

— NOVA SCOTIA PROVINCIAL —
LOTTERIES & CASINO CORPORATION

2018-19 BUSINESS PLAN

February 2018

Nova Scotia Provincial Lotteries
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Message from the Minister, Chair, and President & CEO

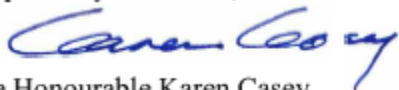
We are pleased to present the Nova Scotia Provincial Lotteries and Casino Corporation (NSPLCC) Business Plan for 2018-19. The Plan focuses on our promise to offer an industry that is well regulated, fun and entertaining, and provides Nova Scotians with real benefits. This Plan is about making Nova Scotia a better place by being a key contributor to the Province, its people and good causes that are important to Nova Scotians and creating a gaming industry Nova Scotians are proud of and enjoy.

NSPLCC's mandate is to run the business in a manner that is accountable, sustainable and socially responsible. The corporation will offer first-class responsible gambling programs to Nova Scotians. One hundred percent of the profits from regulated gambling is used by government to fund priority programs and services. NSPLCC and its operators are proud to be key contributors to the Nova Scotia economy since its inception.

The 2018-19 Business Plan links a business culture with a promise to give back to the people of Nova Scotia. Through the *Support4Sport* program, Nova Scotians have raised more than \$35 million to support local athletes, coaches, officials and community sport organizations since its inception in 2006. This program is now the largest contributor to sport in Nova Scotia and reflects a longstanding historical link between gambling and sport. Modelled on the success of the *Support4Sport* program, NSPLCC launched *Support4Culture* in 2013, a program that has contributed more than \$8.6 million to support the arts, culture and heritage sectors.

NSPLCC's Plan for 2018-19 highlights its strategies to achieve responsible economic returns in an environment where there is increasing competition from both regulated and non-regulated gambling options. NSPLCC is committed to offering Nova Scotians a socially responsible and economically sustainable gambling industry.

Respectfully submitted,



The Honourable Karen Casey
Minister responsible for Part I of the *Gaming Control Act*



Byron Rafuse
Chair, Board of Directors



Robert MacKinnon
President & CEO

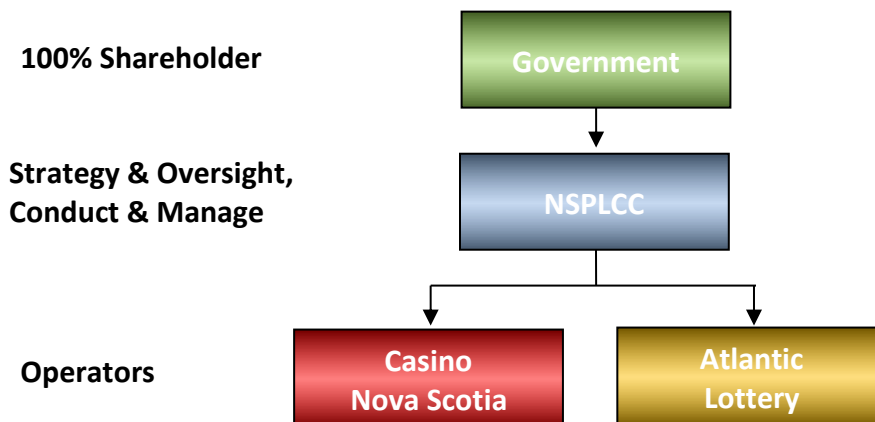
Mission

The Nova Scotia Provincial Lotteries and Casino Corporation's mission is to offer trusted and entertaining responsible gambling experiences, optimizing the benefits for Nova Scotians.

Organization Mandate

The Nova Scotia Provincial Lotteries and Casino Corporation (NSPLCC) is responsible for managing regulated gambling in the province. It is a Crown corporation governed by Part I of the *Gaming Control Act*, charged with leading a viable and socially responsible gambling industry for the benefit of all Nova Scotians. NSPLCC works hard to meet the needs of Nova Scotians and to earn their trust. NSPLCC's vision is to have a gambling industry Nova Scotians are proud of and enjoy.

NSPLCC's role is to ensure gambling in Nova Scotia is socially responsible while making reasonable profits for the government. In performing this role, NSPLCC oversees its operators, Atlantic Lottery Corporation (ALC) and Casino Nova Scotia (CNS), who carry out the day-to-day business on NSPLCC's behalf. The Government, and ultimately the people of Nova Scotia are the shareholders and owners of the industry.



The public demands that government offer regulated gambling in a socially responsible manner. Nova Scotians have the right to expect the highest ethical standards, integrity, and social and fiscal accountability from NSPLCC. Corporate social responsibility is a critical part of NSPLCC and its pledge to be socially responsible means giving players the information they need to play responsibly, ensuring the integrity of the industry, and giving back to the people of Nova Scotia.

Core Responsibilities and Services

NSPLCC contributes to the Province in a number of notable ways. While the economic benefits are substantial, managing the business in a socially responsible manner is a primary objective.

Each year, 100% of NSPLCC's profits go back to the Province and provide major benefits to Nova Scotians through the funding of programs and services including education, transportation and healthcare. In 2018-19, NSPLCC will provide \$145.0 million to the Province to fund vital programs and services. The industry also creates and supports employment 517 people and will add more than \$38.7 million in retail commissions to local businesses. With a mandate to deliver 100% of its profits to support important programs and services, NSPLCC and its operators are proud to be key contributors to the Nova Scotia economy and a source of funding for government.

NSPLCC will continue to achieve its core business functions, as follows:

Operations Management

NSPLCC will continue to effectively manage its various businesses: ticket lottery, video lottery and casinos. There are three aspects of this activity:

1. *Operator Management* – Oversee NSPLCC's Operators (i.e., ALC and CNS), to ensure there is strategic alignment with Nova Scotia's goals and that projects are completed as planned. Ensuring the Operators offer products that are fun and entertaining as well as socially responsible in an environment of security and integrity are key objectives.
2. *Risk Management and Quality Control* – Proactively manage risks and employ effective quality control processes of NSPLCC and its Operators' day-to-day activities and the business environments in which they operate.
3. *Compliance Management* – Ensure operations conform to legislation, regulations, contracts and policies. Careful oversight of operations allows NSPLCC to ensure the industry is managed to the highest standards of integrity, public confidence and security, and is a critical piece of NSPLCC's mandate.

Responsible Industry Development

NSPLCC focuses on initiatives that will develop a balanced and socially responsible industry that is sustainable and benefits all Nova Scotians through:

1. *Policy and Planning* – Manage the business to provide value to Nova Scotians and ensure the business and strategies are aligned with the Province's goals for gambling.
2. *Responsible Product Implementation* – Make evidence-based decisions in assessing changes to products and environments in which they are offered.
3. *Social Responsibility* – Nova Scotia leads responsible gambling and continues to be among the most socially responsible jurisdictions in the world. NSPLCC will continue to offer responsible gambling programs that promote awareness, education and informed choice for all Nova Scotians.

Status of 2017-18 Activities

Over the past year, NSPLCC has seen success in meeting its targets and is on track to achieve all of its objectives for 2017-18, including:

Casinos: Casinos in Nova Scotia were promoted as a one-stop destination that provides gambling, entertainment and high-quality restaurants. A project to update the Halifax casino was completed in the fall. This involved an expansion of the entertainment options and a general freshening of the gaming floor as well as the renovation and re-launch of the restaurants and buffet services at the property.

Ticket Lottery: In September 2017, NSPLCC achieved a significant milestone by completing the replacement of the lottery central system, allowing for new game content and better play experiences for Nova Scotians.

Video Lottery: Video lottery remained a sustainable source of revenue for government and the video lottery business line continued to be supported with new game content.

Responsible Gambling: Responsible gambling programs remain a priority for NSPLCC. Initiatives completed in 2017-18 included:

- Responsible Gambling Awareness Week;
- Promote the integration of Responsible Gambling Resource Centres into the casino environment; and,
- Responsible Gambling Training Programs for ticket lottery and video lottery retailers as well as the launch of a new training program for casino staff.

2018-19 Strategic Goals

NSPLCC is guided by a vision to offer a gambling industry that is fun, while being a major contributor to the economy, communities and good causes. There are four goals related to this activity:

Goal #1: Provide exceptional value by offering fun products to achieve responsible revenue and profits

NSPLCC will ensure a responsible return to the Province by using sustainable business models and fulfilling its commitment to integrity and security. NSPLCC will make evidence-based decisions that incorporate responsible gambling in the design, delivery, promotion and use of its products, and will facilitate benefits to communities, businesses, and individuals across the province.

Goal #2: Provide customers with products they want in an environment they expect

NSPLCC will deliver products that customers want, when, where and how they want them. The corporation will seek input from players to make sound decisions on how to advance the gambling industry in Nova Scotia.

Goal #3: Lead responsible gambling

NSPLCC will advance its social responsibility agenda by leading responsible gambling programs that provide Nova Scotians with the tools and information they need to make informed decisions. NSPLCC will look to make gambling fun, safe and responsible, which requires the corporation to conduct business with an understanding of how its activities can impact others.

Goal #4: Focus on Nova Scotians through excellence in corporate social responsibility

The people of Nova Scotia are NSPLCC's valued customers, employees, neighbours, families, suppliers and business partners. The corporation strives for excellence as a steward of the gambling industry to provide entertaining, enjoyable experiences. NSPLCC will leverage designated revenue and industry expertise to support good causes throughout the province.

NSPLCC will provide strong management and accountability by ensuring timely and complete communication to the media, public, and stakeholders when managing the business.

Priorities for 2018-19

Provide exceptional value by offering fun products to achieve responsible revenue and profits

In striving to generate responsible economic returns, NSPLCC will focus its attention on the following priorities in 2018-19:

Casinos – CNS will work to increase player engagement by offering experiences that meet and exceed expectations. CNS will also evaluate ongoing tactics to support long-term sustainability of the casino properties. The casinos will focus on the total experience by ensuring entertainment is a key component of all aspects of the operation. The casinos will continue to provide guests with games that are appealing as well as high-quality dining, and attractive entertainment offerings.

Ticket Lottery – Ticket lottery is NSPLCC's most mature business line and requires investments to sustain the existing business and will require additional innovation to be sustainable. In 2018-19, Atlantic Lottery will leverage the systems and investments made over the past number of years and is now in a position to offer new game content and an improved player experiences to Nova Scotians. Atlantic Lottery will focus on evaluating and developing strategies and innovations that will responsibly grow the ticket lottery player base and provide a framework for sustainable

growth. The ticket lottery business will focus on re-engaging current and lapsed players, while making efforts to attract new players to broaden the player demographic for lottery products.

Video Lottery – Video lottery is a mature product and unlikely to be a sustainable source of revenue for government in the long-run. The focus for 2018-19 will be on stabilizing the video lottery business as well as looking at opportunities for improvement. Efforts will also be made to further integrate responsible gambling into the day-to-day operations at retail locations in order to reduce the stigmatization of video lottery and its players.

Provide customers with products they want in an environment they expect

The plan for 2018-19 is to improve the player experience for those who choose to purchase lottery products online, and to sustain NSPLCC's ability to compete in the online space. The corporation will strive to ensure that the transactional web portal and any player-facing components meet industry standards and the players' expectations. In addition, NSPLCC will continue to ensure that the online platform offers a safe and regulated environment in which to play, as well as providing sufficient harm-mitigation tools for those who choose to gamble online.

Lead responsible gambling

Responsible gambling programs remain a priority for NSPLCC. The cornerstone of NSPLCC's social responsibility mandate remains its commitment to responsible gambling. The development of the NSPLCC Social Responsibility Charter in 2006 put social responsibility top of mind for the corporation, and it is integrated into its corporate culture. All aspects of the business are looked at through a social responsibility lens to ensure the commitment to balancing economic sustainability with social responsibility is met. NSPLCC will continue a number of responsible gambling programs as follows:

- Responsible Gambling Awareness Week;
- Responsible Gambling Resource Centres at both casinos;
- Mobile Access to Responsible Gambling Information (MARGI) at both casinos; and
- Responsible gambling tools and training for ticket and video lottery retailers, casino staff, and NSPLCC employees.

The corporation will continue to offer products that are socially responsible. Responsible Gambling Assessments (RGAs) will be performed to ensure that all new products, initiatives and projects are reviewed using an industry best-practice evaluation program.

NSPLCC will continue to collaborate with industry experts in the field of responsible gambling to ensure that best practices are employed in the region and Nova Scotians benefit from a leading and responsible gambling industry.

Focus on Nova Scotians through excellence in corporate social responsibility

Nova Scotia's communities will continue to receive support from NSPLCC. The *Support4Sport* program, which raises funds through the sale of lottery products, is expected to raise \$4.0 million for sport, which will be used to buy sports equipment, create recreation/participation programming

for all ages, support performance training programs for competitive athletes, and hire coaches at all levels, making it the largest source of funding for amateur sport in the province. In addition, the *Support4Culture* program, another designated lottery program, was launched in 2013 and is expected to raise \$4.0 million in 2018-19 for arts, culture, and heritage in communities throughout Nova Scotia.

The *Support4Communities* program provides in-kind support and learning opportunities for charitable organizations in Nova Scotia. Initiatives include the *Support4Communities* Casino Night program, which supports licensed Monte Carlo fundraisers, and *Support4Communities* Fundraising Seminars, which provide learning opportunities for community leaders and charitable organizations wanting to improve their fundraising efforts.

As a public organization, NSPLCC must be transparent, with timely and open communications. To achieve this, quarterly reports, an annual report, a business plan, a community report, fact sheets about NSPLCC programs and the gambling industry, and news releases will be made available via its website throughout the year. Working with its operators, NSPLCC will continue to ensure that Nova Scotians stay informed about where gambling revenues come from and where they go.

Outcomes and Performance Measures

Outcome	Indicator(s)	Measure(s)	Baseline	Target 2018-19	2018-19 Strategies and Initiatives	Long-term Target 2021-22
Nova Scotia has an economically sustainable and socially responsible gambling industry.	The Province has a sustainable source of revenue from gambling to help pay for programs and services	Gross sales	(2011-12) \$427.4 million	\$458.9 million	Continue to provide relevant and engaging products to players in a safe and regulated environment	\$458.9 million
		Payment to Province	6-year Average (2010 to 2016) \$135.6 million	\$145.0 million	Ensure Operators are meeting business plan objectives	\$144.9 million
	Government reduced reliance on revenue from VLTs	Video Lottery as % of total provincial revenue	2010-11 0.91%	0.99%	Remove VLTs through natural attrition and grow revenue from other business lines (e.g., Ticket Lottery)	0.90%
	NSPLCC supports small businesses across the province through commissions to retailers	Commission paid to retailers	2010-11 \$39.8 million	\$38.7 million	Leverage new ticket and video lottery products and make further enhancements to the video lottery business model	\$39.9 million
Nova Scotia has a socially responsible gambling industry, players have the information they need to play responsibly, and games remain entertaining, safe and fun.	Nova Scotians are aware of appropriate responsible gambling behaviours	% of public that can cite two responsible gambling behaviours	2008-09 16.1%	25%	Execute responsible gambling and public awareness programs	25%
	Nova Scotians are aware of and support NSPLCC's support for responsible gambling programs	% of public that support NSPLCC's commitment to responsible gambling	2007-08 68%	75%		75%
Nova Scotia's gambling industry is trusted and supported.	NSPLCC's response time to routine access request for information	% of routine access requests responded to within two business days	100%	100%	Employ sound operations management	100%
	Nova Scotians are in favour of regulated gambling	% support for regulated gambling	5-year Average (2011 to 2016) 54%	55%	Execute initiatives in the Social Responsibility Business Plan	70%

2018-19 Budget

	Estimate 2017-18 (\$ 000)	Forecast 2017-18 (\$ 000)	Estimate 2018-19 (\$ 000)
Sales			
Casinos	\$69,800	\$85,900	\$82,100
Ticket Lottery	225,800	223,600	237,600
Video Lottery	<u>137,900</u>	<u>135,200</u>	<u>139,200</u>
Total Sales	<u>433,500</u>	<u>444,700</u>	<u>458,900</u>
Cost of Sales	<u>289,700</u>	<u>298,100</u>	<u>311,600</u>
Gross Profit	<u>143,800</u>	<u>146,600</u>	<u>147,300</u>
Expenses			
Responsible Gambling Programs	7,600	7,000	7,400
Commitments to Community Programs	<u>9,500</u>	<u>9,300</u>	<u>9,500</u>
Total Expenses	<u>17,100</u>	<u>16,300</u>	<u>16,900</u>
Net Income	126,700	130,300	130,400
Casino Win Tax	<u>12,600</u>	<u>15,400</u>	<u>14,600</u>
Payment to Province	<u>\$139,300</u>	<u>\$145,700</u>	<u>\$145,000</u>