environment. In December 2021, OLG celebrated the launch of the Disability and Inclusion Network — an Employee Resource Group that is focused on removing barriers, breaking down stigma for employees, and raising awareness of disability-related issues.

The steps we have taken, and will continue to take, to build a winning culture are helping to make OLG a great place to work — and we are encouraged that many of our employees agree. In January 2022, OLG was proud to be selected for Forbes’ prestigious list of Canada’s Best Employers 2022 — and was among the top 20 per cent of a select group of companies nationwide with more than 500 employees.

**Priority 2:** *Drive share growth in digital gaming and accelerate speed to market by relentlessly acquiring and onboarding digital customers and deploying digital product offerings that resonate with them.*

OLG is growing in the digital space by adopting agile approaches and delivering new value to our customers and partners. The preferences and needs of our digital customers are evolving faster than ever and we are focused on improving our digital products and platforms to meet and exceed these needs.

In fiscal 2021–22, proceeds from OLG’s Digital Gaming business exceeded \$500 million and player registrations on the OLG.ca platform reached 1.3 million.

Throughout fiscal 2021–22, OLG launched several new initiatives and products, including the new OLG App for Android and iOS, which offers players more choice and convenience. The free app received more than one million downloads in the fiscal year. It is easy to use, helping players access the games they want when they want. It also includes OLG’s popular ticket scanner feature, so players can experience their winning moment anywhere in the province.

In August 2021, OLG launched its new online sportsbook. At the time of launch, PROLINE+ was the only legal online sportsbook in Ontario. PROLINE+ provides a platform for new products and allows OLG to offer wagering on more sports and events, with new betting options and features, dynamic odds, and greater accessibility. Pre-match or live bets made during a game can be placed from anywhere in the province on any device, including smartphones. In September 2021, after less than a full week of operation, PROLINE+ had already processed more than \$1 million in wagers.

In October 2021, Live Casino launched on OLG.ca, providing a new and unique offering of live dealer games where players interact directly with real casino game presenters via livestream. For card games, real cards are shuffled and dealt and for roulette, a real wheel is spun, creating the same in-person feeling of anticipation as the player awaits the outcome. Each game features high-resolution video and graphics that provide players an unparalleled digital experience.

In December 2021, three popular retail games, PICK-2, PICK-3, and PICK-4, were added to OLG.ca and the OLG App — increasing iLottery options for customers. Like the retail PICK games, players have a chance to win twice-daily jackpots ranging from \$99 to \$5,000.

Throughout fiscal 2021–22, OLG was gaining digital momentum — positioning us to be competitive in a more open Ontario market offering a fulsome and diverse product set.

**Priority 3:** *Re-open Land-based Gaming operations and identify new opportunities for growth by meeting new/expanded casino opening dates and advocating for our charity and horseracing stakeholders.*

In partnership with our Land-based Casino Gaming service providers, OLG remains committed to developing and sustaining the long-term vibrancy and excitement of the casino experience in Ontario.

In fiscal 2021–22, OLG and our Land-based Gaming partners were focused on ensuring the successful and safe re-opening of gaming sites. On July 16, 2021, after intermittent closures and re-openings in fiscal 2020–21, casinos and Charitable Gaming Centres once again began opening their doors across Ontario as part of Step 3 of the provincial re-opening plan. OLG worked closely with its Land-based Gaming partners as they safely welcomed back customers and employees under enhanced safety measures, including capacity restrictions, that aligned with the guidance of provincial and federal public health authorities.

However, on January 5, 2022, in the face of rising COVID-19 case numbers resulting from the Omicron variant of the virus, casinos and Charitable Gaming Centres once again closed. This time, the temporary closure was brief. Casinos and Charitable Gaming Centres were included in the first phase of the reopening plan and opened again on January 31, 2022.

Despite the impact of pandemic-related closures, OLG delivered \$116 million to municipalities and Ontario First Nations that host Land-based Casino Gaming facilities and Charitable Gaming Centres in fiscal 2021–22 — and payments to charitable associations totaled \$35 million.

OLG also celebrated several important Land-based Casino Gaming milestones in fiscal 2021–22.

In July 2021, the casino portion of the Pickering Casino Resort opened to the public. Though the casino's first phase of opening included a limited number of slot machines and tables games to ensure physical distancing, it created about 600 jobs in the Durham Region. The casino has since expanded to offer more than 2,000 slot machines, as well as more live table games and stadium gaming terminals.

A new casino in North Bay also opened in fiscal 2021–22, creating 200 local jobs. Cascades Casino North Bay represents a \$41 million capital investment by our service provider, Gateway Casinos & Entertainment Limited, and includes approximately 300 slot machines, six live gaming tables and 10 virtual tables. Gateway began welcoming customers to the casino on March 9, 2022.

OLG has been supporting casino operators as they focus on re-opening gaming operations and ensuring safe and secure environments for their customers. On February 28, 2022, OLG launched a marketing campaign designed to let people know that they can feel safe going back to casinos. The media series included TV and radio advertisements, as well as messaging on social media. The ads showed that casinos are where 'fun goes to find fun' — offering exciting and safe entertainment that is close to home.

OLG also remains committed to the horse racing sector in Ontario and is continuing to support the industry through the Long-Term Funding Agreement. In addition, in November 2021, OLG released a new study it produced in collaboration with the sector. The independently verified study is the first of its kind in Ontario and enhances knowledge and understanding of the industry's significant economic contributions to communities across the province. The study also helps enable inter-industry and inter-jurisdictional comparisons of economic contributions and provides important information to the sector as it makes decisions about its future sustainability. Racetracks, horsepeople, industry associations and the government were surveyed to gather data and the results of the study, which can be repeated in the future to provide updated data.

We recognize the importance of Land-based Gaming to our business and our contribution to the Province — and it remains a priority for OLG.

**Priority 4:** *Remove barriers to expand lottery distribution and products, and aggressively leverage it as a competitive advantage by enhancing our lottery presence and products.*

In fiscal 2021–22, Lottery retail proceeds reached an all-time high of \$4.5 billion. Our lottery offering is core to our business and we continue to grow and enhance our retail lottery offering and presence by expanding our retail footprint and adding new products.

In fiscal 2021–22, there were approximately 10,200 new terminals in retail locations that allow OLG to add more products and provide a better experience for customers, while delivering enhanced features for retailers.

We've added new and exciting products to our lottery offerings and retail footprint. This included the launch of the new PROLINE at retail locations in February 2022, which offers sports bettors a complete gaming experience, with single event wagering, under the popular PROLINE brand.

Fiscal 2021–22 also saw OLG launch the world's first add-on game for INSTANT lottery tickets. As of June 1, 2021, for an additional \$1, customers who ask for INSTANT TOP UP with their ticket purchase have the chance to win a growing jackpot in-store. The jackpot, which starts at \$25,000, grows with each ticket purchased across the province until it is won — then, it resets and starts to grow again.

Aside from new product launches, fiscal 2021–22 was also a good year for existing lottery products. In June 2021, LOTTO MAX reached a record breaking \$140 million in top prizing, which included the \$70 million LOTTO MAX jackpot and 70 MAXMILLIONS prizes worth \$1 million each. In addition, LIGHTNING LOTTO and INSTANT PLINKO®, have both outperformed budget since their launches in October 2020 and January 2021, respectively.

In April 2021, OLG announced an extension to its agreement with Pollard Banknote Limited (Pollard Banknote) to continue printing INSTANT lottery tickets, which builds on the long-standing and valuable partnership between the two organizations. The 10-year extension, which includes an additional five-year option to extend through 2037, will see OLG order more than two billion tickets over the term of the contract. This will create new jobs in Sault Ste. Marie, Ontario and provide significant benefit to the local economy.

In June 2021, OLG began allowing its lottery retailers to pay monetary prizes from a successful validation — within the retailer's redemption limit — directly to a debit or credit card, provided they have the customer's permission to do so. The change in policy provided more flexibility for retailers who may have been facing strict cash handling policies or limits on their cash flow due to COVID-19 protocols.

OLG has also made it more convenient for retailers to receive and access lottery communications and information with a new Retailer Hub section on OLG.ca. The Retailer Hub launched in May 2021 and gives retailers digital access to retailer publications, training and compliance materials, INSTANT ticket information and upcoming and current promotions.

As a way of saying thank you to our valued retail partners for their continued partnership and exceptional service to lottery customers across the province during an unprecedented time, OLG provided all profits from sales of \$3 INSTANT CROSSWORD and \$3 INSTANT BINGO that took place between March 1 and April 30, 2022, to the retailers that sold and activated these tickets. This builds on a special double commission bonus retailers received from sales of INSTANT TOP UP between June 1 and June 29, 2021, as well as sales of LIGHTNING LOTTO tickets between August 29 and September 29, 2021. OLG will continue to explore other initiatives with the goal of driving higher retail sales, which would also result in greater commissions for our retailers.

Our vibrant network of retailer owners plays a major role in helping OLG raise awareness and drive sales of our lottery games, which in turn helps us generate revenue that benefits the Province and communities across Ontario.

**Priority 5:** *Obsess over understanding our customers across all products and channels — and how they integrate to enhance our ability to retain customers, increase cross-game play among existing customers and provide a best-in-class customer experience that contributes to revenue growth.*

OLG is evolving our ways of working to meet the changing demands of our customers and respond to changes in the marketplace. We are taking steps to enable a dynamic and sustained focus on the customer across the organization.

In September 2021, OLG welcomed our new Chief Lottery and Customer Officer. An important part of this leader's role is to work in partnership with all lines of business to provide exceptional customer experience and create an enterprise-wide culture of understanding our customers across all products and channels.

We are also investing in business intelligence, performance management and predictive analytics to gain a better understanding of the customer, so that we can rapidly interpret and respond to emerging preferences.

In fiscal 2021–22, OLG began a customer care reform that is focused first on best-in-class practices and then will address opportunities for new automated tools designed to improve the overall customer experience and drive productivity.

In March 2022, OLG launched our first Voice of Customer program on OLG.ca. We've partnered with Qualtrics to launch the new platform, which enables us to capture, analyze and act on real-time customer experience (CX) insights. This will help us identify, prioritize, and optimize our customer journeys by solving for pain points and elevating experiences to meet and exceed our customers' expectations.

Gathering data in new ways will also allow us to capture important CX measurements, including Customer Net Promoter Score and Customer Effort Score — two Key Performance Indicators that will help us understand our customers across all products and channels.

## OLG'S ONGOING COMMITMENT TO RESPONSIBLE GAMBLING

Responsible Gambling (RG) isn't new to OLG. It started in our casinos in the early 1990s and we have continued to develop and improve the program through research and best practices to promote positive play based on informed decision making.

We are committed to pursuing the highest standards of RG and our award-winning and globally recognized *PlaySmart* program continues to be a leader in the industry. In 2021, the program once again received the highest level of certification by the World Lottery Association. As one of only 12 lottery organizations across Canada and the U.S. to achieve this distinction, *PlaySmart* continues to set the bar as a globally recognized industry leader.

*PlaySmart* helps players build knowledge, understand the risks, gain insights into personal playing behaviours and engage in positive play habits. The program provides customized RG tools and deploys the full power of analytics, state-of-the-art technologies, and education platforms to maximize a player's gaming health. It helps players make informed decisions when they play our games and know how to obtain help if needed.

Casinos and Charitable Gaming Centres across Ontario feature *PlaySmart* Centres, which are staffed by Responsible Gambling Council employees. In the centres, players can learn more about how games work through interactive game kiosks, videos, or by talking to *PlaySmart* Centre staff who can answer questions and connect players with counselling and support, if needed. In addition, our voluntary and confidential Self Exclusion Program is available at all Ontario casinos and Charitable Gaming Centres and offers players the chance to take a break from gambling.

Our online gaming website, OLG.ca, is a leader in promoting RG, featuring *PlaySmart* educational materials and a suite of RG tools that is one of the most extensive available. These tools allow customers to personalize player-led supports, which helps build healthy play habits in the customer journey. Players have the option of setting daily, weekly or monthly limits for deposits, casino loss, casino spend, lottery spend, and sports spend — and they can choose to set recurring time reminders that tell them how long they have been playing casino games. Also, players can use 'My Play Breaks' to take a break from gambling online from one day up to three months. In February 2022, OLG.ca earned its reaccreditation status from the Responsible Gambling Council's RG Check program — one of the most comprehensive and rigorous responsible gambling accreditation programs in the world. We have maintained this accreditation since 2015.

To promote awareness and use of our *PlaySmart* tools, everyone who registers on OLG.ca receives a dedicated *PlaySmart* email in their player inbox during their second week on our site. In addition, we monitor our platform for risk and target our tools accordingly to players. We also produce award-winning educational campaigns to ensure our players are knowledgeable and informed about the games they enjoy.

OLG uses an online responsible gambling analytics tool called, BetBuddy to identify at-risk players using algorithms that analyze play activity. The tool allows players to monitor their own risk by accessing their risk-rating at any time. It also helps OLG tailor banners and navigation menus on OLG.ca to high-risk players — providing RG messages that direct them to *PlaySmart* resources and connect them to professional services in the community.

OLG works with world-class researchers, treatment providers, our service providers, and community partners to continually improve our *PlaySmart* program, consistent with global best practices, verified impact and our standard of customer care. Our commitment to RG leads us to keep searching for new ways to maximize our impact.

## **OLG'S COMMITMENT TO INDIGENOUS COMMUNITIES IN ONTARIO**

We value our partnerships with First Nations communities that host gaming sites — and we are committed to continuing to build a strong foundation on which to foster successful relationships with Indigenous communities across Ontario.

First Nations that host gaming sites benefit directly from revenue sharing and lease payments related to the facilities — as well as from direct and indirect economic development, including the creation of jobs. We have long-standing relationships with the Mississaugas of Scugog Island First Nation (MSIFN), which hosts Great Blue Heron Casino, and the Chippewas of Rama First Nation (RFN), which hosts Casino Rama — and we are always seeking to build on our shared success.

OLG also distributes 1.7 per cent of the Corporation's annual Gross Revenues as defined in the Gaming Revenue Sharing and Financial Agreement (GRSFA) to the Ontario First Nations (2008) Limited Partnership (OFNLP). In 2021–22, OLG distributed \$81 million to Ontario First Nations through the GRSFA — part of the \$1.4 billion OLG has distributed since fiscal 2011-12, when payments under the GRSFA began. This payment is based on the Corporation's Gross Revenues in the previous fiscal year. These funds are distributed to Ontario First Nations to support education and health care initiatives as well as economic, social and community development.

OLG's commitment to Indigenous communities in Ontario goes beyond financial support. OLG will advance the principles of truth and reconciliation that support a process of renewing relationships between Indigenous and non-Indigenous people to address the ongoing legacies of colonialism for a more equitable and inclusive society.

In fiscal 2021–22, we took an important step toward improving our awareness and understanding of truth and reconciliation when our Board of Directors and our Executive Leadership Team participated in a series of training sessions with Indigenous facilitators. The sessions — which were led by Gordon Peters, President and CEO of the Centre for Indigenous Sovereignty and Ava Hill, former Chief of Six Nations of the Grand River — helped to deepen our understanding, expand our thinking, and began a process of engaging more productively with Indigenous communities and leaders.

Also in fiscal 2021–22, OLG was proud to become a corporate member of the Canadian Council for Aboriginal Business. And, to demonstrate our commitment to renewing our relationships with Indigenous communities and to strengthen our connections, OLG sought a qualified Indigenous professional to provide leadership in a newly created Indigenous Relations Director role within our organization.

OLG is also proud to partner with PLATO, Canada's only Indigenous-led and staffed software testing company. PLATO trains and employs First Nations, Métis and Inuit people across the country as software testers. OLG has been an early sponsor and advocate of PLATO, by bringing on PLATO team members to work with OLG as part of their training.

Going forward, OLG recognizes that all Canadians share responsibility for establishing and maintaining mutually respectful relationships. OLG will continue to build productive relationships with Indigenous communities in Ontario that are built on respect, dialogue and collaboration.

## GOVERNANCE

The legislative authority of the Corporation is set out in the *Ontario Lottery and Gaming Corporation Act, 1999* (the Act). Classified as an Operational Enterprise Agency, OLG has a single shareholder, the Government of Ontario, and reports through its Board of Directors to the Minister of Finance. Members of the Board of Directors and its Chair are appointed by the Lieutenant Governor in Council. Neither the Chair nor the members of the Board are full-time, nor are they members of management.

## BOARD MANDATE

The Board of Directors oversees the overall management of the affairs of the Corporation in accordance with its objectives as set out in the Act, the Corporation's bylaws, the approved business plan and the Memorandum of Understanding between the Corporation and the Minister of Finance. The board's mandate is to direct management's work on optimizing the Corporation's overall performance and increasing shareholder value by executing its various responsibilities, which include:

- to establish the goals, objectives and strategies for the Corporation consistent with the Corporation's mandate and applicable government policies
- to approve the annual business plan as well as operating and capital budgets
- to oversee the development of an appropriate risk management framework and plan
- to review the adequacy and effectiveness of internal controls in managing risks
- to appraise the performance of the President and Chief Executive Officer
- to oversee a code of conduct to ensure the highest standards in dealing with customers, suppliers and staff, with due regard to ethical values and the interests of the community at large in all corporate endeavours
- to track the overall performance of the Corporation
- to remain informed and provide input, as required, concerning communications with the Government of Ontario and stakeholders
- to ensure compliance with key policies, laws and regulations

## BOARD OF DIRECTORS

The following directors served as members of the board during fiscal 2021–22.

### **Jim Warren, Chair**

(December 21, 2021 to December 20, 2024)

Jim Warren has 25 years of progressive leadership experience in the gaming, lottery, corporate affairs, and political arena.

Mr. Warren has worked for some of the world's largest gaming companies, as well as Canada's top decision-makers. He has served as Vice President of Strategic Partnerships at OLG, Executive Director to the Premier of Ontario, Deputy Chief of Staff and Director of Communications for the Mayor of the City of Toronto, and Director of Corporate Communications at Magna International Inc.

In 2008, Mr. Warren founded Riseley Gaming Inc., a company formed to build and operate casino-related investments. From 2008 to 2015, he was a board member and co-owner of Sonco New Brunswick, which developed, constructed, financed, and operated a \$95 million gaming and entertainment complex.

Currently, Mr. Warren is President and CEO of Riseley Strategies Inc., a consulting firm he founded in 2008. Riseley Strategies specializes in strategic communications, crisis management, stakeholder management, and business development.

### **Peter M. Deeb, former Chair**

(Director – May 2, 2019 to April 29, 2021; Chair – December 7, 2020 to April 29, 2021)

Peter Deeb is Chair of Hampton Financial Corporation, a diversified financial services business that engages in the areas of wealth management, capital markets and principal trading.

As a private equity investor and financial services executive for more than 30 years, Mr. Deeb has been engaged in managing and financing companies in the energy, shipping and property sectors. His career also included many years in the Middle East, Asia and Africa as an advisor to both government and industry on Middle Eastern affairs.

### **Jason Melbourne, former Vice-Chair**

(Director – November 28, 2019 to April 22, 2021; reappointed Vice-Chair – March 12, 2021 to April 22, 2021)

Jason Melbourne is the Global Head of Canadian Equities at Canaccord Genuity. He is a founding partner of Genuity Capital Markets, having served as its Head of Institutional Equity Sales before its merger with Canaccord. Prior to his time at Genuity, he held several roles in institutional equity sales and investment banking at CIBC World Markets, HSBC, TD Securities and Gordon Capital.

**Gail Beggs, Vice-Chair**

(Vice-Chair – November 1, 2021 to December 11, 2022; Director – May 17, 2013 to November 19, 2019; December 12, 2019 to December 11, 2022; Acting Chair – April 29, 2021 to December 20, 2021)

Gail Beggs has more than 30 years of experience leading organizations in the Ontario Public Service, including serving as Deputy Minister of the Ministries of the Environment, Natural Resources and the Ontario Secretariat for Aboriginal Affairs.

In addition to serving on OLG's Board of Directors, Ms. Beggs is a member of the Condominium Regulatory Authority of Ontario Board of Directors and chairs the Governance Committee. Ms. Beggs also serves on the Board of Directors of Forests Ontario.

During her public service career, Ms. Beggs was President and CEO, and subsequently, the Chair of the Board of the Ontario Clean Water Agency, an Ontario Crown corporation, as well as the Chair of the Board of the Great Lakes Fishery Commission, a binational agency.

**Karen Gordon**

(March 30, 2022 to March 29, 2025)

Karen Gordon is the principal of Gordon Strategy and has over two decades' experience advising leading law firms and their corporate clients, employers, emergency services organizations, as well as sports leagues and clubs.

She provides deep, strategically targeted communications expertise in practice areas, encompassing corporate litigation, employment and labour relations, and crisis and incident management. Widely recognized for her communications knowledge, she appears regularly on radio and television as an expert commentator.

Ms. Gordon serves as president of Ken Gordon Holdings, an Ottawa-based family office focusing on real estate development and investment. She is also the chair of the board at Trafalgar Castle School and is a long-time volunteer with the Greater Toronto Hockey League.

**Vikram Khurana**

(January 17, 2020 to January 16, 2023)

Vikram (Vik) Khurana is Chair of Toronto Business Development Centre, a leading business incubator, and serves on the Board of Trustees of the Canada Post Community Foundation. He is founder of a number of multinational businesses including Prudential Consulting, Inc. and Leading System Consultants, and has advised multinational organizations in Information Technology (IT) and IT enabled services, and business process outsourcing. Prior to becoming an entrepreneur, Mr. Khurana worked at TD Bank.

**Tom Marinelli**

(March 10, 2022 to March 9, 2025)

Tom Marinelli is a familiar face to many at OLG; over his 23-year career with the corporation he held a number of positions, including President and Chief Executive Officer (twice), Chief Transformation Officer, Chief Information Officer, and Chief Technology Officer.

Before OLG, Mr. Marinelli held management and technical positions in the steel, military, and pharmaceutical industries.

After retiring from OLG in 2015, he started his own company, Habtom Consulting Inc., and as President, leverages his deep experience in gaming to consult and advise companies and associations across the industry.

Mr. Marinelli is a graduate of the University of Waterloo's Systems Design Engineering Program and maintains his professional engineer (P.Eng.) license.

### **Lori O'Neill**

(February 12, 2014 to June 30, 2022)

Lori O'Neill is an independent financial and governance consultant to several growth companies. Ms. O'Neill serves on the Board of Constellation Software Inc., Sierra Wireless Inc., University of Ottawa Heart Institute and Ashbury College. Ms. O'Neill is an FPCA, FCA with over 24 years of experience in a global accounting firm.

### **Robert Poirier**

(March 30, 2022 to March 29, 2025)

As the CEO of a boutique advisory firm, Robert Poirier guides clients through complex strategies, including collaborative infrastructure development and digital transformation. He provides governance to the public sector as chair of the Metrolinx Real Estate Committee responsible for transit-oriented communities and chair of the Resource Productivity and Recovery Authority, responsible for Ontario's transition to a circular economy.

He previously served as chair of the Toronto Port Authority, a federal agency consisting of the Ports of Toronto and Billy Bishop Toronto City Airport, where he was responsible for a number of critical and concurrent infrastructure development, community and sustainability projects.

Mr. Poirier was a Senior Advisor to members of the federal Senate Committee on Banking, Trade and Commerce from 1992 to 1999, involved in regulation and corporate governance practices of institutional investors and crown institutions. He has an ICD.D designation from the Institute of Corporate Directors.

### **Shelly Rae**

(February 8, 2018 to February 7, 2020; March 12, 2020 to March 11, 2022)

Shelly Rae is the Head of Human Resources Consulting at People R Us. Ms. Rae has more than 25 years of experience in the Human Resources profession.

Ms. Rae has worked across a broad range of industries including financial services, manufacturing, retail, consumer packaged goods and the public sector. She specializes in finding workable solutions to human resource issues in support of business leaders in small and midsized companies — developing and executing on mission critical human capital strategies and tactics.

**Jennifer Roedding**

(March 10, 2022 to March 9, 2025)

Jennifer Roedding is an accomplished leader, consultant and coach who has built a career helping businesses transform and grow. For more than 25 years she has helped organizations succeed – first rising to the executive table at a national firm and now, as the president of her own company – Roedding Associates Management Consultants Inc.

Ms. Roedding’s well-rounded and wide-reaching experience includes her position as Board Vice Chair and Finance Committee Chair for international biotech and contract research organization Alimintiv, where she also sits as a member of the Executive Committee and Governance Committee. She also sits on the Council for the Chartered Professional Accountants of Ontario.

Ms. Roedding holds a Master of Accounting (Management, Business Administration) from the University of Waterloo – she is also a Chartered Accountant, Chartered Professional Accountant, and a graduate of the Directors Education Program at Rotman School of Management (Toronto).

**Orlando M. Rosa**

(December 11, 2013 to December 10, 2018; January 31, 2019 to January 30, 2023)

Orlando Rosa has built depth and variance in a law practice primarily focused on civil and commercial litigation.

Mr. Rosa is Managing Partner of Wishart Law Firm LLP in Sault Ste. Marie. He handles a variety of large and complex litigation including railroad liability cases, environmental, insurance, contractual, municipal and tort claims for various clients.

**Steve Williams**

(May 27, 2015 to May 26, 2019; May 30, 2019 to May 29, 2023)

Steve Williams is a former Chief of Six Nations of the Grand River Territory, the largest First Nations community in Canada. He continues his success in business as the current president of Grand River Enterprises International, the largest First Nations'-owned tobacco company in the world.

Mr. Williams is a member of the Board of Directors of the Ontario First Nations Limited Partnership.

The total remuneration made to OLG's Board of Directors in fiscal 2021–22 was \$169,706.

<b>Director</b>	<b>Remuneration</b>
Jim Warren (Chair)	\$41,753
Peter M. Deeb (former Chair)	\$10,720
Jason Melbourne (former Vice-Chair)	\$866
Gail Beggs (Vice-Chair)	\$31,750
Karen Gordon	\$31
Vikram Khurana	\$14,625
Tom Marinelli	\$305
Lori O'Neill	\$22,750
Robert Poirier	\$31
Shelly Rae	\$19,695
Jennifer Roedding	\$305
Orlando M. Rosa	\$14,125
Steve Williams	\$12,750
<b>Total:</b>	<b>\$169,706</b>

## **BOARD COMMITTEES**

As of March 31, 2022, the OLG Board of Directors operated through four working committees.

### **AUDIT AND RISK MANAGEMENT COMMITTEE**

The Audit and Risk Management Committee assists the board in its oversight of the integrity of OLG's consolidated financial statements and business results, and the Corporation's compliance with legal and regulatory requirements. It reviews the framework for internal controls for financial reporting and disclosures, as well as policies and procedures used to identify and manage business risks. The Committee affirms the qualifications, independence and performance of the external auditors, and oversees the Corporation's internal audit, finance, enterprise risk management and compliance functions. The Chair of this committee, as of March 31, 2022, is Lori O'Neill.

### **GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

The Governance and Corporate Social Responsibility Committee assists the board in upholding high standards of governance and oversight of corporate social responsibility. It also helps to ensure that OLG conducts its business in a manner that integrates social responsibility considerations (e.g., responsible gambling, mitigation of social harm, responsible procurement and environmental sustainability) that are material to the delivery of gambling in Ontario. The Chair of this committee, as of March 31, 2022, is Gail Beggs.

### **PEOPLE, CULTURE AND COMPENSATION COMMITTEE**

The People, Culture and Compensation Committee assists the board in discharging its responsibilities relating to compensation, organizational structure and talent management, health and safety, and culture. This includes reviewing compensation principles and programs, ensuring effective succession planning; undertaking the recruitment of the President and CEO (PCEO) as required, and the annual PCEO performance reviews; and ensuring that human resources policies and programs are aligned with a high performing engaged workforce. As of March 31, 2022, a new Chair of this committee is pending approval.

### **TRANSFORMATION AND TECHNOLOGY COMMITTEE**

The Transformation and Technology Committee assists the board in overseeing matters pertaining to strategy and information technology associated with major initiatives, and business transformation plans and programs to achieve the Corporation's vision, mission, and mandate. The Chair of this committee, as of March 31, 2022, is Vikram Khurana.

## **EXECUTIVE COMMITTEE**

As of March 31, 2022, senior executives responsible for day-to-day operations were:

**Duncan Hannay**, President and Chief Executive Officer

**Alexandra Aguzzi**, Senior Vice President, Brand, Communications and Sustainability

**Pinder Basi**, Chief Financial Officer

**Brian Gill**, Chief Technology Officer

**Nancy Kennedy**, Senior Vice President, People and Culture

**Kerstin Lack**, Chief Lottery & Customer Officer

**Malissa Petch**, Senior Vice President, Chief Risk and Audit Officer

**David Pridmore**, Chief Digital & Strategy Officer

**Lori Sullivan**, Chief Land-based Gaming & Business Development Officer

**Tony Wong**, Senior Vice President, Governance, Legal and Compliance, General Counsel and Corporate Secretary

# MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended March 31, 2022

## 1. Introduction and Disclosures

The following Management's Discussion and Analysis (MD&A) is a commentary on the consolidated financial position and financial performance of the Ontario Lottery and Gaming Corporation (OLG or the Corporation) and should be read together with the audited Consolidated Financial Statements of OLG for the fiscal year ended March 31, 2022.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Amounts are presented in Canadian dollars and are rounded to the nearest million.

Certain comparative figures in this MD&A have been reclassified, where necessary, to conform to the current year's presentation. As a result of the organizational structure transformation in fiscal 2021–22 to support the Game ON strategy, certain expenses moved between lines of business. In addition, Charitable Gaming was moved and reported with Casino Gaming in the Land-based Gaming line of business.

Please note that financial figures have been rounded or truncated, which means that certain charts or tables may not add or cross-tabulate.

The Board of Directors, on the recommendation of its Audit and Risk Management Committee, approved the contents of this MD&A on June 23, 2022.

### Impact of the COVID-19 Pandemic

The challenges presented by the COVID-19 pandemic continued to impact Land-based Gaming operations and performance in fiscal 2021–22.

Beginning in July 2021, after intermittent closures and re-openings in fiscal 2020–21, casinos and Charitable Gaming Centres once again opened their doors across Ontario, with capacity restrictions in place. However, on January 5, 2022, in the face of rising COVID-19 case numbers, the sites once again closed and then re-opened again on January 31, 2022.

### Forward-Looking Statements

This MD&A contains forward-looking statements about 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 guaranteeing future performance and involve risks and uncertainties that could cause actual results to differ materially from those projected. These uncertainties include but are not limited to: the COVID-19 pandemic; the economic environment; customer demand; changes in government policy; foreign currency exchange rates; the outcome of litigations; the competitive environment; the timing and scale of potential capital investments by Land-based Gaming service providers; market response to new gaming amenities; and changes in government policy or regulation.

Although such statements are based on management's current estimates, 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.

### **Non-IFRS measures**

In the following analysis, OLG uses several key performance indicators and non-IFRS measures which management believes are useful in assessing the Corporation's performance. Readers are cautioned that these measures may not have standardized meanings under IFRS and therefore, may not be comparable to similar terms used by other companies.

#### **Proceeds from Lottery and Gaming (Proceeds) represents:**

##### Lottery (Retail):

- Sales from retail Lottery products (including regional and national LOTTO, INSTANT and Sports) before the deduction of prizes.

##### Land-based Gaming (Casino Gaming and Charitable Gaming):

- Net win before the deduction of service provider fees.

##### Digital Gaming:

- Net win from casino-style games (iCasino) and digital Sports products purchased on OLG's digital platform, and
- Sales from Lottery products purchased on OLG's digital platform (iLottery) before the deduction of prizes.

Prizes represent prizing for retail Lottery products and for Lottery products (excluding digital Sports products) purchased on OLG.ca and OLG's mobile app.

Service provider fees represent fees paid to, or on behalf of, Charitable Gaming and Casino Gaming service providers. Also included in service provider fees are other adjustments in order to recognize OLG's share of revenue.

The Corporation considers proceeds to be a key measure of performance that is most reflective of its product offerings and its arrangements with third parties.

**Net Income before Stakeholder payments** represents net income before the deduction of stakeholder payments primarily comprising horse racing funding, First Nations payments, charity payments, host municipality commissions and payments to the Government of Canada.

**Net Profit to the Province (NPP)** is calculated on an accrual basis by adding back win contribution to net income. Win contribution is the amount the Corporation remits to the Province of Ontario equal to 20 per cent of gaming revenue, as defined, generated at Caesars Windsor, Casino Rama, Casino Niagara, Fallsview Casino and the Great Blue Heron Casino, in accordance with the *Ontario Lottery and Gaming Corporation Act, 1999*.

The Corporation considers NPP to be most reflective of its financial performance and uses it for setting targets for the Corporation.

Other non-IFRS measures used in this document may be specific to the line of business in which they are used and are defined when they are first introduced.

**Reconciliations to Revenue and Net Income (Loss) by Line of Business**  
(in \$ millions)

	2021-22					2020-21 <sup>2</sup>				
	Lottery	Digital	Land-based Gaming	Corporate Services	Consolidated	Lottery	Digital	Land-based Gaming <sup>3</sup>	Corporate Services	Consolidated
<b>Proceeds bridged to Revenue</b>										
<b>Proceeds from Lottery and Gaming</b>	\$ 4,469	\$ 511	\$ 2,163	\$ -	\$ 7,143	\$ 4,234	\$ 356	\$ 211	\$ -	\$ 4,801
Less: Prizes	(2,547)	(84)	-	-	(2,631)	(2,403)	(61)	-	-	(2,464)
Less: Service provider fees <sup>1</sup>	-	-	(1,124)	-	(1,124)	-	-	(153)	-	(153)
Gaming revenue	1,922	427	1,039	-	3,388	1,831	295	58	-	2,184
Lease revenue	-	-	92	-	92	-	-	54	-	54
Non-gaming site revenue	-	-	5	-	5	-	-	-	-	-
<b>Revenue</b>	<b>\$ 1,922</b>	<b>\$ 427</b>	<b>\$ 1,136</b>	<b>\$ -</b>	<b>\$ 3,485</b>	<b>\$ 1,831</b>	<b>\$ 295</b>	<b>\$ 112</b>	<b>\$ -</b>	<b>\$ 2,238</b>
<b>NPP bridged to Net Income</b>										
<b>Net Profit (Loss) to Province</b>	\$ 1,266	\$ 223	\$ 528	\$ (455)	\$ 1,562	\$ 1,186	\$ 181	\$ (485)	\$ (523)	\$ 359
Less: Win contribution	-	-	(107)	-	(107)	-	-	(2)	-	(2)
<b>Net Income (Loss)</b>	<b>\$ 1,266</b>	<b>\$ 223</b>	<b>\$ 421</b>	<b>\$ (455)</b>	<b>\$ 1,455</b>	<b>\$ 1,186</b>	<b>\$ 181</b>	<b>\$ (487)</b>	<b>\$ (523)</b>	<b>\$ 357</b>

<sup>1</sup>In fiscal 2021-22, service provider fees of \$153 million were reclassified from gaming revenue to expenses during the closure period (fiscal 2020-21 - \$334 million).

<sup>2</sup>Certain comparative expense figures in this MD&A have been reclassified, where necessary, to conform to the current year's presentation.

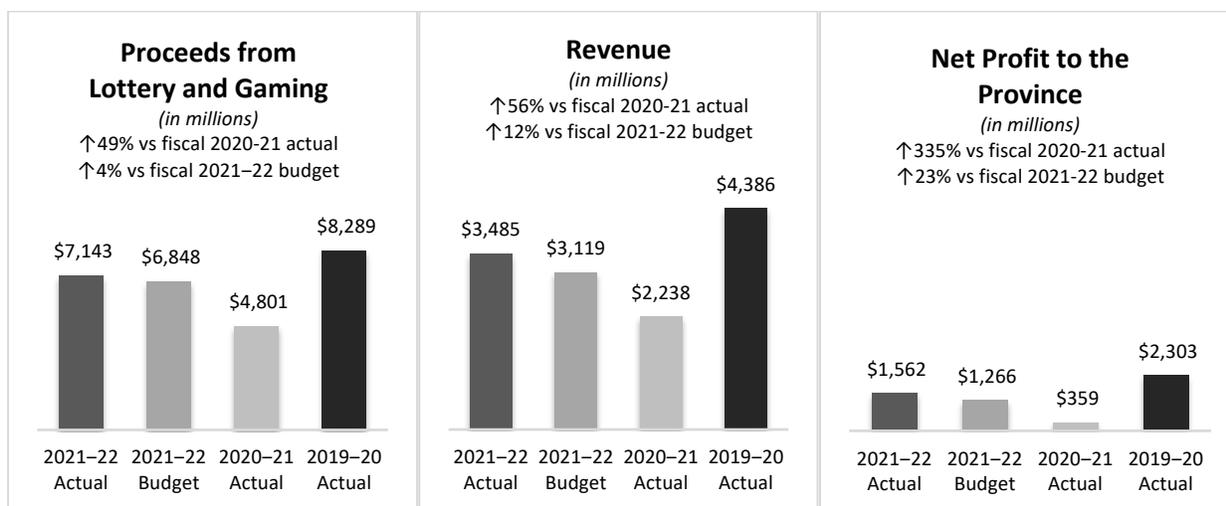
<sup>3</sup>Land-based Gaming comparative figures have been reclassified to include Charitable Gaming, previously reported as its own line of business in fiscal 2020-21.

## 2. Executive Summary

OLG's proceeds and NPP exceeded budget and prior year due to the continued growth of its Lottery and Digital Gaming business, tempered by a continued impact of the COVID-19 pandemic on Land-based Casino Gaming and Charitable Gaming Centres. Public health restrictions limited site activity, to various degrees, throughout most of the year. Land-based Gaming proceeds and NPP did, however, increase significantly year-over-year as casinos were open for a larger portion of fiscal 2021–22 and operated under fewer constraints which enabled a stronger recovery compared to fiscal 2020–21.

Lottery retail once again achieved record results with continued growth in popular national and regional lottery products. In addition, proceeds from sports products grew year-over-year following COVID-19 related event cancellations at the beginning of fiscal 2020–21. OLG also launched new and innovative sports offerings at retail locations in February 2022.

Digital Gaming proceeds also set a record in fiscal 2021–22. During the fiscal year, OLG launched new iCasino and iLottery offerings, as well as the new PROLINE+, which is OLG's online sports betting platform that offers new sports and novelty betting products, including single event wagering. Website traffic and player registrations on OLG.ca continued to grow, leading to a record number of active players.



### Fiscal 2021–22 results compared to prior year:

#### Proceeds from Lottery and Gaming

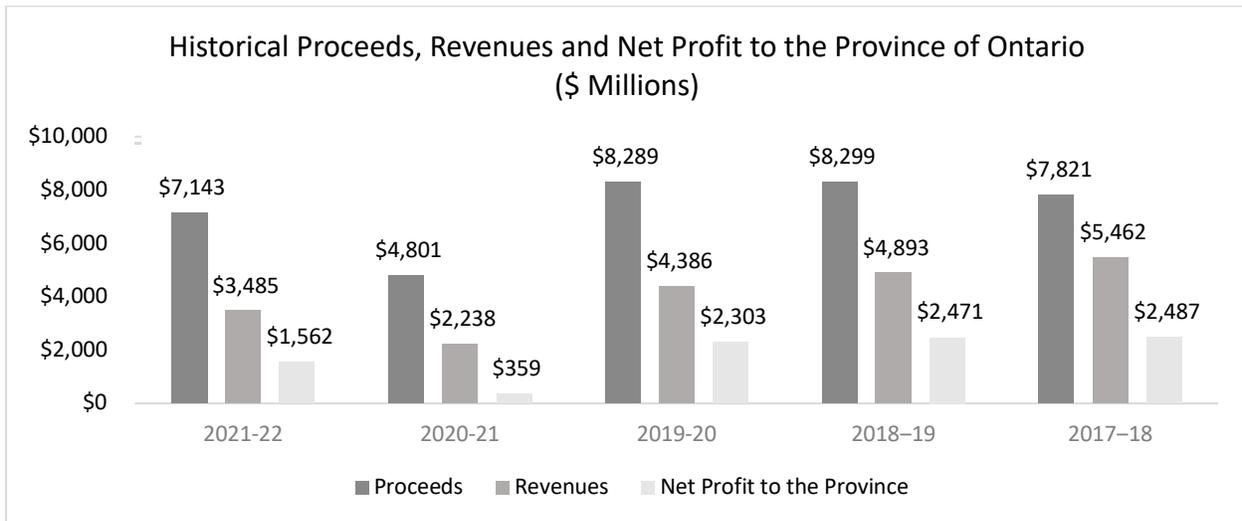
OLG proceeds from Lottery and Gaming were \$7.1 billion, an increase of \$2.3 billion or 49 per cent compared to the prior year. Land-based Gaming contributed significantly to the increase as casinos were open for a larger portion of fiscal 2021–22 and operated under fewer constraints enabling a broader opening and stronger recovery compared to the prior year. Lottery was supported by strong national and regional Lottery results, while Digital Gaming proceeds saw significant growth through new product offerings, including PROLINE+ and Live Casino.

## Revenues

Revenues include gaming revenue, lease revenue and non-gaming revenue. Gaming revenue represents total proceeds less prizes and service provider fees incurred while Land-based Gaming sites were open. For fiscal 2021–22, total revenues were \$3.5 billion, an increase of \$1.2 billion or 56 per cent compared to the prior year, primarily due to fewer capacity restrictions on the Land-based Gaming sites.

## NPP

A historical trending of OLG’s total proceeds, revenues and NPP follows:



OLG consolidated NPP was \$1.6 billion, an increase of \$1.2 billion or 335 per cent compared to the prior year, in line with higher proceeds, as Land-based Gaming sites were subject to fewer days of pandemic-related closures and fewer capacity restrictions in fiscal 2021–22 than the prior year.

### Fiscal 2021–22 results compared to budget:

#### Proceeds from Lottery and Gaming

OLG proceeds from Lottery and Gaming exceeded budget by 4 per cent. Lottery and Digital Gaming proceeds exceeded budget by 9 per cent and 37 per cent, respectively. Land-based Gaming proceeds fell short of budget by 9 per cent as the budget assumed all sites would remain open in the fourth quarter of fiscal 2021–22.

## Revenues

For fiscal 2021–22, revenues exceeded budget by \$366 million or 12 per cent due to favourable Lottery and Digital Gaming results for the same reasons described above. Land-based Gaming revenue also exceeded budget due to the reclassification of service provider fees from gaming revenue to expenses during the closure period.

## NPP

NPP exceeded budget by \$296 million or 23 per cent. All lines of business contributed to the favourable variance to budget. Based on their strong performance, Lottery and Digital Gaming exceeded NPP budget by 18 per cent and 35 per cent, respectively.

## Results of Operations – Lines of Business

### A. Lottery (Retail)

#### Highlights:

- Lottery retail proceeds and NPP reached an all-time high of \$4.5 billion and \$1.3 billion, respectively.
- National Lotto sales were significantly stronger than prior year primarily resulting from a greater number of high-valued LOTTO MAX jackpots. In June 2021, LOTTO MAX reached a record breaking \$140 million in top prize, which included the \$70 million LOTTO MAX jackpot and 70 MAXMILLIONS prizes worth \$1 million each.
- Regional Lotto set a new sales record, continuing its strong performance with the Encore product and various draw-based games.
- INSTANT ticket sales benefited from the introduction of the new INSTANT TOP UP and \$5 National game.
- In sports, the launch of the new PROLINE at retail locations in February 2022, including single event wagering, contributed to the strong proceeds of \$293 million.
- Lottery prizes provided to OLG's valued customers totaled over \$2.5 billion.

The line of business continued its focus on responding to changing customer demands by implementing new products and technology, including the new PROLINE launch.

#### Summary data from Statement of Comprehensive Income

	For the fiscal year			
	(in millions of dollars)			
	2021-22	2020-21 <sup>1</sup>	\$ Variance	% Variance
<b>Proceeds</b>	\$ 4,469	\$ 4,234	235	6
Less: Prizes	(2,547)	(2,403)	(144)	(6)
<b>Revenue</b>	<b>1,922</b>	1,831	<b>91</b>	5
<b>Expenses</b>	<b>537</b>	532	<b>(5)</b>	(1)
<b>Net income before the undernoted</b>	<b>1,385</b>	1,299	<b>86</b>	7
Less: Stakeholder payments	(119)	(113)	6	5
<b>Net income</b>	<b>1,266</b>	1,186	<b>80</b>	7
<b>Net Profit to the Province</b>	<b>\$ 1,266</b>	\$ 1,186	<b>80</b>	7

<sup>1</sup> Certain comparative expense figures in this MD&A have been reclassified, where necessary, to conform to the current year's presentation

## A.1. Year over year financial results

### Proceeds

Lottery retail proceeds for fiscal 2021–22 achieved an all-time high of \$4.5 billion, an increase of \$235 million or 6 per cent from the prior year.

The following table shows Lottery retail proceeds and prize information by type of game:

**Lottery proceeds and prize data by type of game**

Product Grouping	Number of Games		Proceeds (in millions of dollars)		Percentage of Proceeds		Prizes (in millions of dollars)	
	For the fiscal year	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
Lotto (national and regional)	16	16	\$ 2,602	\$ 2,372	58%	56%	\$ 1,296	\$ 1,181
INSTANT	100	95	\$ 1,574	\$ 1,628	35%	38%	\$ 1,053	\$ 1,089
Sports	3	3	\$ 293	\$ 234	7%	6%	\$ 198	\$ 133
<b>Totals</b>	<b>119</b>	<b>114</b>	<b>\$ 4,469</b>	<b>\$ 4,234</b>	<b>100%</b>	<b>100%</b>	<b>\$ 2,547</b>	<b>\$ 2,403</b>

Below are items that affected OLG's year-over-year performance:

- Proceeds for national Lotto games increased over \$200 million from the prior year because of the strong performance of LOTTO 6/49 and LOTTO MAX, due in part to a greater number of high-valued LOTTO MAX jackpots and the record breaking draw.
- Proceeds for regional Lotto games (e.g., ENCORE, LOTTARIO and ONTARIO 49) increased \$28 million over the prior year, setting a new sales record in fiscal 2021–22. The increase was mainly due to strong ENCORE and LOTTARIO results.
- Proceeds for INSTANT games decreased \$54 million compared to the prior year. The decline was mostly due to customers having more entertainment options as pandemic conditions improved, partially offset by the strong performance from the return of the \$50 Specialty ticket, \$5 INSTANT PLINKO® game introduced last year and newly introduced INSTANT Top Up and \$5 National games.
- Proceeds for retail Sports increased \$59 million from the prior year primarily due to the continued rebound of sporting events from COVID-19 related cancellations in fiscal 2020–21. Also contributing to the increase was the launch of the new PROLINE platform including single event wagering at retail locations.

### Revenue

Revenue increased by \$91 million or 5 per cent compared to the prior year, primarily due to higher proceeds, as described previously, partially offset by an increase in prizes.

### NPP

NPP was \$1.3 billion, an increase of \$80 million or 7 per cent compared to the prior year. The main reason for this increase was the flow through impact of higher proceeds, partially offset by higher expenses including marketing costs.

## **A.2. Fiscal 2021–22 results compared to budget**

### Proceeds

Proceeds exceeded fiscal 2021–22 budget by \$379 million or 9 per cent driven by national Lotto, regional Lotto and INSTANT, with national Lotto accounting for the majority of the increase. This was achieved by a strong LOTTO MAX performance, which included a greater number of high-valued jackpots than anticipated and a new sales record for regional Lotto.

### Revenue

Revenue exceeded budget by \$206 million, due to the same factors that contributed to the increase in proceeds compared to budget, as described above, partially offset by the increase in prizes.

### NPP

NPP exceeded budget by \$195 million or 18 per cent primarily due to the flow through of the proceeds, partially offset by an increase in commissions paid to retailers.

## **A.3. Lottery trends and risks**

Lottery faces a number of risks:

- A reliance on a core player base that is shrinking in size and growing in age.
- Changes in technology and customer behaviour evidenced by increased online purchasing activity.
- Exposure to significant revenue fluctuations due to the unpredictable jackpot roll patterns of national Lotto games.

To mitigate these risks, OLG continues to implement its Game ON strategy that focuses on customer needs and accelerating innovation and technology to be competitive in the market, attract new customers and enhance their play experience:

- OLG is leveraging its new lottery terminals to enable new product offerings and stronger account management in the retail channel.
- OLG is exploring new technologies and methods of distributing products.
- OLG's digital platform is providing more extensive customer data to improve decision making, which allows OLG to launch products faster and more effectively. At the same time, OLG can enhance the customer experience by offering promotions and content to customers on demand and based on behaviours. All of this helps OLG to drive greater revenue and player acquisition and retention.
- OLG has developed an innovation strategy to develop new products that will diversify our appeal to new customers and enhance our revenue mix with more stable revenue streams and prize patterns.

These initiatives allow for a wider distribution of our lottery products and are designed to attract new customers to the category, which will result in omni-channel growth in Lottery proceeds and NPP.

## **B. Land-based Gaming**

Land-based Gaming represents Casino Gaming and Charitable Gaming. As a result of the organizational structure transformation in fiscal 2021–22 to support the Game ON strategy, Charitable Gaming was moved and reported with Casino Gaming under the Land-based Gaming line of business. All comparative information for fiscal 2020–21 has been updated to reflect this change.

Casino Gaming includes 28 Casino Gaming facilities operated by service providers under OLG's modernization model and one Casino Gaming facility operated by an operator under the former operating model. OLG is responsible for conducting and managing all 29 facilities.

Charitable Gaming comprises 37 Charitable Gaming Centres, which are operated by service providers. OLG is also responsible for conducting and managing Charitable Gaming Centres.

### ***Highlights:***

- Similar to fiscal 2020–21, Land-based Gaming faced significant challenges resulting from the COVID-19 pandemic. The largest impact was the requirement for casinos and Charitable Gaming Centres to remain closed from April 3 to July 15, 2021, and again from January 5 to 30, 2022, for a total of 130 days.
- In addition to the closure impacts, for the periods when casinos and Charitable Gaming Centres were permitted to operate, capacity constraints, border restrictions and requirements of patrons impacted the overall customer experience (including, among other things, mandated mask-wearing until March 20, 2022 and the requirement for patrons to demonstrate proof of vaccination against COVID-19 from September 22, 2021 through February 28, 2022).
- In spite of these challenges, Land-based Gaming recovery was stronger than anticipated and significantly higher than prior year, generating proceeds of \$2.2 billion and NPP of \$528 million over the seven and a half months gaming sites were permitted to be open to the public.
- Casinos and Charitable Gaming Centres were open for a larger portion of fiscal 2021–22 and operated under fewer constraints, compared to fiscal 2020–21 when the sites were either required to remain closed or were limited to a capacity of no more than 50 patrons at any given time.
- Two new casinos opened in fiscal 2021–22 — Pickering Casino Resort in the GTA Gaming Bundle and Cascades Casino North Bay in the North Gaming Bundle, which opened to the public on July 26, 2021 and March 9, 2022, respectively.
- Throughout the fiscal year, including during closure periods, OLG continued making fixed fee payments to casino service providers as contractually required, which assisted with the ongoing maintenance of casino facilities and assets to support a clear path to recovery coming out of the COVID-19 pandemic.
- All 37 Charitable Gaming Centres operated under the business model introduced in fiscal 2019-20 that is more sustainable for all stakeholders and allows greater flexibility for the Charitable Gaming service providers to grow their business. Under the model, service providers are responsible for the capital costs and most of the operating costs at their locations.

### Summary data from Statement of Comprehensive Income

	For the fiscal year (in millions of dollars)			
	2021-22	2020-21 <sup>2</sup>	\$ Variance	% Variance
<b>Proceeds</b>	\$ 2,163	\$ 211	1,952	925
Less: Service provider fees <sup>1</sup>	(1,124)	(153)	(971)	635
Gaming revenue	1,039	58	981	1,690
Lease revenue	92	54	38	70
Non-gaming revenue	5	-	5	100
<b>Revenue</b>	<b>1,136</b>	112	<b>1,024</b>	9
<b>Expenses<sup>1</sup></b>	<b>375</b>	515	<b>140</b>	27
<b>Net income (loss) before the undernoted</b>	<b>761</b>	(403)	<b>1,164</b>	289
Less: Stakeholder payments/Win contribution	(340)	(84)	256	305
<b>Net income (loss)</b>	<b>421</b>	(487)	<b>908</b>	(186)
Add: Win contribution	107	2	105	5,250
<b>Net Profit (Loss) to the Province</b>	<b>\$ 528</b>	\$ (485)	<b>1,013</b>	(209)

<sup>1</sup>In fiscal 2021-22, service provider fees of \$153 million were reclassified from gaming revenue to expenses during the closure period (fiscal 2020-21 - \$334 million).

<sup>2</sup>Land-based Gaming comparative figures have been reclassified to include Charitable Gaming, previously reported as its own line of business in fiscal 2020-21.

## B1. Casino Gaming

### Summary data from Statement of Comprehensive Income

	For the fiscal year (in millions of dollars)			
	2021-22	2020-21	\$ Variance	% Variance
<b>Proceeds</b>	\$ 2,018	\$ 116	1,902	1,640
Less: Service provider fees <sup>1</sup>	(1,026)	(85)	(941)	1,107
Gaming revenue	992	31	961	3,100
Lease revenue	92	54	38	71
Non-gaming revenue	5	-	5	100
<b>Revenue</b>	<b>1,089</b>	<b>85</b>	<b>1,004</b>	<b>12</b>
<b>Expenses<sup>1</sup></b>	<b>372</b>	<b>510</b>	<b>138</b>	<b>27</b>
<b>Net income (loss) before the undernoted</b>	<b>717</b>	<b>(425)</b>	<b>1,142</b>	<b>269</b>
Less: Stakeholder payments/Win contribution	(292)	(66)	226	342
<b>Net income (loss)</b>	<b>425</b>	<b>(491)</b>	<b>916</b>	<b>(187)</b>
Add: Win contribution	107	2	105	5,250
<b>Net Profit (Loss) to the Province</b>	<b>\$ 532</b>	<b>\$ (489)</b>	<b>1,021</b>	<b>(209)</b>

<sup>1</sup>In fiscal 2021-22, service provider fees of \$153 million were reclassified from gaming revenue to expenses during the closure period (fiscal 2020-21 - \$334 million).

## ***B1.1. Year over year financial results***

### Proceeds

Total Casino Gaming proceeds for fiscal 2021–22 were \$2.0 billion, an increase of \$1.9 billion compared to fiscal 2020–21, as casinos were open for more days and operated under fewer constraints in fiscal 2021–22 compared to the prior year. In fiscal 2020–21, Casino Gaming experienced the closure of all casino sites for most of the first half of the fiscal year, then intermittent re-openings of some sites in the second half of the fiscal year, under significant capacity restrictions along with no live table games. In addition, the opening of new casinos in Pickering and North Bay and the re-opening of table games at most sites in fiscal 2021–22 contributed to the year-over-year increase.

### Revenue

Gaming revenue for fiscal 2021–22 was \$992 million, an increase of \$961 million compared to the prior year. The increase was the result of the casinos being open for more days and operating under fewer capacity restrictions in fiscal 2021–22 compared to the prior year as described previously.

Gaming revenue for service provider-operated sites includes OLG's share of proceeds, in accordance with the Casino Operating and Services Agreement (COSA), as amended from time to time, generated at the facility, as well as the net win from Caesars Windsor, which is run by an operator under the former operating model. OLG's share of revenue is determined after the deduction of service provider fees, incurred while the facilities were open which are comprised primarily of a fixed fee, a variable fee (calculated as a percentage of gaming revenue) and an amount for permitted capital expenditures. While facilities were closed, service provider fees were reclassified from gaming revenue to expenses as the nature of the fees paid during the temporary closures represented fees in exchange for services received. OLG does not recognize non-gaming revenue generated at service provider-operated sites.

### NPP

Net Profit to the Province for fiscal 2021–22 was \$532 million, an increase of \$1.0 billion compared to the prior year. The increase was driven by the significant increase in proceeds tied to the broader opening occurring in the current year. Similar to the prior year, OLG incurred gaming site expenses throughout the year, even while operations were closed, including fixed fee and permitted capital payments made to service providers which support continued maintenance of and reinvestment in Casino Gaming facilities assets. The fixed fee payments in the prior and current year ensured OLG and its service providers were positioned for a clear path to emerge from the COVID-19 pandemic as casinos re-opened and capacity and other constraints were eased.

Expenses totaled \$372 million, a decrease of \$138 million compared to the prior year primarily due to the presentation of Casino Gaming service provider fees as expenses of \$153 million (\$334 million in fiscal 2020–21), while sites were closed. Excluding these Casino Gaming service provider fees, Casino Gaming expenses for fiscal 2020–21 totaled \$219 million, a \$43 million increase from prior year driven primarily by operating costs at Caesars Windsor which were higher as a result of the site operating for a longer period of time and at greater capacity.

## ***B1.2. Fiscal 2021–22 results compared to budget***

### Proceeds

Total Casino Gaming proceeds for fiscal 2021–22 fell short of budget by \$174 million or 8 per cent. OLG’s budget assumed a slow and gradual recovery of proceeds throughout the fiscal year, driven by the gradual lifting of capacity and other constraints throughout the year, ultimately achieving approximately 50 per cent of pre-COVID levels. While all sites were required to close for at least 130 days in the fiscal year between April and July 2021 and again in January 2022, the constraints in effect while casinos were open were less than anticipated and the customer response was greater than anticipated which prompted a stronger recovery. This allowed Casino Gaming to recapture proceeds lost during the closure periods and fall short of budget by only 8 per cent.

OLG is addressing the shortfall compared to budget by maintaining close alignment with service providers to help support them as they recover from the pandemic.

### Revenue

Gaming revenue represents total proceeds less prizes and service provider fees incurred while Casino Gaming sites were open. For Casino Gaming, the budget assumed that all facilities would remain open for the entire fiscal year and any service provider fees paid while open would be reduced from gaming revenue. In fiscal 2021-22, \$153 million of service provider fees were reclassified from gaming revenue to expenses during the closure period. As a result of this reclassification, gaming revenue exceeded budget by \$71 million.

### NPP

NPP for fiscal 2021–22 exceeded budget by \$8 million. The shortfall in proceeds compared to budget was almost entirely offset by expense savings related to the closure periods (including lower fees paid to service providers as a result of delayed site launches in Pickering and North Bay and lower than anticipated base operating expenses at Caesars Windsor) and a one-time recovery of tax paid in prior years.

## ***B1.3. Casino Gaming trends and risks***

The COVID-19 pandemic continued to significantly impact Casino Gaming’s fiscal 2021–22 performance. Prominent risks related to the pandemic, as well as the recovery and growth of gaming include:

- Mandatory public health restrictions resulting in further closures and continued operational constraints, including constraints on US border crossings which impact casinos located in border communities.
- Potential changes in Casino Gaming consumer behaviour.
- Viability of service providers operating within the pandemic and recovery environments.
- Delays and/or material changes in scope related to service provider development projects, which are key to growing Casino Gaming revenue.
- Reliance on the private sector to generate incremental revenue, which can be influenced by many factors, some outside the control of service providers.

To mitigate these risks, OLG is:

- Continuing with its Game ON strategy, which prioritizes the safe re-opening of Land-based Gaming, and aggressively pursuing new opportunities for growth and innovation for the benefit of Ontario.
- Focusing on enabling service providers to deliver entertainment options and solutions in an increasingly competitive ecosystem.
- Managing the interim compensation agreements for all modernized gaming bundles, which have positioned service providers for a quick recovery and resumption of revenue through re-opening and easing of constraints.
- Maintaining close alignment with our valued partners and service providers to help support them as they recover from the pandemic.
- Continuing to focus on strong governance, augmented by enhanced performance dashboards to ensure ongoing monitoring of private sector partners.

## B2. Charitable Gaming

### Summary data from Statement of Comprehensive Income

	For the fiscal year (in millions of dollars)			
	2021-22	2020-21	\$ Variance	% Variance
<b>Proceeds</b>	\$ 145	\$ 95	50	53
Less: Service provider fees	(98)	(68)	(30)	(44)
<b>Revenue</b>	47	27	20	74
<b>Expenses</b>	3	5	2	40
<b>Net income before the undernoted</b>	44	22	22	100
Less: Stakeholder payments	(48)	(18)	30	167
<b>Net (loss) income</b>	(4)	4	(8)	(200)
<b>Net (Loss) Profit to Province</b>	\$ (4)	\$ 4	(8)	(200)

### ***B2.1. Year over year financial results***

#### Proceeds

Total proceeds were \$145 million, which was an increase of \$50 million or 53 per cent over prior year. The increase was a result of the Charitable Gaming Centres being open for a larger portion of the year and operating under fewer constraints. With the new business model in place, Charitable Gaming service providers are empowered to grow their business, increasing the number of electronic products and refreshing game themes. This enabled a strong recovery of the Charitable Gaming business when sites were permitted to open.

#### Revenue

Revenue includes OLG's share of proceeds, in accordance with the Charitable Gaming Centre Service Providers Agreements (CGCSPAs) with Charitable Gaming service providers, generated at the centres. Charitable Gaming revenue was \$47 million, an increase of 74 per cent compared to the prior year, driven by an increase in proceeds for the reasons discussed above. OLG's share of revenue is determined after the deduction of service provider fees which are comprised primarily of a variable fee (calculated as a percentage of gaming revenue) and other fees paid or payable to, or on behalf of, service providers.

#### NPP

In fiscal 2021–22, net loss to the province for Charitable Gaming was \$4 million, a decrease of \$8 million from fiscal 2020–21. While there was an increase in proceeds and revenue, the prior year benefitted from a one-time tax recovery that significantly improved NPP.

## ***B2.2. Fiscal 2021–22 results compared to budget***

### Proceeds

Charitable Gaming proceeds fell short of budget by \$47 million, primarily due to the closures experienced throughout the year. The recovery of proceeds in the Charitable Gaming business has been strong while centres have been permitted to open, and this trend was reflected in the budget for fiscal 2021–22. However, despite that strong performance while operating, the 130 days of closure created a shortfall that could not be overcome over the course of the year.

### Revenue

Charitable Gaming revenue fell short of budget by \$15 million, mainly due to associated lower proceeds.

OLG is addressing the shortfall compared to budget by maintaining close alignment with service providers to help support them as they recover from the pandemic, while managing future opportunities such as enhancing and introducing new product offerings and improving the gaming experience for customers.

### NPP

Charitable Gaming net loss to province was \$4 million in fiscal 2021–22, an increase of \$8 million compared to budget. The improvement was mainly attributed to lower stakeholder payments, service provider fees and associated tax expenses, offset in part by the flow-through of lower proceeds.

## ***B2.3. Charity payments***

Since its launch in fiscal 2005-06, the Charitable Gaming Program has raised over \$345 million for local charities (as of March 31, 2022).

OLG makes direct-to-charity contributions to charity associations associated with the Charitable Gaming Centres, which are included in stakeholder payments. Charities receive a commission based on a percentage of net gaming win. The payments to charitable associations totaled \$35 million in fiscal 2021–22, an increase of \$12 million from prior year, primarily due to higher proceeds.

#### ***B2.4. Charitable Gaming trends and risks***

The COVID-19 pandemic continued to impact Charitable Gaming's fiscal 2021–22 performance. Prominent risks related to the pandemic, as well as the recovery and growth of Charitable Gaming include:

- Mandatory public health restrictions resulting in further closures and continued operational constraints, including constraints on US border crossings which impact Charitable Gaming Centres located in border communities.
- Potential changes in Charitable Gaming consumer behaviour.
- Viability of service providers operating within the pandemic and recovery environments.
- Delays and/or material changes in scope related to service provider growth projects, which are key to growing Charitable Gaming revenue.
- Expansion in Casino Gaming, which may cannibalize and impact Charitable Gaming.

To mitigate these risks, OLG is:

- Working collaboratively with service providers to introduce new product offerings and enhance the gaming experience for customers.
- Maintaining communication with service providers to help support them as they recover from the pandemic.
- Continuing its overall market management role to proactively manage future opportunities and risk in the Charitable Gaming industry as the market evolves.

## C. Digital Gaming

### Highlights:

- Digital Gaming proceeds and NPP set a record in fiscal 2021–22 of \$511 million and \$223 million, respectively.
- The launch of the new PROLINE+ platform in August 2021, including single event wagering, has allowed OLG to offer new sports and novelty betting products and deliver enhanced gaming experiences for our customers.
- Live Casino was launched in October 2021 providing a unique offering of live dealer games — part of the over 100 new iCasino games launched in fiscal 2021–22 on the digital platform.
- Three popular retail Pick games were introduced to iLottery in December 2021, increasing options for customers.
- In fiscal 2021–22, the new OLG App launched for Android and iOS, offering players more choice and convenience.
- Digital casino saw a 40 per cent increase in average weekly unique players.
- Digital Gaming player registrations reached 1.3 million by March 31, 2022, an increase of over 40 per cent compared to the prior year.

### Summary data from Statement of Comprehensive Income

	For the fiscal year (in millions of dollars)			
	2021-22	2020-21 <sup>1</sup>	\$ Variance	% Variance
<b>Proceeds</b>	\$ 511	\$ 356	155	44
Less: Prizes	(84)	(61)	(23)	(38)
<b>Revenue</b>	427	295	132	45
<b>Expenses</b>	175	110	(65)	(59)
<b>Net income before the undernoted</b>	252	185	67	36
Less: Stakeholder payments	(29)	(4)	25	625
<b>Net income</b>	223	181	42	23
<b>Net Profit to the Province</b>	\$ 223	\$ 181	42	23

<sup>1</sup> Certain comparative expense figures in this MD&A have been reclassified, where necessary, to conform to the current year's presentation.

### C1. Year over year financial results

#### Proceeds

Digital Gaming proceeds in fiscal 2021–22 were \$511 million, \$155 million or 44 per cent higher than the prior year. These results can be attributed to growth in player registrations, the launch of several new initiatives and products, the strong performance of LOTTO MAX and an increase in iCasino and iLottery transactions overall.

## Revenue

As Digital Gaming proceeds increased in fiscal 2021–22, so did the associated revenue. Revenue was \$427 million, an increase of 45 per cent compared to the prior year for reasons consistent with the discussion above.

## NPP

NPP for fiscal 2021–22 was \$223 million, an increase of \$42 million or 23 per cent compared to the prior year. The year-over-year increase is directly tied to higher proceeds, partially offset by higher marketing costs supporting the launch of PROLINE+, and increased costs related to the development and implementation of the Game ON strategy.

### **C2. Fiscal 2021–22 results compared to budget**

#### Proceeds / Revenue / NPP

Digital Gaming proceeds, revenue and NPP for the fiscal year exceeded budget by \$137 million, \$123 million and \$58 million, respectively, for the reasons stated previously.

### **C3. Digital Gaming trends and risks**

Prominent risks the Digital Gaming line of business faces are:

- The opening of Ontario’s online gaming market in April 2022, which is increasing competition for existing and new customers.
- Competition from many grey market gaming websites that are not regulated by the Government of Ontario but continue to operate.
- Greater challenges for OLG when compared to the newly entering competitors that can leverage global models and speed to market efficiencies.

To mitigate these risks, OLG is continuing with its Game ON strategy to help grow market share. This includes:

- Offering a wide range of casino-style games, iLottery products and digital sports betting products, while developing the flexibility and agility to respond quickly to evolving customer expectations with new games and products.
- Improving the customer experience through targeted and segmented player programs and a more responsive website that adapts to mobile, tablet and desktop applications, and new types of promotions.
- Differentiating OLG.ca from the competition by providing a multi-channel gaming experience with the full integration of our world leading *PlaySmart* RG program, while building on the significant brand recognition and trust OLG has among Ontarians as the only gaming provider that reinvests 100 per cent of its profits back into Ontario.

Responsible Gambling remains a priority for OLG which has garnered international recognition for its *PlaySmart* program that is also available on the digital platform. The digital solution helps inform players about how to play responsibly and provides them with customizable tools to set money, deposit, loss and game session limits (i.e., time per game, time per session), establish 'take-a-break' features and initiate Self-Exclusion as needed.

OLG partners with provincial and local expert groups to ensure that individuals who may be at risk of problem gambling have access to timely referrals to community-based supports, credit counselling and professional treatment as needed.

## D. Corporate Services

Corporate Services expenses are incurred by functions that support operations and enable OLG's performance through people, strategic support and technology. Expertise and services are provided across the Corporation in support of the three lines of business.

Corporate Services expenses are related to Brand, Communications and Sustainability; Executive Offices; Finance and Enterprise Analytics; Governance, Legal and Compliance; People and Culture; Risk and Audit; and Enterprise Technology. These enabling functions provide the Corporation with expertise in core information technology systems support and development; financial management; administration and operations; commercial business management and procurement; project management services; legal, risk, audit and compliance; internal and external communications; branding and marketing; social responsibility; responsible gambling and stakeholder relations. Corporate Services employees protect the public and commercial interests of Ontario by ensuring that OLG directly, or through its third-party service providers, is delivering gaming entertainment to the province in a responsible manner while optimizing value.

Corporate Services expenses also includes certain stakeholder payments made by the Corporation. Please refer to Section D3.

### Summary data from Statement of Comprehensive Income

	For the fiscal year (in millions of dollars)			
	2021–22	2020-21 <sup>1</sup>	\$ Variance	% Variance
Corporate Services Expenses	455	523	68	13
Less: Stakeholder payments	(229)	(294)	(65)	(22)
<b>Corporate Services Expenses net of Stakeholder Payments</b>	<b>\$ 226</b>	<b>\$ 229</b>	<b>3</b>	<b>1</b>

<sup>1</sup> Certain comparative expense figures in this MD&A have been reclassified, where necessary, to conform to the current year's presentation.

#### D1. Year over year financial results

Corporate Services expenses net of stakeholder payments were \$226 million, a decrease of \$3 million compared to the prior year due to lower personnel costs, partially offset by higher marketing and promotion costs. Marketing and promotion spend increased in fiscal 2021–22 to support the launch of PROLINE+, OLG's recovery from the COVID-19 pandemic and the Corporation's response to the new competitive environment.

#### D2. Fiscal 2021–22 results compared to budget

Corporate Services expenses net of stakeholder payments were below budget by \$30 million, with savings in personnel and general and administration. The fiscal 2021–22 budget included costs for additional staff optimization programs which were not required.

The budget also assumed no further disruptions caused by the COVID-19 pandemic, however, public health restrictions continued into fiscal 2021–22. Many activities that were expected to occur did not proceed as planned, leading to revisions to projects and resulting in cost savings. In addition, closures of *PlaySmart* Centres aligned with the closures of casinos and Charitable Gaming Centres, resulting in savings.

### **D3. Stakeholder payments**

Corporate Services expenses also include certain centralized payments to stakeholders – primarily payments to Ontario First Nations pursuant to the Gaming Revenue Sharing and Financial Agreement (GRSFA), payments to the Government of Canada and the payment obligation introduced in fiscal 2019-20 related to the horse racing industry.

Under the terms of the GRSFA, OLG pays OFNLP, commencing in fiscal 2011-12, for revenues generated in fiscal 2010-11, and in each fiscal year thereafter for the remaining initial 20-year term of the agreement, an amount equal to 1.7 per cent of the prior year's Gross Revenues, as defined in the agreement.

Stakeholder payments in fiscal 2021–22 were higher than budget by \$2 million, but lower year-over-year by \$65 million. Compared to budget, stakeholder payments were higher mainly due to slightly higher horse racing support payments. The year-over-year decrease was primarily attributable to lower GRSFA payments (based on fiscal 2020–21 revenues, which were lower than fiscal 2019-20 revenues due to the COVID-19 pandemic).

## 4. Financial Condition

### Liquidity and capital resources

In fiscal 2021–22, OLG's Net Profit to the Province exceeded prior year due to a record year in both the Lottery and Digital Gaming lines of business. Cash flows also returned to pre-COVID levels by fiscal year end and OLG delivered dividends to the Province in excess of net profit. The Corporation managed its liquidity through effective cash flow, cost and vendor management, and by forecasting and assessing cash flow requirements on an ongoing basis.

The Corporation continued to have a credit facility available throughout fiscal 2021–22 in respect of a loan agreement with the Ontario Financial Authority for \$240 million. The Corporation did not require any draws on the facility during the year, and the loan balance remained at nil at March 31, 2022. Refer to Note 18 of the Notes to the Consolidated Financial Statements for further details on this loan agreement.

Cash flows (used in) provided by:	For the fiscal year				
	(in millions of dollars)				
	2021-22	2020-21	\$ Variance	% Variance	
Operating activities	\$ 1,617	\$ 353	1,264	358	
Investing activities	(37)	(75)	38	(51)	
Financing activities	(1,689)	5	(1,694)	33,880	
(Decrease) increase in cash	\$ (109)	\$ 283	(392)	139	

#### Cash provided by operating activities:

Cash flows provided by operating activities increased primarily due to the reopening of the Corporation's Land-based Casino Gaming sites which returned the line of business to profitability in fiscal 2021–22. This compares to a net loss in fiscal 2020–21 for Land-based Casino Gaming, which was primarily a result of the extended casino site closures.

#### Cash used in investing activities:

Cash flows used in investing activities in fiscal 2021–22 is primarily due to the remaining purchase of new lottery terminals and other technology capital expenditures in the year. In fiscal 2020–21, cash flows used in investing activities was primarily due to the purchase of new lottery terminals, facility upgrades and other capital expenditures in the year.

#### Cash (used in) provided by financing activities:

Cash flows used in financing activities is primarily due to the payments to the Province of Ontario in fiscal 2021–22, whereas in fiscal 2020–21, given the uncertainties with respect to the COVID-19 pandemic and the impact on the Corporation's operations, OLG did not provide dividends to the Province of Ontario. Cash flows provided by financing activities in fiscal 2020–21 was due to draws made on the lottery terminal loan, partially offset by repayments on the player platform and gaming management system loans.

## **Capital risk management**

The capital structure of the Corporation consists of cash, restricted cash, long-term debt and equity, which is comprised of retained earnings, contributed surplus and reserves.

The Corporation is required to finance certain capital expenditures with debt obtained from the OFA. The approval of the Minister of Finance is required for the Corporation to borrow funds for major capital expenditures.

The Corporation's objectives in managing capital are to ensure sufficient resources are available to fund future growth of its operations and to provide returns to the Province of Ontario.

The Board of Directors is responsible for the oversight of management, including the establishment of policies related to financial and risk management. The Corporation manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Corporation is not subject to any externally imposed capital requirements. Refer to Note 22 of the Notes to the Consolidated Financial Statements for further details on the Corporation's financial risk management and financial instruments.

## 5. Enterprise Risk Management

### ***Overview***

OLG has a formal Enterprise Risk Management (ERM) program that enables healthy risk taking as we deliver on our mandate and strategy. Our risk management framework and process support strategy development and execution. Risks introduced by the chosen strategy and risks that could impact the execution of the strategy are identified, assessed, and monitored. To ensure the success of our strategy, we prioritize and mitigate key risks that require management focus.

### ***Competition***

The landscape of regulated gaming markets is changing. New legislation that introduced single event sports wagering, as well as the opening of the online gaming market in Ontario increases competition from global competitors. New entrants will continue to add customer choice. Our Game ON strategy is key to strengthening our competitive position in this landscape by deploying new digital product offerings and acquiring and onboarding new digital customers. We will continue to extend the reach of our lottery offerings into new distributions channels and revitalize the portfolio of products, launch new and innovative games and optimize INSTANT product offerings.

### ***Private Sector Engagement***

OLG is increasingly reliant on third parties to deliver and support critical growth initiatives in our Game ON strategy. Partnering with third parties comes with the inherent risk that they do not deliver as expected. This is why OLG continues to mature our third-party management programs to address this risk and ensure performance expectations are met.

The pandemic had a significant impact on Land-based Gaming service providers at casinos and Charitable Gaming Centres, including prolonged closures, operational adjustments related to public health measures, and delayed developments of new properties and amenities.

Our Game ON strategy prioritizes working with private sectors partners with a focus on:

- Post-pandemic recovery of land-based gaming sites and advancement of development plans that create long-term growth of casinos, creating jobs across the province and increasing benefit to host communities
- Evolving customer offerings with charitable gaming operators
- Delivering exceptional customer experiences and new products through our technology providers that support OLG's Digital and Lottery businesses

## ***People & Culture***

To acquire and retain the talent that supports the achievement of OLG's priorities, our Game ON strategy focuses on creating an environment where employees are engaged and invested in the health of our organization. This includes:

- Embracing more flexible work options, including remote work
- Continuing to build a more inclusive and diverse environment
- Implementing agile ways of working to increase agility and speed to market
- Evolving and promoting OLG's employer brand

## ***Compliance & Social Responsibility***

OLG operates in a highly regulated environment. As the gaming environment changes, laws, regulations and government policies will evolve. There may also be changes to customer gambling behaviour as we expand our reach and deliver new offerings to customers through the implementation of our strategy.

A focus on compliance is crucial as we implement our strategy and enter new relationships with third parties. OLG must understand the legal and regulatory implications of new and innovative technologies. Maintaining the trust of our customers, partners and shareholder throughout these changes is also critical. OLG has programs in place that:

- Maintain compliance with laws, regulations and policies including anti-money laundering and privacy
- Enable service providers and private sector partners to understand and meet their obligations in a regulated environment relevant to public sector entities like OLG.
- Dedicate resources to research and monitor gambling behaviour and deliver tools that enable healthy play
- Support the design of products and services, and the maintenance of operating controls to achieve a high standard of integrity

We continue to review and mature these programs to ensure their alignment with our business model and risk appetite. For example, in the area of AML, we continue to enhance measures to detect, disrupt and prevent money laundering.

OLG's investments in responsible gambling are subject to third party reviews and certifications that validate value for money and impact. Examples include RG Check administered by the Responsible Gambling Council; certifications by the World Lottery Association; and ongoing regulatory oversight by the Alcohol and Gaming Commission of Ontario.

## ***Technology***

OLG has a significant reliance on technology. As we expand our offerings and digitize our business, our technology footprint continues to grow, and we must ensure that access to systems and/or information is not compromised. We also must ensure that our legacy systems can continue to sustain and enable growth of the core business. Managing these areas of risk is part of OLG's day-to-day operations.

To protect against cyber threats, OLG maintains a mature cyber security program. Additionally, to ensure private sector partners maintain an adequate level of security, OLG sets expectations for its partners within contracts and monitors compliance.

Assessments of legacy technologies are completed to establish priorities for improvements and to secure resources. Investments in legacy systems are balanced with investments in new technologies to ensure that our infrastructure can support growth initiatives in our Game ON strategy.

## **6. Significant Accounting Policies and Use of Estimates and Judgments**

To conform with International Financial Reporting Standards (IFRS), the preparation of the Consolidated Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Consolidated Financial Statements are included in the following notes:

- Revenue
- Leases
- Consolidation
- Provisions
- Contingencies

Areas of significant estimation and uncertainty that may have a significant effect on the amounts recognized in the Consolidated Financial Statements, and could result in a material adjustment within the next fiscal year, are discussed in the following notes:

- Property, plant and equipment – impairment, useful lives and residual values
- Provisions
- Lease liabilities, right-of-use assets and finance lease receivable
- Revenue and contract liabilities
- Valuation of financial instruments including credit risk for expected credit losses
- Employee benefits

The Corporation's significant accounting policies, estimates and judgments have been reviewed and discussed with the Audit Risk and Management Committee of the Board of Directors. The Corporation's significant accounting policies are described in the Notes to the Consolidated Financial Statements.

### **Adoption of new Accounting Standards**

Accounting standards, interpretations and amendments effective for accounting years beginning on April 1, 2021 did not materially affect the Corporation's Consolidated Financial Statements.



## **MANAGEMENT'S RESPONSIBILITY FOR ANNUAL REPORTING**

The accompanying consolidated financial statements of the Ontario Lottery and Gaming Corporation and all information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. Where required, management has made informed judgements and estimates in accordance with International Financial Reporting Standards.

The Board of Directors oversees management's responsibilities for financial reporting through its Audit and Risk Management Committee, which is composed entirely of directors who are neither officers nor employees of the Corporation. The Audit and Risk Management Committee reviews the financial statements and recommends them to the Board for approval. This Committee meets periodically with management, internal audit and the external auditors.

To discharge its responsibility, management maintains an appropriate system of internal control to provide reasonable assurance that relevant and reliable consolidated financial statements are produced and that the Corporation's assets are properly safeguarded. The Corporation maintains a staff of internal auditors whose functions include reviewing internal controls and their applications, on an ongoing basis. The reports prepared by the internal auditors are reviewed by the Committee. The Senior Vice President, Chief Risk and Audit Officer, responsible for Internal Audit, reports functionally to the Audit and Risk Management Committee and administratively to the President and Chief Executive Officer.

KPMG LLP, the independent auditor appointed by the Board of Directors upon the recommendation of the Audit and Risk Management Committee, has examined the consolidated financial statements. Their report outlines the scope of their examination and their opinion on the consolidated financial statements. The independent auditor has full and unrestricted access to the Committee.

A handwritten signature in black ink, appearing to read 'D. Hannay', written over a horizontal line.

Duncan Hannay  
President and Chief Executive Officer

A handwritten signature in black ink, appearing to read 'P. Basi', written over a horizontal line.

Pinder Basi  
Chief Financial Officer

*June 23, 2022*

OLG Annual Report 2021–22



KPMG LLP  
Vaughan Metropolitan Centre  
100 New Park Place, Suite 1400  
Vaughan ON L4K 0J3  
Canada  
Tel 905-265-5900  
Fax 905-265-6390

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Ontario Lottery and Gaming Corporation  
and to the Minister of Finance of Ontario

### **Opinion**

We have audited the consolidated financial statements of Ontario Lottery and Gaming Corporation (the "Corporation"), which comprise:

- the consolidated statements of financial position as at March 31, 2022 and March 31, 2021
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at March 31, 2022 and March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.



Page 2

### ***Other Information***

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis.
- the information, other than the financial statements and the auditors' report thereon, included in the document "OLG Annual Report 2021-22".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis and the OLG Annual Report 2021-22 as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.



### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Page 4

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

---

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 23, 2022

**Ontario Lottery and Gaming Corporation**  
**Consolidated Statements of Financial Position**  
As at March 31, 2022 and 2021  
(in millions of Canadian dollars)

	Notes	2022	2021
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 334	\$ 443
Restricted cash	5	122	107
Trade and other receivables	6	152	97
Due from service providers	14	35	43
Prepaid expenses		21	17
Inventories	7	35	33
<b>Total current assets</b>		<b>699</b>	<b>740</b>
<b>Non-current assets</b>			
Restricted cash	5	72	35
Property, plant and equipment	8	793	816
Right-of-use assets	9	228	245
Finance lease receivable	9	154	154
Other asset	9	69	49
<b>Total non-current assets</b>		<b>1,316</b>	<b>1,299</b>
<b>Total assets</b>		<b>\$ 2,015</b>	<b>\$ 2,039</b>
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Trade and other payables	10	\$ 376	\$ 336
Provisions	11	51	43
Due to operator and service providers	14	139	75
Due to the Government of Canada	16	40	18
Current portion of contract liabilities	17	68	45
Current portion of lease liabilities	9	19	18
Current portion of long-term debt	18	15	12
<b>Total current liabilities</b>		<b>708</b>	<b>547</b>
<b>Non-current liabilities</b>			
Contract liabilities	17	155	181
Lease liabilities	9	392	405
Due to operator and service providers	14	72	-
Long-term debt	18	40	51
Employee benefits	23	10	12
<b>Total non-current liabilities</b>		<b>669</b>	<b>649</b>
<b>Total liabilities</b>		<b>1,377</b>	<b>1,196</b>
<b>Equity</b>			
Retained earnings		576	746
Contributed surplus		62	62
Reserves	5	-	35
<b>Total equity</b>		<b>638</b>	<b>843</b>
<b>Total liabilities and equity</b>		<b>\$ 2,015</b>	<b>\$ 2,039</b>

Commitments (Note 14 and 24)  
Contingencies (Note 25)  
Subsequent events (Note 18.c and 18.d)

The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the Board



Jim Warren, Chair



Lori O'Neill, Director

**Ontario Lottery and Gaming Corporation**  
**Consolidated Statements of Comprehensive Income**  
For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

	Notes	2022	2021
<b>Revenue</b>			
Gaming revenue		\$ 3,388	\$ 2,184
Lease revenue	9	92	54
Non-gaming site revenue		5	-
	17	3,485	2,238
<b>Expenses (income)</b>			
Stakeholder payments	20	610	493
Commissions and fees	19	592	736
Personnel		243	222
Marketing and promotion		146	103
Win contribution	15	107	2
Amortization	8,9	76	80
General operating, administration and other	21	73	58
Ticket printing, distribution and testing		58	58
Systems maintenance		54	64
Facilities		49	46
Regulatory fees		17	12
Finance costs	12	16	13
Finance income	12	(11)	(6)
		2,030	1,881
<b>Net income and comprehensive income</b>		<b>\$ 1,455</b>	<b>\$ 357</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Ontario Lottery and Gaming Corporation**  
**Consolidated Statements of Changes in Equity**  
For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

	Retained earnings	Contributed surplus	Reserves	Total
<b>Balance at March 31, 2020</b>	\$ 389	\$ 62	\$ 35	\$ 486
Net income and comprehensive income	357	-	-	357
<b>Balance at March 31, 2021</b>	\$ 746	\$ 62	\$ 35	\$ 843
Net income and comprehensive income	1,455	-	-	1,455
Contributions or distributions				
Transfers from reserves	35	-	(35)	-
Payments to the Province of Ontario	(1,660)	-	-	(1,660)
<b>Balance at March 31, 2022</b>	\$ 576	\$ 62	\$ -	\$ 638

The accompanying notes are an integral part of these consolidated financial statements.

**Ontario Lottery and Gaming Corporation**  
**Consolidated Statements of Cash Flows**  
For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

	Notes	2022	2021
<b>Cash flows from operating activities</b>			
Net income and comprehensive income		\$ 1,455	\$ 357
Adjustments to reconcile profit for the period to net cash from operating activities:			
Amortization of property, plant and equipment and right-of-use assets	8,9	76	80
Net finance costs	12	5	7
Other long-term employee benefits	23.iii	(2)	(1)
Other	9	1	4
Operating cash flows before change in non-cash working capital and restricted cash		1,535	447
Changes in non-cash working capital and restricted cash:			
(Increase) in restricted cash		(52)	(7)
(Increase) in trade and other receivables		(55)	(33)
(Increase) in other asset		(20)	(49)
Decrease in due from service providers		9	3
(Increase) in prepaid expenses		(4)	(3)
(Increase) decrease in inventories		(2)	4
Increase in trade and other payables		46	24
Increase in provisions		8	8
Increase (decrease) in due to operator and service providers		136	(28)
Increase (decrease) in due to the Government of Canada		22	(12)
(Decrease) in contract liabilities		(6)	(1)
<b>Net cash from operating activities</b>		<b>1,617</b>	<b>353</b>
<b>Cash flows (used in) from investing activities</b>			
Interest received		5	3
Capital expenditures	8	(42)	(78)
<b>Net cash (used in) investing activities</b>		<b>(37)</b>	<b>(75)</b>
<b>Cash flows (used in) from financing activities</b>			
Interest paid		(9)	(11)
Proceeds from long-term debt	18	4	100
Repayments of long-term debt	18	(12)	(70)
Payment of lease liabilities	9	(12)	(14)
Payments to the Province of Ontario		(1,660)	-
<b>Net cash (used in) from financing activities</b>		<b>(1,689)</b>	<b>5</b>
(Decrease) increase in cash		(109)	283
Cash, beginning of year		443	160
<b>Cash, end of year</b>		<b>\$ 334</b>	<b>\$ 443</b>
<i>Supplemental disclosure relating to non-cash investing activities:</i>			
Acquisition of property, plant and equipment not yet paid for		\$ 1	\$ 7

The accompanying notes are an integral part of these consolidated financial statements.

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

### 1. Reporting entity

Ontario Lottery and Gaming Corporation (OLG or the Corporation) was established without share capital on April 1, 2000 pursuant to the *Ontario Lottery and Gaming Corporation Act, 1999*. The Corporation is classified as an Operational Enterprise Agency of the Ontario government and is responsible for conducting and managing;

- Lottery games (including national and regional Lotto, INSTANT and sports),
- Digital Gaming (on OLG.ca and OLG app), and
- Land-based Gaming (comprising Casino Gaming and Charitable Gaming).

The Corporation is also directly funding and helping to support the horse racing industry in Ontario (Note 24.d).

The Corporation is one of the regional marketing organizations for national lottery games who all collectively participate in the Interprovincial Lottery Corporation.

The Corporation has an operating agreement with Caesars Entertainment Windsor Limited (CEWL) for the operation of casino, hotel, entertainment and food and beverage facilities at Caesars Windsor. The Corporation consolidates the financial position and results of these operations in the consolidated financial statements. The Corporation does not consolidate the financial position and results of operations of CEWL.

The Corporation entered into Casino Operating and Services Agreements (COSAs) with certain Land-based Casino Gaming service providers (Note 14.b) and Charitable Gaming Centre Service Providers Agreements (CGCSPAs) with Charitable Gaming service providers (individually, and collectively, the service providers). The Corporation does not control these service providers and therefore does not consolidate the financial position or results of operations of these service providers. The Corporation recognizes its share of gaming revenue generated at the Land-based Gaming sites operated by service providers. OLG continues to conduct and manage Land-based Gaming sites while the service providers assume control of the day-to-day operations.

The Corporation's head office and corporate office, respectively, are located at:

- 70 Foster Drive, Suite 800, Sault Ste. Marie, Ontario, P6A 6V2
- 4120 Yonge Street, Suite 402, Toronto, Ontario, M2P 2B8

These consolidated financial statements were authorized for issue by the Board of Directors of the Corporation on June 23, 2022.

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

### 2. Basis of preparation

#### a. Temporary business interruption

The COVID-19 pandemic significantly impacted the Corporation's Land-based Gaming operations and as a result its financial performance in fiscal 2020-21 and fiscal 2021-22.

The closure of gaming facilities, as noted below, required the Corporation to obtain temporary financing in fiscal 2020-21 (see Note 18 for the Ontario Financing Authority (OFA) loan agreement) to aid in its management of ongoing operational and working capital expenses. During fiscal 2020-21, the Corporation had been advanced \$60 million and fully repaid the balance. The Corporation managed its liquidity risk through cost and vendor management, reprioritization of certain initiatives and by forecasting and assessing cash flow requirements on an ongoing basis.

##### (i) Land-based Casino Gaming

In fiscal 2020-21, the gaming facilities were closed with intermittent re-openings under fluctuating capacity restrictions.

During fiscal 2020-21, the Corporation and the Land-based Casino Gaming service providers agreed to an interim compensation model intended to compensate the Land-based Casino Gaming service providers for their services during the COVID-19 pandemic and through a period of pandemic recovery. The interim compensation model includes the fixed fee and permitted capital payments as required by the respective COSAs and a variable component fee based on a fixed percentage of gaming revenue, subject to certain requirements. The interim compensation model continues for approximately 36 months plus re-closure periods (if applicable), or earlier if gaming revenues exceed agreed performance targets that reflect pre-pandemic revenue levels. Upon termination of the interim compensation model, the historical COSA compensation models applicable to each gaming bundle will apply.

In fiscal 2021-22, the gaming facilities re-opened to the public beginning in July 2021 and capacity restrictions were eased. During January 2022, the gaming facilities temporarily closed and re-opened later in the month.

##### (ii) Charitable Gaming

In fiscal 2020-21, Charitable Gaming Centres across the province were closed with intermittent re-openings operating under fluctuating capacity restrictions.

In fiscal 2021-22, all Charitable Gaming Centres re-opened to the public beginning in July 2021. During January 2022, the Charitable Gaming Centres temporarily closed and re-opened later in the month.

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

### 2. Basis of preparation (continued)

#### b. Statement of compliance

These consolidated financial statements include the accounts of the Corporation including Caesars Windsor, and the wholly owned subsidiary, Ontario Gaming Assets Corporation (OGAC), and have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

#### c. Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments classified as financial liabilities through profit and loss that are measured at fair value (Note 22.a.ii).

#### d. Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars. The Canadian dollar is the Corporation's functional currency and the currency of the primary economic environment in which the Corporation operates.

#### e. Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are included in the following notes:

- Consolidation (Note 3.a)
- Leases (Note 9)
- Provisions (Note 11)
- Revenue (Note 17)
- Contingencies (Note 25)

Areas of significant estimation and uncertainty that may have a significant effect on the amounts recognized in the consolidated financial statements, and could result in a material adjustment within the next fiscal year, are discussed in the following notes:

- Property, plant and equipment – impairment, useful lives and residual values (Note 8)
- Lease liabilities, right-of-use assets and finance lease receivable (Note 9)
- Provisions (Note 11)
- Revenue and contract liabilities (Note 17)
- Valuation of financial instruments including credit risk for expected credit losses (Note 22)
- Employee benefits (Note 23)

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

### 2. Basis of preparation (continued)

#### f. Adoption of new accounting standards

Accounting standards, interpretations and amendments effective for accounting years beginning on April 1, 2021 did not materially affect the Corporation's consolidated financial statements.

### 3. Significant accounting policies

The following accounting policies have been applied consistently by the Corporation in the consolidated financial statements as at and for the years ended March 31, 2022 and March 31, 2021.

#### a. Basis of consolidation

The consolidated financial statements include the accounts of the Corporation, OGAC and Caesars Windsor. The Corporation does not control any of the Land-based Casino Gaming or Charitable Gaming service providers and therefore does not consolidate their respective financial position and results. Control is achieved when the Corporation is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated on consolidation.

#### b. Income taxes

As the Corporation is an agent of the Crown, it is not subject to federal or provincial corporate income taxes or corporate capital taxes.

#### c. Accounting standards issued but not yet effective

A number of new amendments to standards take effect in future fiscal reporting periods. Earlier application is permitted; however, the Corporation has not early adopted the amended standards in preparing these consolidated financial statements.

Amendments to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* (effective for annual reporting periods beginning on or after January 1, 2022)

- The amendments to IAS 37 clarify that the 'costs of fulfilling a contract' when assessing whether a contract is onerous comprise both the incremental costs and an allocation of other costs that relate directly to fulfilling contracts. The Corporation does not expect the amendments to have a material impact on the consolidated financial statements.

Amendments to IAS 1, *Presentation of Financial Statements* (effective for annual reporting periods beginning on or after January 1, 2023)

- The amendments to IAS 1 require entities to disclose material accounting policies, rather than their significant accounting policies, and clarifies that accounting policies relating to immaterial transactions need not to be disclosed. In addition, the amendment also clarifies the classification of liabilities as current or non-current based on contractual rights that are in existence at the end of the reporting period and is unaffected by expectations about whether an entity will exercise its right to defer settlement or if management intends or expects to settle the liability within 12 months. The Corporation does not expect the amendments to have a material impact on the consolidated financial statements.

**Ontario Lottery and Gaming Corporation**  
**Notes to the Consolidated Financial Statements**  
For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

**3. Significant accounting policies (continued)**

**d. Other significant accounting policies**

Note	Topic
7	Inventories
8	Property, plant and equipment
9	Leases
11	Provisions
17	Revenue
22	Financial risk management & financial instruments
23	Employee benefits
25	Contingencies

**4. Capital risk management**

The capital structure of the Corporation consists of cash, restricted cash, long-term debt and equity, which is comprised of retained earnings, contributed surplus and reserves.

The Corporation is required to finance certain capital expenditures with debt obtained from the OFA. The approval of the Minister of Finance is required for the Corporation to borrow funds for major capital expenditures.

The Corporation's objectives in managing capital are to ensure sufficient resources are available to fund future growth of its operations and to provide returns to the Province of Ontario.

The Board of Directors is responsible for the oversight of management, including the establishment of policies related to financial and risk management. The Corporation manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Corporation is not subject to any externally imposed capital requirements. Refer to Note 22 for further details on the Corporation's financial risk management and financial instruments.

**5. Restricted cash**

Restricted cash, consisting of the following items and respective amounts, is held in separate bank or escrow accounts.

	2022	2021
Current		
Prize funds on deposit (a)	\$ 102	\$ 89
Other (b)	20	18
	\$ 122	\$ 107
Non-current		
Reserves (c)	\$ -	\$ 35
Cash held in escrow (d)	72	-
	\$ 72	\$ 35
<b>Restricted cash</b>	<b>\$ 194</b>	<b>\$ 142</b>

- a. Prize funds on deposit are funds set aside for the estimated gross prizes outstanding of \$139 million (2021 – \$124 million) less an estimate for prizes not expected to be claimed by customers of \$37 million (2021 – \$35 million).

**Ontario Lottery and Gaming Corporation**  
**Notes to the Consolidated Financial Statements**  
For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

**5. Restricted cash (continued)**

- b. Other restricted cash represents funds held on behalf of digital gaming patrons and funds held in trust on behalf of the Ontario horse racing industry not yet distributed.
- c. The reserves balances which solely related to Casino Rama were no longer restricted as of March 31, 2022. The funds were previously held to fund certain non-insured losses, as defined, including legal costs, arising from claims relating to the period prior to the expiry of the former operating agreement.
- d. Cash held in escrow are funds held in accordance with escrow agreements, with a corresponding liability recognized (Note 14.b). The funds are not available for use and can only be released to the Corporation or the Land-based Gaming Casino service provider under certain circumstances pursuant to the agreements.

**6. Trade and other receivables**

	<b>2022</b>	<b>2021</b>
Trade receivables	\$ 117	\$ 84
Other receivables	35	13
<b>Trade and other receivables</b>	<b>\$ 152</b>	<b>\$ 97</b>

The Corporation's accounting policy and exposure to credit risks and impairment losses related to trade and other receivables is disclosed in Note 22.

**7. Inventories**

**a. Accounting policy**

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the specific identification or weighted average cost methods. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to complete the sale.

**b. Explanatory information**

	<b>2022</b>	<b>2021</b>
Lottery paper	\$ 30	\$ 27
Other	5	6
<b>Inventories</b>	<b>\$ 35</b>	<b>\$ 33</b>

Inventory costs included in expenses for the year ended March 31, 2022 were \$60 million (March 31, 2021 – \$59 million).

**Ontario Lottery and Gaming Corporation**  
**Notes to the Consolidated Financial Statements**  
For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

**8. Property, plant and equipment**

**a. Accounting policy**

**i. Recognition and measurement**

The Corporation capitalizes any major capital purchase that has a useful life beyond one year.

Property, plant and equipment are measured at cost less accumulated amortization and accumulated impairment losses.

Cost includes an expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

**ii. Subsequent costs**

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized upon replacement. The cost of the day-to-day servicing of property, plant and equipment is recognized as incurred in the consolidated statements of comprehensive income.

**iii. Amortization**

Amortization is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in the consolidated statements of comprehensive income on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives are as follows:

<b>Assets</b>	<b>Rate</b>
Buildings	10 to 50 years
Furniture, fixtures and equipment	3 to 10 years
Leasehold improvements	Lesser of useful life or term of lease
Lottery gaming assets	5 to 7 years
Land-based gaming assets	5 to 10 years

Land assets are carried at cost, less any recognized impairment losses and are not amortized.

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

### 8. Property, plant and equipment (continued)

#### iii. Amortization (continued)

Property, plant and equipment are amortized when they are ready for their intended use. Construction in progress and assets not yet in use are stated at cost, less any recognized impairment loss. Amortization of these assets is determined on the same basis as other property assets and commences when the assets are ready for their intended use.

Amortization methods, useful lives and residual values are reviewed at each fiscal year end and are adjusted if appropriate.

#### iv. Impairment

The carrying amounts of the Corporation's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or Cash Generating Unit (CGU) is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets.

The Corporation's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset is allocated.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statements of comprehensive income. Impairment losses recognized in respect of CGUs are allocated to reduce, on a pro rata basis, the carrying amounts of the assets in the unit or group of units.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

**Ontario Lottery and Gaming Corporation**  
**Consolidated Statements of Comprehensive Income**  
For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

**8. Property, plant and equipment (continued)**

**Cost**

	Land	Buildings	Furniture, fixtures and equipment	Leasehold improvements	Lottery gaming assets	Land-based gaming assets	Construction in progress and assets not yet in use	Total
<b>Balance at April 1, 2020</b>	\$ 130	\$ 1,788	\$ 322	\$ 24	\$ 107	\$ 92	\$ 58	\$ 2,521
Additions and assets put into use	-	13	23	1	60	1	(25)	73
Disposals and retirements	-	(1)	-	-	-	-	-	(1)
<b>Balance at March 31, 2021</b>	\$ 130	\$ 1,800	\$ 345	\$ 25	\$ 167	\$ 93	\$ 33	\$ 2,593
<b>Balance at April 1, 2021</b>	\$ 130	\$ 1,800	\$ 345	\$ 25	\$ 167	\$ 93	\$ 33	\$ 2,593
Additions and assets put into use	-	11	30	-	8	6	(18)	37
Disposals and retirements	-	-	(1)	-	(89)	(3)	-	(93)
<b>Balance at March 31, 2022</b>	\$ 130	\$ 1,811	\$ 374	\$ 25	\$ 86	\$ 96	\$ 15	\$ 2,537

**Ontario Lottery and Gaming Corporation**  
**Consolidated Statements of Comprehensive Income**  
For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

**8. Property, plant and equipment (continued)**

**Accumulated amortization and accumulated impairment losses**

	Land	Buildings	Furniture, fixtures and equipment	Leasehold improvements	Lottery gaming assets	Land-based gaming assets	Construction in progress and assets not yet in use	Total
<b>Balance at April 1, 2020</b>	\$ 41	\$ 1,191	\$ 289	\$ 19	\$ 102	\$ 74	\$ -	\$ 1,716
Amortization for the period	-	28	17	1	8	7	-	61
<b>Balance at March 31, 2021</b>	\$ 41	\$ 1,219	\$ 306	\$ 20	\$ 110	\$ 81	\$ -	\$ 1,777
<b>Balance at April 1, 2021</b>	\$ 41	\$ 1,219	\$ 306	\$ 20	\$ 110	\$ 81	\$ -	\$ 1,777
Amortization for the period	-	27	16	1	10	6	-	60
Disposals and retirements	-	-	(1)	-	(89)	(3)	-	(93)
<b>Balance at March 31, 2022</b>	\$ 41	\$ 1,246	\$ 321	\$ 21	\$ 31	\$ 84	\$ -	\$ 1,744

**Carrying amounts**

	Land	Buildings	Furniture, fixtures and equipment	Leasehold improvements	Lottery gaming assets	Land-based Gaming assets	Construction in progress and assets not yet in use	Total
<b>Balance at March 31, 2021</b>	\$ 89	\$ 581	\$ 39	\$ 5	\$ 57	\$ 12	\$ 33	\$ 816
<b>Balance at March 31, 2022</b>	\$ 89	\$ 565	\$ 53	\$ 4	\$ 55	\$ 12	\$ 15	\$ 793

Assets subject to operating lease agreements where OLG is the lessor or sub-lessor include land of \$63 million (March 31, 2021 - \$63 million) and buildings with a net book value of \$372 million (March 31, 2021 - \$389 million).

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

### 9. Leases

#### a. Accounting policy

##### i. As a lessee

At the inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. All leases are accounted for by recognizing a right-of-use asset and a lease liability at the commencement date except for:

- leases of low value assets (based on the value of the underlying asset when new); and
- short-term leases with a lease term of 12 months or less.

The right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for lease payments made at or before commencement of the lease or initial direct costs incurred.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date and discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate. Lease payments include fixed payments, variable lease payments that depend on an index or a rate, initially using the index or rate as at the commencement date, lease payments in extension periods if the Corporation is reasonably certain to exercise an extension option and penalties for early termination of a lease unless the Corporation is reasonably certain not to terminate early.

For contracts that both convey a right to the Corporation to use an identified asset and require services to be provided to the Corporation by the lessor, the Corporation has elected to account for the entire contract as a lease.

Right-of-use assets are subsequently measured at cost less any accumulated amortization and impairment losses and adjusted for certain remeasurements of the lease liability.

Lease liabilities are subsequently measured at amortized cost and are remeasured when there is a change in future lease payments arising from a change in an index or rate or if there is a change in assessment of whether the Corporation will exercise an extension or termination option.

##### ii. As a lessor

The Corporation determines at lease inception whether a lease is a finance lease or an operating lease based on whether the lease substantially transfers all of the risks and rewards incidental to owning the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

When the Corporation is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

**Ontario Lottery and Gaming Corporation**  
**Notes to the Consolidated Financial Statements**  
For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

**9. Leases (continued)**

**ii. As a lessor (continued)**

The Corporation recognizes lease payments received under operating leases as income on a straight-line basis over the term of the lease as Lease revenue in the consolidated statements of comprehensive income.

The Corporation recognizes assets held under a finance lease presented as a finance lease receivable at an amount equal to the net investment in the lease. Finance lease receivables are initially measured at the present value of the lease payments receivable by the Corporation. Lease payments received are apportioned between a reduction in the finance lease receivable and finance income over the lease term.

**b. Explanatory information**

**i. As a lessee**

The Corporation leases land and property under long-term leases.

Leases of office facilities, prize centre retail space and warehouses are typically fixed for periods of five to 10 years, and some have extension options exercisable by the Corporation for an additional one to five years after the end of the non-cancellable period. Extension options are included in the terms of the leases when the Corporation can reasonably expect to exercise that option. The lease payments comprise fixed and variable payments over the term of the lease.

Casino complex, land and entertainment centre leases are typically fixed for periods of 20 to 30 years, and some have extension options exercisable by the Corporation for an additional five to 15 years after the end of the non-cancellable period. The lease payments comprise fixed and variable payments over the term of the lease.

During fiscal 2020-21, the Corporation subleased the entertainment centre lease to a Land-based Casino Gaming service provider and derecognized the right-of-use asset and recognized a finance lease receivable.

**Ontario Lottery and Gaming Corporation**  
**Notes to the Consolidated Financial Statements**  
For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

**9. Leases (continued)**

**i. As a lessee (continued)**

**Right-of-use assets**

<b>Cost</b>	<b>2022</b>		<b>2021</b>	
Balance at April 1	\$	294	\$	307
Additions		-		165
Modifications		(1)		3
Disposals		-		(181)
<b>Balance at March 31</b>	<b>\$</b>	<b>293</b>	<b>\$</b>	<b>294</b>

<b>Accumulated amortization</b>	<b>2022</b>		<b>2021</b>	
Balance at April 1	\$	49	\$	36
Amortization for the year		16		19
Disposals		-		(6)
<b>Balance at March 31</b>	<b>\$</b>	<b>65</b>	<b>\$</b>	<b>49</b>

<b>Carrying amount</b>	<b>2022</b>		<b>2021</b>	
<b>Balance at March 31</b>	<b>\$</b>	<b>228</b>	<b>\$</b>	<b>245</b>

**Lease liabilities**

	<b>2022</b>		<b>2021</b>	
Balance at April 1	\$	423	\$	285
Additions		-		165
Interest expense		12		13
Variable lease payment adjustments		6		4
Derecognized		-		(12)
Interest payments		(12)		(13)
Principal payments		(18)		(19)
<b>Balance at March 31</b>	<b>\$</b>	<b>411</b>	<b>\$</b>	<b>423</b>
Current	\$	19	\$	18
Non-current		392		405
	<b>\$</b>	<b>411</b>	<b>\$</b>	<b>423</b>

**Ontario Lottery and Gaming Corporation**  
**Notes to the Consolidated Financial Statements**  
For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

**9. Leases (continued)**

**i. As a lessee (continued)**

The following table sets out a maturity analysis of contractual lease payments showing the undiscounted contractual lease payments to be made by the Corporation after the reporting date.

<b>As at March 31</b>	
2023	\$ 31
2024	31
2025	32
2026	30
2027	29
Thereafter	377
<b>Total undiscounted lease liabilities</b>	<b>\$ 530</b>
Less: Imputed interest on leases	119
<b>Total discounted lease</b>	<b>\$ 411</b>

**Amounts recognized in profit and loss**

	<b>2022</b>	<b>2021</b>
Amortization on right-of-use assets	\$ 16	\$ 19
Interest on lease liabilities	12	13
Variable lease payments not included in the measurement of lease liabilities	4	7
Expenses relating to short term leases	5	-
Expenses relating to leases of low-value assets	2	2

**Amounts recognized in the consolidated statements of cash flows**

	<b>2022</b>	<b>2021</b>
<b>Total cash outflow for leases</b>	<b>\$ 34</b>	<b>\$ 34</b>

**ii. As a lessor**

Lease income from the lease contracts in which the Corporation acts as a lessor are as follows:

	<b>2022</b>	<b>2021</b>
<b>Finance lease</b>		
Finance income on the finance lease receivable	\$ 4	\$ 2
<b>Operating lease</b>		
Lease revenue from fixed lease payments	\$ 41	\$ 41
Lease revenue from variable lease payments	51	13
<b>Total operating lease revenue</b>	<b>\$ 92</b>	<b>\$ 54</b>

**Ontario Lottery and Gaming Corporation**  
**Notes to the Consolidated Financial Statements**  
For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

**9. Leases (continued)**

**ii. As a lessor (continued)**

**Operating leases**

The Corporation leases or subleases casino complex properties and land in long-term lease arrangements to Land-based Casino Gaming service providers as operating leases. The subleases are typically fixed for periods of 19 to 23 years with extension options available to the Corporation subject to certain terms and conditions. The lease payments typically comprise fixed and variable payments over the term.

For a certain land and building lease, a Land-based Casino Gaming service provider prepaid \$61 million for use of the land and building. The Land-based Casino Gaming service provider has the option to terminate the lease agreement at any time and upon termination, the Corporation is required to pay the Land-based Casino Gaming service provider the then fair value of the land and building. The prepayment represents a portion of deferred lease revenue (Note 17.b.ii) and an estimate of the fair value of the Corporation's obligation related to the put option held by the Land-based Casino Gaming service provider (Note 14.b).

For leases where rent payments have been deferred to future periods, the Corporation recognized the deferrals as an other asset of \$69 million (2021 - \$49 million) in the consolidated statements of financial position.

The following table sets out a maturity analysis of contractual lease payments due to the Corporation under operating leases, showing the undiscounted contractual lease payments to be received after the reporting date.

<b>As at March 31</b>	
2023	\$ 41
2024	41
2025	41
2026	41
2027	41
Thereafter	602
	<b>\$ 807</b>

**Finance lease**

The Corporation subleases a parking lot and an entertainment centre in long-term lease arrangements to Land-based Casino Gaming service providers as finance leases. The subleases are typically for periods of 20 years with fixed and variable payments over the term of the lease.

**Ontario Lottery and Gaming Corporation**  
**Notes to the Consolidated Financial Statements**  
For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

**9. Leases (continued)**

**ii. As a lessor (continued)**

The following table sets out a maturity analysis of contractual lease payments under finance leases, showing the undiscounted contractual lease payments to be received after the reporting date.

<b>As at March 31</b>	
2023	\$ 10
2024	10
2025	10
2026	11
2027	11
Thereafter	153
<b>Total undiscounted lease payments receivable</b>	<b>\$ 205</b>
Unearned finance income	(40)
<b>Finance lease receivable, gross</b>	<b>\$ 165</b>
Less: expected credit losses	5
<b>Finance lease receivable</b>	<b>\$ 160</b>
Current finance lease receivable (presented within other receivables)	6
Non-current finance lease receivable	154

The Corporation's accounting policy and exposure to credit risks and impairment losses related to finance lease receivable is disclosed in Note 22.

**10. Trade and other payables**

	<b>2022</b>	<b>2021</b>
Trade payables and accruals	\$ 105	\$ 114
Unclaimed and estimated lottery prizes payable	102	89
Progressive jackpot liability	61	60
Short-term employee benefits	34	37
Commissions payable	27	4
Customer deposits	19	13
Other payables and accruals	28	19
<b>Trade and other payables</b>	<b>\$ 376</b>	<b>\$ 336</b>

The Corporation's accounting policy and exposure to liquidity risks related to trade and other payables is disclosed in Note 22.

**Ontario Lottery and Gaming Corporation**  
**Notes to the Consolidated Financial Statements**  
For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

**11. Provisions**

**a. Accounting policy**

Provisions are liabilities of uncertain timing and amount. A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect current best estimates.

**b. Explanatory information**

All provisions are included in current liabilities. The carrying amount was:

	<b>Legal claims</b>	<b>Other provisions</b>	<b>Total</b>
<b>Balance at April 1, 2021</b>	\$ 20	\$ 23	\$ 43
Increases and additional provisions	19	1	20
Amounts paid	(11)	(1)	(12)
<b>Balance at March 31, 2022</b>	<b>\$ 28</b>	<b>\$ 23</b>	<b>\$ 51</b>

**Legal claims**

The ultimate outcome of legal proceedings (including settlements and awards) depends on several factors and may vary significantly from original estimates. Legal proceedings for which no provision has been recognized (including where the outcome cannot be assessed at this time) as the outcome is not probable or the amount cannot be reliably estimated, are disclosed as contingent liabilities, unless the likelihood of the outcome is remote (Note 25) or if such disclosure would seriously prejudice a pending litigation or dispute.

**Other provisions**

Other provisions primarily include provisions for decommissioning obligations and Harmonized Sales Tax (HST).

The decommissioning provision is associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The balance at March 31, 2022 is \$2 million (2021 - \$2 million).

The HST provision relates to refunds received in previous fiscal years in the amount of \$18 million (2021 - \$18 million) which is under review with the Canada Revenue Agency (CRA).

**Ontario Lottery and Gaming Corporation**  
**Notes to the Consolidated Financial Statements**  
For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

**12. Finance income and finance costs**

	<b>2022</b>	<b>2021</b>
Interest income on financial assets measured at amortized cost	\$ 7	\$ 4
Finance income on finance lease receivable (Note 9)	4	2
<b>Finance income</b>	<b>\$ 11</b>	<b>\$ 6</b>
Interest expense for non-derivative financial liabilities:		
Interest on loans	\$ 1	\$ -
Interest on lease liabilities (Note 9)	12	13
Other interest expense	3	-
<b>Finance costs</b>	<b>\$ 16</b>	<b>\$ 13</b>

**13. Related parties**

The Corporation is related to various other government agencies, ministries and Crown corporations. Related party transactions include an office facility lease with Ontario Infrastructure and Lands Corporation, loan agreements with the OFA (Note 18), post-employment benefit plans with the Ontario Pension Board (Note 23.b.ii) and other long-term employee benefits with the Workplace Safety and Insurance Board (Note 23.b.iii).

All transactions with these related parties are within the normal course of operations and are measured at the exchange amounts, which are the amounts of consideration established and agreed to by the related parties.

**Transactions with key management personnel**

The Corporation's key management personnel, consisting of the Corporation's Board of Directors and Executive Leadership Team members, have authority and responsibility for overseeing, planning, directing and controlling the activities of the Corporation.

Key management personnel compensation for fiscal 2021-22 includes short-term employee benefits, post-employment benefits and directors' fees totaling \$4 million (fiscal 2020-21 - \$4 million).

**14. Due to / from operator and service providers**

**Due from service providers**

	<b>2022</b>	<b>2021</b>
Due from Land-based Casino Gaming service providers (b)	\$ 34	\$ 45
Due from Charitable Gaming service providers (c)	4	1
Less: expected credit losses	(3)	(3)
<b>Due from service providers</b>	<b>\$ 35</b>	<b>\$ 43</b>

The Corporation's accounting policy and exposure to credit risks and impairment losses related to due from service providers is disclosed in Note 22.

**Ontario Lottery and Gaming Corporation**  
**Notes to the Consolidated Financial Statements**  
For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

**14. Due to / from operator and service providers (continued)**

**Due to operator and service providers**

	<b>2022</b>	<b>2021</b>
Current		
Due to operator (a)	\$ 14	\$ 15
Due to Land-based Casino Gaming service providers (b)	125	60
	139	75
Non-current		
Due to Land-based Casino Gaming service providers (b)	72	-
<b>Due to operator and service providers</b>	<b>\$ 211</b>	<b>\$ 75</b>

The Corporation's accounting policy and exposure to liquidity risks related to due to operator and service providers is disclosed in Note 22.

**a. Due to operator**

**i. Caesars Windsor**

Under the terms of the operating agreement for Caesars Windsor, the operator is entitled to receive an operator's fee calculated as a percentage of Gross Revenue and as a percentage of Net Operating Margin, both as defined in the related operating agreement.

The Corporation and CEWL have an Additional Services and Extension Agreement (ASEA) which extended the term of the operating agreement relating to Caesars Windsor. The Extension Term, as defined, commenced on August 1, 2020 and on November 19, 2021, the expiration date was amended to May 1, 2024, with certain options for the Corporation to further extend the term until August 1, 2024. Pursuant to the terms of the ASEA, the operator is entitled primarily to the current Operator's Fee as defined in the operating agreement, an Extension Payment of \$4 million per year (on a per diem basis) and a Fixed Operator Fee, as defined, in lieu of the current Operator's Fee in the last six months of the ASEA.

At Caesars Windsor, the operator's subsidiary is the employer of the employees working at that facility. All payroll and payroll-related costs are charged to the Corporation monthly and expensed in the Corporation's consolidated statements of comprehensive income.

**b. Due to / from Land-based Casino Gaming service providers**

Under the terms of the COSAs, each service provider is entitled to receive a share of the gaming revenue, generated at the facility it operates. During the temporary closures in fiscal 2020-21 and 2021-22, gaming revenue was nil however the Corporation continued paying the fixed fee and permitted capital payments as required by the respective COSAs. These fees were expensed on a pro-rata basis on the number of days closed within commissions and fees (Note 19.b) whereas the portion related to days open was reflected as a reduction of OLG's share of revenue in the consolidated statements of comprehensive income.

**Ontario Lottery and Gaming Corporation**  
**Notes to the Consolidated Financial Statements**  
For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

**14. Due to / from operator and service providers (continued)**

**b. Due to / from Land-based Casino Gaming service providers (continued)**

The current amount due to Land-based Casino Gaming service providers represents the service provider's accrued share of gaming revenue primarily comprising a fixed fee, a variable fee and an amount for permitted capital expenditures. Also included is an estimate of the amount due to the West GTA Gaming Bundle service provider in the event the service provider terminates a lease agreement early or at expiry.

Due to the calculation method and the timing of settlement, certain gaming bundles may be in a receivable position at the end of the fiscal year. Certain amounts receivable from the Land-based Casino Gaming service providers are subject to interest. Where amounts receivable from Land-based Casino Gaming service providers cannot be settled on a net basis or OLG does not intend to settle in this manner, these amounts have been presented separately from those that are due to service providers.

The non-current amount due to Land-based Casino Gaming service providers represents cash held in escrow (Note 5) in accordance with escrow agreements that are repayable at the end of the agreements unless certain conditions are met.

**Ontario Lottery and Gaming Corporation**  
**Notes to the Consolidated Financial Statements**  
For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

**14. Due to / from operator and service providers (continued)**

**b. Due to / from Land-based Casino Gaming service providers (continued)**

The chart below outlines the Land-based Casino gaming bundles:

Bundle	Sites	Service provider	COSA effective date	COSA expiration date
<b>East</b>	Thousand Islands Kawartha Downs Belleville Peterborough	Ontario Gaming East Limited Partnership (OGELP)	January 11, 2016	March 31, 2040
<b>Southwest</b>	Point Edward London Clinton Chatham Hanover Woodstock Sarnia	Gateway Casinos & Entertainment Limited (Gateway)	May 9, 2017	March 31, 2037
<b>North</b>	Sault Ste. Marie Thunder Bay Sudbury North Bay Kenora (New Build*)	Gateway	May 30, 2017	March 31, 2037
<b>Ottawa</b>	Rideau	HR Ottawa L.P. (Hard Rock)	September 12, 2017	March 31, 2037
<b>Greater Toronto Area</b>	Woodbine Ajax Great Blue Heron Pickering	Ontario Gaming GTA Limited Partnership (OGGLP)	January 23, 2018	January 22, 2039
<b>West Greater Toronto Area</b>	Brantford Flamboro Mohawk Grand River	Ontario Gaming West GTA Limited Partnership (OGWGLP)	May 1, 2018	March 31, 2038
<b>Central</b>	Innisfil Casino Rama Wasaga Beach (New Build*)	Gateway	July 18, 2018	July 31, 2041
<b>Niagara</b>	Casino Niagara Fallsview	MGE Niagara Entertainment Inc. (MGE)	June 11, 2019	March 31, 2040

\* Not yet constructed or in process of construction as of March 31, 2022.

**c. Due from Charitable Gaming service providers**

As at March 31, 2022, 37 Charitable Gaming Centres across Ontario are operated by Charitable Gaming service providers. Under the terms of the CGCSPAs, which are set to expire on March 31, 2030, each Charitable Gaming service provider is entitled to receive a share of the gaming revenue, generated at the facility it operates. The amount due from Charitable Gaming service providers represents the Corporation's accrued share of gaming revenue.

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

### 15. Win contribution

The Corporation remits a contribution to the Province of Ontario equal to 20 per cent of gaming revenue generated at the respective sites, as defined, from Caesars Windsor, Casino Rama, Casino Niagara, Fallsview Casino and the Great Blue Heron Casino in accordance with the *Ontario Lottery and Gaming Corporation Act, 1999*, which amounted to \$107 million for fiscal 2021–22 (fiscal 2020–21 – \$2 million). The Corporation retains the responsibility to remit the contribution once a site is operated by a Land-based Casino Gaming service provider.

### 16. Due to Government of Canada

As at March 31, 2022, the amount due to the Government of Canada was \$40 million (March 31, 2021 – \$18 million). The recognition of this obligation requires management to make certain estimates regarding the nature, timing and amounts associated with the due to the Government of Canada liability. The Corporation's accounting policy and exposure to liquidity risks related to due to Government of Canada is disclosed in Note 22.

The amounts paid to the Government of Canada include:

#### a. Payments on behalf of the Province of Ontario

The provincial lottery corporations make payments to the Government of Canada under an agreement dated August 1979 between the provincial governments and the Government of Canada. The agreement stipulates that the Government of Canada will not participate in the sale of lottery tickets.

#### b. Goods and Services Tax / Harmonized Sales Tax (GST/HST)

As a prescribed registrant, the Corporation makes GST/HST remittances to the Government of Canada pursuant to the Games of Chance (GST/HST) Regulations of the Excise Tax Act. The Corporation's net tax for a reporting period is calculated using net tax attributable to both gaming and non-gaming activities.

The net tax attributable to non-gaming activities is calculated in the same way as it is for any other GST/HST registrant in Canada. The non-recoverable GST/HST payable to suppliers and the additional imputed tax payable to the Government of Canada on gaming-related expenses were recognized as payments to the Government of Canada, which is recorded in stakeholder payments in the consolidated statements of comprehensive income (Note 20).

The net tax attributable to gaming activities results in a 26 per cent tax burden on most taxable gaming expenditures incurred by the Corporation.

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

### 17. Revenue

#### a. Accounting policy

Revenue is measured at the fair value of the consideration received or receivable. Revenue represents the core operating business transactions accounted for under both IFRS 15, Revenue from Contracts with Customers (IFRS 15) and IFRS 9, Financial Instruments (IFRS 9). IFRS 15 reflects revenue earned from transactions where the Corporation administers games amongst players (administered games) as well as other transactions made in exchange for a defined good or service. IFRS 9 reflects revenue from transactions where the Corporation takes a position against the customer such that the Corporation's net gain or loss on the transaction is determined by an uncertain future event (wagering transactions). For administered games, the Corporation can more definitively determine its return on a sales transaction, whereas under IFRS 9 there is greater uncertainty. Significant judgment is needed to determine whether gaming transactions are within the scope of IFRS 9 or IFRS 15.

#### i. Gaming revenue

Under IFRS 15:

Revenue from lottery tickets for which results are determined based on a draw is recognized when the related draw occurs net of awarded prizes. These tickets are sold to customers either by contracted lottery retailers or on OLG.ca and OLG's mobile app.

INSTANT lottery games revenue is recognized net of the predetermined prize structure at the time retailers make them available for sale to the public. This is indicated by the retailers' activation of tickets which acts as a proxy for the eventual sale to the customer.

OLG recognizes its share of gaming revenue generated by charitable gaming sites operated by Charitable Gaming service providers, in the same period the games are played. OLG's share of revenue is determined after the deduction of service providers' fees, primarily comprising a variable fee (calculated as a percentage of gaming revenue).

OLG recognizes its share of gaming revenue generated by Land-based gaming casino sites operated by Land-based Casino Gaming service providers, in the same period the games are played. OLG's share of revenue is determined after the deduction of service providers' fees, primarily comprising a fixed fee, a variable fee (calculated as a percentage of gaming revenue) and an amount for the permitted capital expenditures, as defined. During the periods in which the Land-based Gaming sites were temporarily closed in each of fiscal 2020-21 and 2021-22, nil gaming revenue was recognized. However, during the closures, the Corporation continued to pay the fixed fee and permitted capital payments as required by the respective COSAs (Note 2.a) which were expensed on a pro-rata basis based on the number of days closed within commissions and fees whereas the portion related to days open was reflected in OLG's share of revenue in the consolidated statements of comprehensive income (Note 19.b). The nature of the service providers' fees paid during the temporary closures represented fees in exchange for services received and did not relate to gaming revenue.

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

### 17. Revenue (continued)

#### i. Gaming revenue (continued)

Under IFRS 9:

For any lottery, sports betting and casino game offerings (Caesars Windsor and digital casino) which fall under the scope of IFRS 9, revenue is recognized in the same period the related draw occurs, event is settled or game is played. Revenue represents the difference between the amounts earned through lottery and sports ticket sales or gaming wagers less prize payouts, net of any changes in accrued jackpot liabilities, fair value remeasurements of unsettled sports betting positions and liabilities under customer loyalty incentive programs.

#### ii. Non-gaming revenue

Under IFRS 15, revenue earned from accommodations, food and beverage, entertainment and other services is recognized in the period it is earned. OLG does not recognize non-gaming revenue generated at sites operated by Land-based Casino Gaming and Charitable Gaming service providers.

#### iii. Lease revenue

Under IFRS 15, the Corporation leases certain properties in exchange for fixed and variable lease payments, as applicable, pursuant to lease agreements, including property tax and operating cost reimbursements under certain leases. The fixed and variable payments are recognized in lease revenue as they are earned. In addition to these payments, an adjustment is made for certain leases with service providers in accordance with IFRS 15, to reallocate gaming revenue to lease revenue with the objective of recognizing a fair market value lease payment. A reallocation adjustment was not recognized when sites were temporarily closed in each of fiscal 2020-21 and 2021-22 as no gaming revenue was generated at the respective lease properties.

#### iv. Other items in revenue

##### Customer loyalty incentive programs

For programs that allow customers to earn points based on the volume of play during gaming or through purchases of non-gaming amenities, these points are recognized as a separate deliverable in the revenue transaction.

For programs that provide customers the right to receive cash, a financial liability is recognized when the points are granted and a corresponding amount equal to the cash value is recognized as a reduction to revenue. When the points are redeemed, expire or are forfeited, the financial liability is derecognized.

For programs that provide customers the right to receive free or discounted goods and services and/or free play, a financial liability is recognized when the points are awarded and a corresponding amount equal to the fair value is recognized as a reduction to revenue. The revenue is deferred until the points are redeemed, expire or are forfeited, at which time the financial liability is derecognized.

**Ontario Lottery and Gaming Corporation**  
**Notes to the Consolidated Financial Statements**  
For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

**17. Revenue (continued)**

**Complimentary items**

When complimentary goods and services or free play/tickets are provided to customers not in conjunction with a gaming transaction, the Corporation does not recognize revenue from the complimentary goods and services or free tickets.

**Contract liabilities**

Funds collected for unsettled sports betting positions and lottery games for which results are determined based on a draw, and for which tickets are sold in advance of the draw, are recorded as contract liabilities representing the portion of gaming revenue to be recognized once the related draw occurs or event is settled and a separate portion for prizes that the Corporation expects to be returned to players.

Contract liabilities also includes prepaid lease revenue and consideration received from Land-based Casino Gaming service providers related to OLG's future share of gaming revenue which is recognized on a straight-line basis over the duration of the respective COSA.

**b. Explanatory information**

**i. Disaggregation of revenue**

The Corporation's revenue disaggregated by line of business is as follows:

2022	Lottery	Land-based Gaming		Digital Gaming	Total
		Casino Gaming	Charitable Gaming		
Gaming revenue	\$ 1,922	\$ 992	\$ 47	\$ 427	\$ 3,388
Lease revenue	-	92	-	-	92
Non-gaming site revenue	-	5	-	-	5
Revenue	\$ 1,922	\$ 1,089	\$ 47	\$ 427	\$ 3,485
Revenue from administered games / other transactions in exchange for a defined good or service					2,868
Revenue from wagered games					617
<b>Revenue</b>					<b>\$ 3,485</b>

**Ontario Lottery and Gaming Corporation**  
**Notes to the Consolidated Financial Statements**  
For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

**17. Revenue (continued)**

**i. Disaggregation of revenue (continued)**

2021	Lottery	Land-based Gaming		Digital Gaming	Total
		Casino Gaming	Charitable Gaming		
Gaming revenue	\$ 1,831	\$ 31	\$ 27	\$ 295	\$ 2,184
Lease revenue	-	54	-	-	54
	\$ 1,831	\$ 85	\$ 27	\$ 295	\$ 2,238
Revenue from administered games / other transactions in exchange for a defined good or service					1,827
Revenue from wagered games					411
<b>Revenue</b>					\$ 2,238

**ii. Contract liabilities**

	2022	2021
Gaming Bundle contract liabilities (a)	\$ 179	\$ 193
Deferred lease revenue (b)	19	20
Deferred lottery and sports revenue	11	5
Expected prize payout	11	4
Gift cards	3	4
	223	226
Less: current portion	(68)	(45)
<b>Contract liabilities</b>	\$ 155	\$ 181

The amount of \$21 million included in contract liabilities at March 31, 2021 has been recognized as revenue in fiscal 2021-22 (fiscal 2020-21 - \$4 million).

**a. Niagara and GTA gaming bundle contract liabilities**

These liabilities represent consideration received in advance from the Niagara and GTA gaming bundle service providers related to OLG's future share of gaming revenue. No revenue from these contract liabilities was recognized during the temporary closures in each of fiscal 2020-21 and 2021-22.

**b. Deferred lease revenue**

Deferred lease revenue represents an amount prepaid from the West GTA gaming bundle service provider for the use of land and building where the casino in Brantford resides. The deferred lease revenue is recognized as lease revenue over the term of the lease.

**Ontario Lottery and Gaming Corporation**  
**Notes to the Consolidated Financial Statements**  
For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

**18. Long-term debt**

The Corporation's accounting policy and exposure to liquidity risks related to long-term debt is disclosed in Note 22.

	<b>2022</b>	<b>2021</b>
Gaming management system loan (a)	\$ 4	\$ 10
Lottery terminals loan (b)	51	53
	55	63
Less: current portion	(15)	(12)
<b>Long-term debt</b>	<b>\$ 40</b>	<b>\$ 51</b>

On June 1, 2012, the Province of Ontario amended the *Ontario Lottery and Gaming Corporation Act, 1999* to require the Corporation to finance certain capital expenditures with debt obtained from the OFA. The approval of the Minister of Finance is required for the Corporation to borrow funds for major capital expenditures.

**a. Gaming management system loan**

The gaming management system loan, which commenced in fiscal 2017–18, is repayable over five years in average semi-annual payments of \$4 million. The loan bears interest and fees of 2.65 per cent per annum and is unsecured. The loan is due September 30, 2022.

**b. Lottery terminals loan**

In February 2018, the Corporation entered into a loan agreement with the OFA, to borrow an amount up to \$86 million to finance the replacement and expansion of the Corporation's lottery terminal network and the Corporation's implementation of an enhanced communications network. During fiscal 2021–22, the Corporation drew \$4 million bringing the total cumulative loan balance to \$56 million inclusive of interest. The loan is repayable over five years in average semi-annual payments of \$6 million. The loan bears interest and fees of 1.641 per cent per annum and is unsecured.

**c. OFA loan agreement**

On May 6, 2020, as a result of the temporary closure of gaming facilities (Note 2.a), the Corporation entered into a loan agreement with the OFA to borrow an amount up to \$300 million for the purpose of providing the Corporation with short-term financing for operating and working capital expenses. During fiscal 2020-21, the Corporation had been advanced \$60 million and on February 18, 2021, the Corporation fully repaid the balance. At March 31, 2021 and March 31, 2022, the loan balance was nil and the remaining available credit facility is \$240 million. Subsequent to year-end, the OFA loan agreement expired on May 6, 2022.

**d. Self-serve lottery terminals loan**

On May 3, 2022, the Corporation entered into a loan agreement with the OFA, involving two facilities, to borrow an amount up to \$56 million to finance the purchase and installation of self-serve lottery terminals. Facility one is repayable, inclusive of interest accrued, at the earlier of the project completion date or December 31, 2025. Facility one bears interest equal to the three month Ontario Treasury Bill Rate plus 0.533 percent per annum compounded quarterly. The Corporation has not been advanced any funds under the loan as of the date of these consolidated financial statements.

**Ontario Lottery and Gaming Corporation**  
**Notes to the Consolidated Financial Statements**  
For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

**18. Long-term debt (continued)**

**e. Payments over the next five years**

Principal payments related to long-term debt that are expected to be made over the next five years are approximated as follows:

<b>As at March 31</b>	<b>Principal payments</b>	
2023	\$	15
2024		11
2025		11
2026		12
2027		6
	\$	55

**19. Commissions and fees**

	<b>2022</b>	<b>2021</b>
Lottery retailer commissions (a)	\$ 333	\$ 331
Service provider fees (b)	153	334
Operator fees (c)	99	65
Other (d)	7	6
<b>Commissions and fees</b>	<b>\$ 592</b>	<b>\$ 736</b>

**a. Lottery retailer commissions**

Commissions paid to lottery retailers are based on revenue earned by OLG, ticket redemptions or sales of major prize-winning tickets.

**b. Service provider fees**

Service provider fees consist of fees paid to Land-based Casino Gaming service providers and Charitable Gaming service providers during the period the Casino Gaming facilities and Charitable Gaming Centres were temporarily closed in each of fiscal 2020-21 and 2021-22. The nature of the service provider fees paid during the temporary closures represented fees in exchange for services received and did not relate to gaming revenue.

**c. Operator fees**

Operator fees include fees paid to the operator of Caesars Windsor, Charitable Gaming service providers (prior to the effective date of the CGCSPA) and to digital service providers.

**d. Other**

These primarily comprise fees paid to third parties related to PlaySmart Centres.

**Ontario Lottery and Gaming Corporation**  
**Notes to the Consolidated Financial Statements**  
For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

**20. Stakeholder payments**

	Notes	2022	2021
Payments to the Government of Canada	16	\$ 284	\$ 191
Gaming revenue sharing payment to OFNLP	24.c	81	149
Municipal commissions (a)		87	9
Horse racing funding	24.d	119	118
Other (b)		39	26
<b>Stakeholder payments</b>		<b>\$ 610</b>	<b>\$ 493</b>

**a. Municipal commissions**

Municipalities that host a Land-based Casino Gaming facility receive a percentage of Electronic Games Revenue and Live Table Games Revenue as defined in the Municipality Contribution Agreements. The Mississaugas of Scugog Island First Nation (MSIFN), as the host community of the Great Blue Heron Casino, receives a percentage of Electronic Games Revenue and Live Table Games Revenue as defined in the Contribution Agreement.

Municipalities that host Charitable Gaming Centres receive a commission based on a percentage of Adjusted Net Gaming Win, as defined in the Charitable Gaming Centre Municipality Agreements.

**b. Other**

Other Stakeholder payments include those made to charity and non-for-profit groups and the MSIFN Revenue Share Payment as defined in the Revenue Share Agreement.

**21. General operating, administration and other**

	2022	2021
General and administration (a)	\$ 83	\$ 61
Food, beverage and other purchases	3	-
ATM fees	(1)	-
Miscellaneous income	(12)	(3)
<b>General operating, administration and other</b>	<b>\$ 73</b>	<b>\$ 58</b>

**a. General and administration**

General and administration expenses are primarily comprised of office supplies and consumables, legal and consulting fees, settlements, research and development, travel, telecommunication, information technology and other miscellaneous expenses.

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

### 22. Financial risk management and financial instruments

#### a. Accounting policy

##### i. Financial assets

The Corporation initially recognizes financial assets on the trade date, which is the date the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value plus any directly attributable transactions costs or the transaction price. Subsequently, their measurement depends on the category in which they are classified.

On initial recognition, a financial asset is classified as and subsequently measured at amortized cost, fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVTOCI) depending on the business model for managing the financial assets and the contractual terms of the cash flows.

The Corporation's financial assets classified as and subsequently measured at amortized cost are comprised of cash, restricted cash, trade and other receivables, due from service providers and finance lease receivable. Subsequent to initial recognition, these financial assets are measured at amortized cost using the effective interest method, less any allowance for expected losses.

The Corporation does not have FVTPL or FVOCI financial assets.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

##### ii. Financial liabilities

The Corporation initially recognizes financial liabilities on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at fair value.

On initial recognition, a financial liability is classified as and subsequently measured at amortized cost or FVTPL.

The Corporation's non-derivative financial liabilities measured at amortized cost are comprised of trade and other payables, due to operator and service providers, due to Government of Canada, long-term debt and lease liabilities. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Interest expense is recognized in profit or loss.

The Corporation's derivative financial liabilities measured at FVTPL include any current contract liabilities arising from wagering transactions as well as the liability relating to the Brantford lease arrangement (Note 17.b.ii). Subsequent to initial recognition, these financial liabilities are measured at fair value. Net gains or losses, including any interest expense, are recognized in profit or loss.

The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled or have expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognized in profit or loss.

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

### 22. Financial risk management and financial instruments (continued)

#### iii. Offsetting

Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position only when the Corporation has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### iv. Impairment of financial assets

At each reporting date, the Corporation assesses financial assets carried at amortized cost under an expected credit loss model (ECL). ECLs are a probability-weighted estimate of credit losses based on the difference between the cash flows due to the Corporation in accordance with the contract and the cash flows the Corporation expects to receive, discounted at the effective interest rate of the financial asset.

The Corporation measures loss allowances at an amount equal to lifetime ECL, which are losses that result from all possible default events over the expected life of the financial asset.

For trade receivables, the Corporation uses past experience of historic actual credit losses and an assessment of the current economic environment as the basis for estimating ECLs and applies this estimate to its gross balance (net of balances already fully impaired and written off) at each reporting date. The Corporation believes this amount to best reflect the ECL. ECLs are discounted at the effective interest rate of the financial asset.

For receivables due from service providers and finance lease receivable, the Corporation uses historic actual credit losses adjusted for forecasts of future conditions.

Loss allowances on financial assets measured at amortized cost are deducted from the gross carrying amount of the asset, and the related impairment loss is recorded in the consolidated statements of comprehensive income. The gross carrying amount of a financial asset is written off when the Corporation has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

### b. Explanatory information

#### i. Overview

The Corporation has exposure to credit risk, liquidity risk and market risk from its use of financial instruments. This note presents information about the Corporation's exposure to each of these risks and the Corporation's objectives, policies and processes for measuring and managing them.

#### ii. Risk management framework

The Corporation has a formal Enterprise Risk Management Program, which conforms to the Ontario Management Board of Cabinet Risk Management requirements and guidelines. This program supports the Corporation in the identification, assessment, management, and monitoring of risks that could impact the achievement of financial and non-financial objectives.

The Board of Directors considers enterprise risks and risk appetite in board deliberations including strategic planning, budget reviews and approvals for material transactions. The Board of Directors, through its Audit and Risk Management Committee (ARMC), provides oversight, direction, and support for the Enterprise Risk Management Program. The ARMC is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc engagements to assess risk management controls and procedures, the results of which are reported to the ARMC.

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

### 22. Financial risk management and financial instruments (continued)

#### ii. Risk management framework (continued)

The Corporation's financial risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation's activities.

The Corporation, through its policies, training and management standards and procedures, aims to enable employees at all levels of the organization to understand risks, to exercise appropriate risk-taking and to develop a strong control environment in which all employees understand their roles and obligations.

#### iii. Credit risk

Credit risk is the risk that the Corporation will suffer a financial loss due to a third party failing to meet its financial or contractual obligations to the Corporation. The Corporation has financial instruments that potentially expose it to a concentration of credit risk. The instruments consist of trade and other receivables, due from service providers and finance lease receivable. The gross trade and other receivables, due from service providers and finance lease receivable represents the Corporation's maximum exposure to credit risk, however, this risk is mitigated by letters of credit or escrow funds held with service providers, as discussed below.

##### Trade and other receivables

Trade and other receivables primarily include credit provided to retailers of lottery products and are due for settlement no more than 30 days from the date of recognition. The Corporation performs initial credit or similar evaluations and maintains reserves for potential credit losses on accounts receivable balances. The receivables from lottery retailers are short term in nature and are collected by bank account sweeps, making the likelihood of credit loss very low. The carrying amount of these financial assets represents the maximum credit exposure. Historically, the Corporation has not experienced any significant losses in trade and other receivables.

The amounts disclosed in the consolidated statements of financial position for trade and other receivables are net of expected credit losses. As at March 31, 2022 and March 31, 2021, the Corporation had a negligible provision for expected credit losses. The Corporation believes that its provision for expected credit losses is sufficient to reflect the related credit risk.

##### Due from service providers

Amounts due from Land-based Casino Gaming service providers relate primarily to the calculation and the timing of settlement of service provider fees and are expected to be settled, within 120 days after year-end. However as a result of COVID-19, certain payments were deferred over longer periods. Historically, the Corporation has not experienced any losses from amounts due from service providers. Pursuant to the COSAs, each Land-based Casino Gaming service provider has provided the Corporation with a letter of credit or escrow fund. The amount of each letter of credit or escrow fund is in excess of the amounts due to the Corporation at March 31, 2022.

As at March 31, 2022, the gross amount due from service providers was \$38 million (March 31, 2021 - \$46 million) primarily due from two Land-based Casino Gaming service providers which represents 89 per cent (March 31, 2021 - 97 per cent) of the gross amount due from service providers.

**Ontario Lottery and Gaming Corporation**  
**Notes to the Consolidated Financial Statements**  
For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

**22. Financial risk management and financial instruments (continued)**

**iii. Credit risk (continued)**

As at March 31, 2022, the Corporation had a provision for expected credit losses of \$3 million (March 31, 2021 – \$3 million). The Corporation believes that the provision for expected credit losses is sufficient to reflect the related credit risk.

**Finance lease receivable**

The finance lease receivable represents the payments to be received over the term of the leases.

As at March 31, 2022, the gross finance lease receivable was \$165 million (March 31, 2021 - \$164 million) due from two Land-based Gaming service providers. To date, the Corporation has not experienced any losses from payments due under finance lease receivable.

As at March 31, 2022, the Corporation had a provision for expected credit losses of \$5 million (March 31, 2021 - \$4 million). The Corporation believes that the provision for expected credit losses is sufficient to reflect the related credit risk.

**iv. Liquidity risk**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as much as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The Corporation manages its liquidity risk by performing regular reviews of net income and cash flows from operations and continuously monitoring the forecast against future liquidity needs.

The undiscounted contractual maturities of financial liabilities are as follows:

<b>2022</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>&lt;1 year</b>	<b>1 - 2 years</b>	<b>3 - 5 years</b>	<b>&gt; 5 years</b>
Trade and other payables	\$ 376	\$ 376	\$ 376	\$ -	\$ -	\$ -
Due to operator and service providers	211	211	139	-	-	72
Due to Government of Canada	40	40	40	-	-	-
Long-term debt	55	57	15	12	30	-
Lease liabilities	411	530	31	31	91	377
	<b>\$ 1,093</b>	<b>\$ 1,214</b>	<b>\$ 601</b>	<b>\$ 43</b>	<b>\$ 121</b>	<b>\$ 449</b>

**Ontario Lottery and Gaming Corporation**  
**Notes to the Consolidated Financial Statements**  
For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

**22. Financial risk management and financial instruments (continued)**

**iv. Liquidity risk (continued)**

<b>2021</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>&lt;1 year</b>	<b>1 - 2 years</b>	<b>3 - 5 years</b>	<b>&gt; 5 years</b>
Trade and other payables	\$ 336	\$ 336	\$ 336	\$ -	\$ -	\$ -
Due to operator and service providers	75	75	75	-	-	-
Due to Government of Canada	18	18	18	-	-	-
Long-term debt	63	68	13	15	34	6
Lease liabilities	423	553	30	31	91	401
	<b>\$ 915</b>	<b>\$ 1,050</b>	<b>\$ 472</b>	<b>\$ 46</b>	<b>\$ 125</b>	<b>\$ 407</b>

**v. Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes interest rate risk.

**Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Corporation has financial assets and liabilities that potentially expose it to interest rate risk.

The Corporation is subject to interest rate risk on its long-term debt.

At March 31, 2022, long-term debt consists of two loan agreements with the OFA. The loan agreements have fixed interest rates for their entire terms of the repayment periods.

At March 31, 2022, the Corporation had cash of \$334 million (March 31, 2021 – \$443 million). The impact of fluctuations in interest rates is not significant and, accordingly, a sensitivity analysis of the impact of fluctuations in interest rates on net income has not been provided.

**vi. Fair values measurement**

The carrying values of cash, restricted cash and trade and other receivables approximate fair value because of the short-term nature of these financial instruments or because amounts are held in escrow accounts. The carrying values of due from service providers and finance lease receivable also approximate their fair values based on the recognition of an expected credit loss allowance. The carrying amounts of trade and other payables, current due to operator and service providers, due to the Government of Canada and certain current derivative contract liabilities approximate fair values because of the short-term nature of these financial instruments or because they are payable on demand.

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

### 22. Financial risk management and financial instruments (continued)

#### vi. Fair values measurement (continued)

Lease liabilities are carried at amortized cost using the effective interest method which approximates fair value. Non-current due to operator and service providers approximates fair value because the amounts due are held in escrow accounts. The fair value of the Corporation's long-term debt is not determinable given its related-party nature, and there is no observable market for the Corporation's long-term debt.

Financial instruments are measured subsequent to initial recognition at fair value and grouped into one of three levels based on the degree to which the fair value is observable. The Corporation has determined the fair value of its financial instruments as follows:

**Level 1** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2** fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices).

**Level 3** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

The lease arrangement for the Brantford property (Note 9.b) requires the Corporation on expiry or termination of the lease to buy back the property of the then fair market value. Valuing this option requires level 3 (valuation techniques using non-observable data) inputs.

The Corporation's derivative financial liabilities representing wagering transactions of certain lottery draw based games that are set to take place in the future and unsettled sports betting positions involves level 3 (valuation techniques using non-observable data) inputs.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

### 23. Employee benefits

#### a. Accounting policy

##### i. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions are recognized as an employee benefit expense in the consolidated statements of comprehensive income in the periods during which services are rendered by the employees.

##### ii. Defined benefit plans

A defined benefit plan is a post-employment benefit plan that requires entities to record their net obligation in respect of the plan and is not a defined contribution plan. The Corporation has defined benefit plans classified as state plans as there is no contractual agreement or stated policy for charging the net defined benefit cost of the plans to the Corporation. As such, the Corporation accounts for these post-employment benefits as a defined contribution plan and does not record additional liability for the plan deficit. The annual contribution made by the Corporation are recorded as an expense in the consolidated statements of comprehensive income.

##### iii. Other long-term benefits

The Corporation's net obligation with respect to long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value and the fair value of any related assets is deducted.

##### iv. Termination benefits

Termination benefits are recognized as an expense at the earlier of when the Corporation can no longer withdraw the offer of those benefits and when the Corporation recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, they are discounted to their present value.

##### v. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability and expense are recognized for the amount expected to be settled wholly within 12 months of the end of the reporting period if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

# Ontario Lottery and Gaming Corporation

## Notes to the Consolidated Financial Statements

For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

### 23. Employee benefits (continued)

#### b. Explanatory information

##### i. Defined contribution plans

The operator of Caesars Windsor has created defined contribution pension plans for its employees. The pension expense for Caesars Windsor defined contribution plans for fiscal 2021–22 amounted to \$4 million (fiscal 2020–21 – \$2 million).

##### ii. Other post-employment benefit plans

The Corporation provides defined benefit pension plans through the Public Service Pension Fund (PSPF) and administered by the Ontario Pension Board. The Corporation does not have a net obligation in respect of the defined benefit pension plans as the plans are sole-sponsored defined benefit plans established by the Province of Ontario. The Province of Ontario controls all entities included in the pension plans.

Contribution rate for the PSPF are set by the *Public Service Pension Act*, whereby the Corporation matches all regular contributions made by the member. The Corporation's contribution and pension expense for fiscal 2021–22 was \$10 million (fiscal 2020–21 – \$11 million).

##### iii. Other long-term employee benefits

As a Schedule 2 employer under the *Workplace Safety and Insurance Act, 1997*, (the Act), the Corporation is individually responsible for the full cost of accident claims filed by its workers. The Workplace Safety and Insurance Board (WSIB) maintains full authority over the claims entitlement process and administers and processes claims payments on the Corporation's behalf. WSIB liabilities for self-insured employers are reported in the consolidated statements of financial position.

The WSIB accrual at March 31, 2022 was \$12 million (March 31, 2021 – \$14 million), of which \$10 million (March 31, 2021 – \$12 million) was included in non-current employee benefits liability and \$2 million (March 31, 2021 – \$2 million) was included in trade and other payables (Note 10). The accrued benefit costs are based on actuarial assumptions.

The operator of Caesars Windsor is a Schedule 1 employer under the Act and is not subject to the financial reporting requirements of self-insured employers.

**Ontario Lottery and Gaming Corporation**  
**Notes to the Consolidated Financial Statements**  
For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

**24. Commitments**

	HST on lease commitments (a)	Suppliers (b)	Total
2023	\$ 19	\$ 94	\$ 113
2024	13	15	28
2025	10	6	16
2026	9	4	13
2027	7	4	11
	58	123	181
Thereafter	79	70	149
	\$ 137	\$ 193	\$ 330

**a. HST on lease commitments**

The Corporation and Caesars Windsor have entered into several agreements to lease property, plant and equipment from the Corporation's subsidiary. The non-recoverable HST and the additional imputed tax on the gaming-related assets payable to the Government of Canada (Note 16.b) on the future lease payments are approximated as summarized above.

**b. Suppliers**

The Corporation has computer hardware and software maintenance, utility service, lottery and digital gaming services and ticket printing with future payments as at March 31, 2022. The future payments are approximated as summarized above.

**c. Ontario First Nations (2008) Limited Partnership**

On February 19, 2008, Her Majesty the Queen in Right of Ontario, the Corporation, the Ontario First Nations Limited Partnership and Ontario First Nations (2008) Limited Partnership entered into the Gaming Revenue Sharing and Financial Agreement (GRSFA). Pursuant to the terms of the GRSFA and an Order-in-Council, the Corporation was directed to pay the Ontario First Nations (2008) Limited Partnership (OFNLP), commencing in fiscal 2011–12 for revenues generated in fiscal 2010–11 and in each fiscal year thereafter for the remaining initial 20-year term of the agreement, twelve monthly payments aggregating to an amount equal to 1.7 per cent of the prior fiscal year's Gross Revenues of the Corporation, as defined in accordance with the GRSFA (gaming revenue sharing payment to OFNLP). Pursuant to the GRSFA, during fiscal 2021–22, \$81 million was expensed (fiscal 2020–21 – \$149 million) as Monthly Revenue Share Payments to OFNLP.

**d. Horse Racing Funding Agreement**

On April 1, 2019, the Corporation began directly funding the Ontario horse racing industry pursuant to the terms and conditions of a new Amended and Restated Funding Agreement for Live Horse Racing, which provides the industry with up to approximately \$117 million per year for up to 19 years. In addition, the Corporation is committed to contribute \$3 million annually as part of the three-year transitional funding support of purses and operating costs for grassroots and signature-level racetracks.

# **Ontario Lottery and Gaming Corporation**

## **Notes to the Consolidated Financial Statements**

For the years ended March 31, 2022 and 2021  
(in millions of Canadian dollars)

### **24. Commitments (continued)**

#### **d. Horse Racing Funding Agreement (continued)**

During fiscal 2020-21, the Amended and Restated Funding Agreement for Live Horse Racing was amended due to the COVID-19 pandemic which caused the suspension of live horse racing in Ontario. The amendment allowed for scheduled funding to be reallocated during the temporary closures to cover certain costs to care and train racehorses. In addition, the three-year transition funding, which was set to expire on March 31, 2021, was amended to continue to the end of the first term of the agreement, March 31, 2026.

The Corporation also provides the Ontario horse racing industry with advice and support in areas including responsible gambling, marketing and performance management.

### **25. Contingencies**

The Corporation is, from time to time, involved in various legal proceedings of a character normally incidental to its business including related to the interpretation of its contracts. The Corporation makes significant judgements in determination of the probability of loss when assessing contingent liabilities. The Corporation believes either the probability of an outflow of resources is not determinable or it is not probable that the ultimate resolution of any of these proceedings and claims, individually or in total, will have a material adverse effect on the Corporation's business, financial results, or financial condition. The Corporation recognizes a provision for legal proceedings during the period when the ultimate outcome becomes probable and if such amount is estimable (Note 11). Changes in the Corporation's assessment regarding the probability or estimate in a particular case is evaluated each period-end. Changes, if any, concerning these contingencies will be accounted for as a charge in the consolidated statements of comprehensive income.



**olg.ca**

**SAULT STE. MARIE**

70 Foster Drive, Suite 800

Sault Ste. Marie, ON P6A 6V2

705-946-6464

**TORONTO**

4120 Yonge Street, Suite 500

Toronto, ON M2P 2B8

416-224-1772



An Operational Enterprise Agency of the Province of Ontario

**OLG Support Centre – Customer Inquiries**

1-800-387-0098

**The Ontario Problem Gambling Helpline**

1-888-230-3505

ISSN 1499 4887

*Ce rapport est également publié en français sous le nom de*

*Rapport annuel 2021-2022 de la Société des loteries et des jeux de l'Ontario. Il est disponible en composant le 1-800-387-0098.*