

Business Plan

2018/19 to 2020/21



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AGCO

Alcohol and Gaming
Commission of Ontario

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1. EXECUTIVE SUMMARY

The *2017 Ontario Budget* and *2017 Ontario Economic Outlook and Fiscal Review* both clearly demonstrate the Government's support for enhancing economic development in Ontario, in part, through the reduction of administrative and regulatory burden on businesses. The Alcohol and Gaming Commission of Ontario (AGCO) is in the process of undergoing a major transformation to modernize the way it regulates the alcohol, gaming, and horse racing industries. The objective of this transformation is to improve services and increase flexibility for the alcohol, gaming, and horse racing industries, while continuing to regulate these industries to ensure they operate with honesty and integrity and in the public interest. Recent transformation initiatives, as communicated through the AGCO Strategic Plan, are creating an organization that is nimble, forward-looking, and ready to respond to new challenges in an evolving regulatory environment.

The AGCO's 2013/14 - 2017/18 Strategic Plan has established five strategic goals for the organization: Modern Regulator, Value for Money, Strategic Engagement, Quality Service Experience and Rewarding Workplace. These goals are aligned with and support the achievement of key government objectives for enhanced accountability and efficiency in the delivery of public services, evidence-based decision making and policy development, and reducing the administrative burden on businesses.

The continued transition to a risk-based, outcomes-based and compliance-focused approach to regulation, as well as the implementation of a standards-based regulatory model in the gaming sector, has provided greater flexibility for regulated entities in terms of how they achieve regulatory compliance. At the same time, these approaches have also enabled the AGCO to more effectively manage risks, while ensuring its approach to regulation is fair and responsive, and protects the public interest.

The AGCO continues a sustained commitment to strategic engagement as a key aspect of how it does business. This strategy has enhanced stakeholder awareness about major corporate initiatives, and has been leveraged as a means of consensus-building for the development of evidence-based policy. This approach has aided the AGCO in its support of significant government objectives, including the sale of beer, wine, and cider in grocery stores.

Going forward, modernization efforts in accordance with the AGCO Strategic Plan will continue to be realized through a number of significant initiatives, most notably the ongoing implementation of iAGCO, the AGCO's new electronic service delivery platform that supports licensing, permits and registrations for its regulated sectors. Currently, iAGCO functionality allows for the online application and issuance of Special Occasion Permits (SOP) and liquor manufacturer licences, with preparations underway to launch the second and third phases of implementation in the coming year.

As the AGCO enters the final year of its five-year Strategic Plan, the organization remains focused on the current strategic direction, while continuing to evolve its regulatory and business functions in support of government objectives and to successfully meet its ever-expanding regulatory mandate within Ontario's complex alcohol, gaming and horse racing industries.

2. KEY ACHIEVEMENTS

During the last year, the AGCO accomplished a number of key initiatives in support of the AGCO's Strategic Goals and Business Plan commitments. These include:

Modern Regulator

- The new Horse Racing Appeals Panel (HRAP) was established on April 1, 2016, to provide a fair, open and accessible adjudication process for appeals and decisions made under the Rules of Racing. During its first year of activities, HRAP implemented a new hearing canvassing procedure, procured a new court reporting service and updated the Rules of Procedure.
- The Rules of Racing are under review to align them with the AGCO's modernized regulatory direction. Building on stakeholder feedback received during roundtable consultations as part of the AGCO's Moving Ahead: Horse Racing Regulation in Ontario initiative, implementation of initial rule changes began in Spring 2017 following the release of a Findings Report on the consultation process.
- The AGCO launched its Twitter and Racing Reports pilots in Spring 2017 at Western Fair in London, Ontario, and later expanded to Mohawk Raceway in Campbellville, Ontario. Building on stakeholder feedback, the pilots were designed to collectively enhance transparent communication with the horse racing sector regarding calls and inquiries from Racing Officials occurring during a given race day. The pilots will continue into 2018.
- As of July 17, 2017, all casinos and slot facilities have successfully transitioned to operate under the Registrar's Standards for Gaming. Lottery Standards were also implemented on June 30, 2017.
- Along with the ongoing sale of Vintners Quality Alliance (VQA) wine, the government approved the continuation and expansion of the sale of fruit wine, including cider made from 100% Ontario apples, by authorized manufacturers at Farmers' Markets in Ontario. The inclusion of fruit wine was launched as a two-year pilot program in May 1, 2016.
- The AGCO continues to move forward with the recommendations provided by the Premier's
- Advisory Council on Government Assets (PAC) with respect to the retail and distribution of beverage alcohol. As of October 2017, the AGCO has authorized more than 200 grocers across Ontario to sell beer and cider and 70 grocers to sell beer, wine, and cider.
- In June 2017, the AGCO launched Phase 1 of the electronic raffle framework that allows eligible charities or religious organizations to be licensed to conduct and manage electronic raffles (Phase 1 50/50 event specific e-raffles allowed use of a computer for sale of ticket, selection of winner and distribution of the prize).
- The AGCO continues to support the Ontario Lottery and Gaming Corporation (OLG) Modernization Plan, including the increased role for the private sector in the operation of land-based casinos.

Value for Money

- Ongoing monitoring of the progress of current Strategic Plan performance measures continues, with insights employed to better evaluate business performance and regulatory effectiveness.
- The AGCO's new Regulatory Intelligence (RI) solution continues to evolve in how it is used to enhance the AGCO's regulatory functions. A key component of the AGCO's Strategic Plan, RI utilizes data analytics to improve the efficiency and effectiveness of regulatory oversight, and supports evidence-based policy and program design that is more responsive to identified risks and issues.
- The 2017 AGCO Annual Report was approved by the AGCO Board and submitted to government.
- The AGCO leveraged risk management methodologies through the continued use and enhancement of an Enterprise Risk Management Framework. Risks continue to be routinely identified, analyzed, addressed and monitored across the AGCO.
- The AGCO continues to conduct internal audits and evaluations based on a Board-approved three-year rolling Strategic Audit and Evaluation plan. The plan ensures key risk areas and priorities are examined for alignment with the organization's strategic objectives and for compliance with applicable requirements. A number of audits and evaluations have been conducted and recommendations have been implemented, leading to strengthened internal controls and improved governance and accountability.
- Enhancement of the AGCO's Emergency Management Plan Framework continues, including the creation of business continuity plans for new lines of business and modifications to our infrastructure to ensure critical systems and information are protected and available in the event of an emergency.
- The AGCO undertook a review of its existing fee structure, through which the organization developed a comprehensive understanding of current and future costs and revenues, as well as potential future cost recovery and funding options. Recommendations and an implementation plan were also developed.

Strategic Engagement

- The AGCO continued to implement a strategic engagement approach across the organization as a staple component of its business process. This strategy has resulted in the delivery of a series of engagement-driven activities aimed at raising stakeholder input and awareness about major corporate initiatives.
- A number of educational webinar sessions were successfully delivered for industry stakeholders including: 'Beer, Wine and Cider in Grocery Stores', 'Horse Racing Integration' and 'Catch the Ace'.
- As part of the AGCO's Rules of Racing Review, three working groups were established and launched in 2017 to review and make recommendations for policy reform in the areas of Officiating, Ontario's Equine Drug Program and Health and Safety (Equine & Human). Implementation of recommendations from these working groups is underway and will continue into 2018.
- An Education, Training and Awareness program has been established to facilitate a more strategic approach which is responsive to stakeholders in an effort to support improved regulatory compliance and outcomes moving forward.

- The AGCO is continuing to collaborate with the Ontario Provincial Police (OPP), as well as regional and municipal police services currently participating in the Last Drink Program through the ongoing review of program reports and analysis of program data.
- Collaboration and close partnerships with police services, other regulators and municipalities continues to enhance regulatory compliance through the sharing of information and resources.
- The AGCO continues to maintain a collaborative relationship with the Canadian Centre for Ethics in Sport, College of Veterinarians, Canada Border Services Agency, Regulatory Compliance & Enforcement Council, Financial Transactions and Reports Analysis Centre of Canada, Canadian Pari-Mutuel Agency and the Canadian American Law Enforcement Organization.

Quality Service Experience

- On May 29, 2017, the AGCO began rolling out online services via iAGCO as part of its efforts to provide a modern, quality experience to licensees, registrants and permit holders. iAGCO is an electronic service delivery platform where corporations, businesses and individuals will be able to submit an application for a licence, permit, authorization or registration for the alcohol, gaming and horse racing industries. Currently, online services are available for those applying for Special Occasion Permits or Liquor Manufacturer Licences. Over 18,000 Special Occasion Permits have been issued through iAGCO with a 96% satisfaction rating from users. iAGCO will be implemented in a phased approach.
- As an ongoing part of the Strategic Communications Plan and in support of the transformation initiatives, the AGCO has expanded the reach of the social media pilot program on Twitter by creating content relevant to industry stakeholders.
- In December 2017 the AGCO implemented a new customer contact centre system to enhance the AGCO's ability to respond to customer inquiries and complaints. The new system includes a new bilingual voice tree to provide options for customers, and an interface to support AGCO customer service representatives.

Rewarding Workplace

- Various initiatives that support the Employer of Choice program have been successfully implemented, including an intranet redesign, and establishment of mentoring and coaching programs.
- A flexible work arrangement program, which was piloted from November 7, 2016 to November 3, 2017, has been rolled out as an ongoing program across the agency.
- AGCO's Change Management Framework and the associated tools and templates have been developed and are available to all staff.
- A Total Health Index survey was launched in 2017 in support of employee engagement. The Total Health Index is a confidential survey tool that helps employees better understand and improve their total health across four pillars – physical, mental, life, and workplace.
- AGCO staff from across the province participated in seven AGCO Town Hall meetings. The theme for this year's Town Halls was AGCO 2020 and Beyond.

3. MANDATE

The AGCO is an arm's length regulatory agency of the provincial government, reporting to the Ministry of the Attorney General (MAG), that was established February 23, 1998 under the *Alcohol and Gaming Regulation and Public Protection Act, 1996* (AGRPPA). The AGCO is responsible for administering the *Liquor Licence Act, 1990* (LLA), *Gaming Control Act, 1992* (GCA), and *Horse Racing Licence Act, 2015* (HRLA). The AGCO also administers sections of the *Wine Content and Labelling Act, 2000* and the *Liquor Control Act, 1990* (LCA) [sections 3(1)b, e, f, g and 3(2) a] as well as the charity lottery licensing Order-in-Council (OIC) 1413/08.

Since its inception in 1998, the AGCO's mandate has continuously evolved in support of the general overall growth of the liquor, gaming, and, more recently, horse racing sectors in Ontario. Doing so has required that the AGCO's regulatory approach remain nimble and adaptive to ensure these sectors continue to be regulated effectively and efficiently, while always ensuring that the AGCO is acting in the public interest and in accordance with the principles of honesty, integrity, and social responsibility as prescribed in the AGCO's governing legislation.

In fulfilling its regulatory mandate, the AGCO will strive to achieve the following priorities outlined in the 2016 mandate letter from the Attorney General:

- Continuing work towards modernizing Ontario's liquor regulatory framework.
- Continuing to support the Premier's Advisory Council in the expansion of alcohol sales to grocery stores.
- Working with and supporting the Ministry in the development of a regulatory framework for the legalization of cannabis.
- Developing and implementing progressive reforms to modernize the horse racing regulatory framework.
- Continuing to support and modernize the charitable gaming industry by enhancing fundraising opportunities for charities and providing suppliers with opportunities for business growth.
- Modernizing and streamlining the work of the agency through the ongoing development of a new Regulatory Assurance Solution, an electronic service delivery portal to support issuing licences, permits and registrations for the alcohol, gaming and horse racing industries.
- Continuing to support business flexibility and promote social responsibility in the gaming sector through the implementation of standards-based regulation.
- Supporting the government's evidence-based decision-making framework to ensure programs and services are effective, efficient, relevant and sustainable.
- Supporting Ontario's Open Government initiative to demonstrate a more open and transparent government, including the application of the Open Data Directive.
- Operating within the Broader Public Sector Executive Compensation Framework.
- Supporting the government's fiscal plan by using effective controllership practices, exercising prudent financial management, and managing the operations of the AGCO within its allocation.

The AGCO will strive to fulfill these regulatory priorities while maintaining a fair, open and collaborative approach to regulation.

AGCO Vision
A leader in the alcohol, gaming and horse racing sectors through effective regulation and services that are fair, responsive and in the public interest.
AGCO Mandate
To regulate the alcohol, gaming and horse racing sectors in accordance with the principles of honesty and integrity, and in the public interest.
AGCO Mission
<p>The AGCO commits to conducting business in a manner that will:</p> <ul style="list-style-type: none"> • Develop, implement and enforce fair policies and procedures. • Establish a framework of critical regulatory controls in the public interest that are sensitive to the economic viability of the alcohol, gaming and horse racing industries. • Be client-focused in the way we respond to and manage client and stakeholder needs. • Educate clients and stakeholders and develop partnerships. • Create a supportive work environment that respects and values AGCO staff contributions and provides them with opportunities for growth and professional achievement.
Key Regulatory Objectives: Sale & Service of Alcohol
<ul style="list-style-type: none"> • Ensure the alcohol sector is operated with honesty and integrity and in the public interest. • Ensure that alcohol is sold and served responsibly. • Ensure that residents are provided an opportunity to have their views considered during the licensing process. • Permit Ontarians and visitors opportunities to responsibly enjoy beverage alcohol within an economically viable hospitality and tourism sector.
Key Regulatory Objectives: Gaming
<ul style="list-style-type: none"> • Ensure that gaming is operated with honesty and integrity and in the public interest. • Facilitate a competitive and flexible operational environment for Ontario's gaming sites while maintaining the highest standards of regulation. • Ensure that all games are fair and appear to be fair. • Maintain public confidence in the integrity of the games. • Establish a safe and secure environment at all gaming sites. • Protect the assets of the Crown.
Key Regulatory Objectives: Horse Racing
<ul style="list-style-type: none"> • Govern, direct, control and regulate the horse racing industry in the public interest and in accordance with the principles of honesty, integrity and in the public interest. • Deliver quality service to the industry, while supporting government to strategically realign provincial horse racing, regulation and adjudication.

4. OVERVIEW OF PROGRAM AND ACTIVITIES



The AGCO oversees, promotes and enforces compliance with its legislation while protecting the public's interests in accordance with the principles of honesty, integrity and social responsibility in alignment with government and Ministry priorities.

The following core activities enable the AGCO to effectively fulfill its mandate and meet its obligations under the applicable Acts and Order in Council (OIC):

Regulating the Alcohol, Gaming and Horse Racing Sectors

- Licensing and regulating Ontario's establishments that sell and/or serve beverage alcohol, as well as administering the Special Occasion Permit (SOP) program, delivered through iAGCO, a web-based portal through which people can access the AGCO's online services.
- Licensing and regulating liquor delivery services; Ontario beverage alcohol manufacturers, their agents, and agents of foreign manufacturers; and ferment on premise facilities and by conducting due diligence reviews and investigations of applicants for licensing.
- Authorizing eligible grocery stores; manufacturers' retail stores, which includes on-site and off-site winery retail stores, on-site distillery retail stores and on-site brewery retail stores; and Brewers Retail Inc. stores ("The Beer Store").
- Regulating horse racing conducted at Ontario's licensed racetracks through the Rules of Racing for thoroughbred, standardbred and quarter horse breeds.
- Promoting safety and consistency for both horse racing participants and equine athletes.

- Licensing individuals and businesses involved in the horse racing industry, including the processing of applications from racing participants (owners, trainers, grooms, etc.), racetracks and teletheatre locations; and conducting due diligence reviews of applicants.
- Registering suppliers and gaming assistants of charitable gaming events, casinos, and slot machine facilities.
- Registering suppliers and retailers of OLG lottery products and conducting due diligence reviews and investigations of applicants for registration.
- Administering the regulatory framework governing the issuance of charity lottery licences (e.g. bingos, raffle and break open ticket events).
- Licensing games of chance at fairs and exhibitions.
- Conducting regulatory assurance activities in accordance with the Registrar's Standards on Gaming.

Compliance Activities – Investigating, Inspecting, Monitoring, Educating and Officiating

- Inspecting and monitoring licensed establishments to ensure compliance with the LLA and its regulations.
- Inspecting and monitoring casinos and slot machine facilities, charitable gaming events/facilities and retail locations where OLG lottery products are sold for compliance with the GCA and its regulations, licence requirements and the Registrar's Standards and Requirements.
- Approving and monitoring internal control systems, surveillance and security systems, and other operational systems for casinos, slot machine facilities and retail locations where OLG products are sold for compliance with all regulatory requirements.
- Proactively providing education to regulated entities to increase their understanding of regulatory obligations and improve overall compliance.
- Testing, approving and monitoring slot machines and gaming and lottery management systems.
- Investigating alleged horse racing violations, due diligence of all participants, horse abuse, race fixing or other racing and rule infractions, as well as investigating horse deaths.
- Monitoring and enforcing of the Equine Medication and Drug Control Program including identification and investigation of people and businesses involved directly and indirectly with illegal equine medication and drugs, as well as identifying new and unknown drugs and medication being used in horse racing.
- Administering and overseeing compliance with the Human Alcohol and Drug Program as well as searches for prohibited items (drugs/syringes) and the enforcement of racetrack security standards.
- Ensuring the health and welfare of horses and horse racing participants.

Appeals

- The Horse Racing Appeals Panel is an independent adjudicative panel established under the HRLA that hears and determines appeals of rulings made by Judges, Stewards and Racing Officials under the Rules of Racing (the Rules).

5. ENVIRONMENTAL SCAN AND RISKS

The liquor, gaming and horse racing industries in Ontario have become increasingly complex, global and dynamic, challenging the AGCO to adapt its regulatory approach while maintaining a high degree of public confidence in these industries. In particular, these industries operate within a multifaceted social and economic context where business considerations need to be balanced with public safety and public health issues related to the consumption of liquor, gambling and horse racing. The AGCO aims to balance the views and interests of industry, social responsibility stakeholders and government when considering and recommending changes to legislation, regulations or policy and when establishing programs and strategies for regulating these sectors.

The AGCO has taken significant steps to modernize its regulatory approach to best position the organization to proactively manage the evolving nature of its regulated industries and to take on new challenges. The AGCO understands that it needs to be efficient, nimble and forward-looking as an organization, and has adopted a transformation agenda, supported by a strategic planning framework, to modernize its regulatory approach, business processes, and workplace environment.

As with other public sector organizations, the AGCO faces the challenge of managing an expanding mandate without a corresponding expansion of resources. In the last few years, the AGCO has taken on new industries—such as horse racing—and new programs, including beer, wine, and cider sales in grocery stores. At the same time, public expectations and the AGCO's visibility continue to rise, making it even more imperative that the AGCO regulate effectively. These new challenges underline the importance of focusing regulatory attention on higher-risk areas, so that the AGCO is better equipped to navigate a changing environment.

5.1 External Factors

Ontario Government

Budget, Economic Statement, Mandate Letter

In the 2017 Spring Budget and 2017 Ontario Economic Outlook and Fiscal Review, the Ontario government reaffirmed its commitment to cut red tape for businesses. Cutting red tape saves businesses time and money, making it easier for businesses to grow, invest, innovate and create jobs. The AGCO is working with the liquor manufacturing sector to identify opportunities to reduce existing barriers. In 2018/2019, the AGCO will continue to work with the charitable sector to identify opportunities to reduce compliance burden for charities.

The 2017 Ontario Economic Outlook and Fiscal Review also outlines the government's focus on providing businesses with more flexibility in meeting government requirements. This necessitates a move away from a prescriptive regulatory approach, which can often deter innovation. In the last few years, the AGCO has already undertaken significant work in implementing a risk-based, outcomes-based and compliance-focused approach to regulation in all its regulated sectors. In particular, the recent application of a

standards-based regulatory approach for gaming and lottery and the ongoing Rules of Racing review both demonstrate an active shift away from prescriptive regulation toward a more outcomes-based regulatory model.

In its 2017 Ontario Economic Outlook and Fiscal Review, the government outlined a renewed commitment to support a coordinated provincial Sexual Violence and Harassment Action Plan. The AGCO continues to participate in discussions with key stakeholders, including the Ontario Women's Directorate and Smart Serve Ontario, regarding how training to help prevent sexual violence and harassment could be approached in the liquor sector. The Ontario Restaurant, Hotel, Motel Association (ORHMA) has developed the *It's Your Shift* program to provide training on the prevention of sexual harassment to those working in the hospitality sector.

In the AGCO's 2016 mandate letter, the Attorney General outlined high-level expectations for priority action and agency performance, as well as the expectation that the AGCO support the government fiscal plan by using effective controllership practices, exercising prudent financial management and managing the operations of the AGCO within its allocation.

MAG continues to focus on expanding innovative online services in the justice system and at ministry agencies, boards and commissions. The AGCO is committed to providing Ontarians with services that are more accessible, responsive and easy to use. The implementation of iAGCO supports the government's commitment to digital innovation and to provide modern, quality service experience for AGCO customers.

Legislative Changes

Amendments to regulations under the *Liquor Control Act, 1990* stemming from recommendations by the "Premier's Advisory Council on Government Assets", expanded the AGCO's mandate to issue authorizations to grocery store operators for the sale of beer, cider and wine in grocery stores, for the operation of wine boutiques by wineries and grocers in grocery stores and for the regulation of such retailing. The AGCO is continuing to support the expansion of beer, wine and cider in grocery stores and up to 450 stores could eventually be authorized. A webinar was developed and presented to stakeholders as part of AGCO's education, training and awareness strategy to support stores authorized to sell beer, wine and/or cider as well as wine boutiques, in coordination with the Liquor Control Board of Ontario (LCBO). An educational video is currently under development for retailers on key regulatory requirements for beer, wine and cider sales in grocery stores.

Ontario passed the *Ontario Cannabis Act, 2017* (OCA), on December 12, 2017, along with other new rules, to provide for the regulation of recreational cannabis once it is legalized by the federal government. The OCA also provides for a controlled and balanced approach to retail and distribution through a new provincial retailer, the Ontario Cannabis Retail Corporation, which will be overseen by the Liquor Control Board of Ontario (LCBO), reporting to the Ministry of Finance (MOF). This model will support a socially-responsible marketplace that can be sustained against the illegal market. The AGCO has and will continue to leverage its existing regulatory expertise to provide strategic advice to the government on legalization.

Provincial Election

A provincial election will be held in Ontario on June 7, 2018. The AGCO remains committed to working with government and stakeholders to deliver on the government's mandate with respect to the regulation of the liquor, gaming and/or horse racing industries. As part of its ongoing transformation, the AGCO is focused on building an organization that is nimble, adaptive and forward-looking. This vision and flexibility will help to ensure the AGCO is well-positioned to address new challenges and adapt to changes in government direction which may result from the 2018 election.

Federal Legislative Changes

It is anticipated that the federal government will legalize recreational cannabis in Canada through the introduction of the *Cannabis Act* by July 2018. In Ontario, the Legalization of Cannabis Secretariat has been tasked with coordinating and aligning the province's legal, regulatory and policy development ahead of legalization. As noted above, the recently passed OCA provides for the regulation of recreational cannabis once it is legalized by the federal government.

OLG Gaming Modernization

The OLG continues to implement its gaming modernization initiative which includes three key priorities: becoming more customer-focused; securing qualified service providers for the day-to-day operation of gaming; and renewing the OLG's role in the conduct, management and oversight of lottery and gaming.

As the OLG's plan has a significant impact on the AGCO operations, the two organizations will continue to work together as implementation of the modernization strategy moves forward. Key components of the strategy include increased private sector involvement, the introduction of new gaming service providers, new gaming sites and gaming channels, multi-lane lottery sales, rationalization of gaming operations in general and a greater focus on consumer protection and responsible gambling. Two examples of the implications of OLG Modernization on the AGCO include conducting eligibility assessments and the application of a standards-based regulatory model.

Open Government

The Open Government initiative was launched in Ontario in October 2013 with the objective of increasing transparency and accountability in government. The AGCO applies the Open Government approach in a number of its activities, including in its Strategic Engagement Framework and its commitments in accordance with the Open Data Directive. As part of these commitments, the AGCO has published a list of datasets in its custody and control, and will be making datasets open to the public through an 'open by default' approach.

Open for Business and Economic Development

This ongoing government-wide economic initiative is designed to minimize the burden of regulation on Ontario businesses, foster competitiveness and welcome new business to the province.

Internally, the AGCO continues to work on a number of initiatives which support the overall goals of this program by reducing administrative burdens and using a regulatory approach intended to support responsible economic development. The shift towards a Standards-Based Approach as the regulatory framework in the gaming sector, for example, was intended to allow operators and businesses more flexibility to adapt to marketplace changes and ultimately to increase their competitiveness. A similar approach is also at the forefront for future regulatory reforms in the liquor and horse racing sectors.

The achievement of these goals is enhanced through the AGCO's continued efforts to build strategic partnerships and share information with government ministries and agencies including MAG, MOF, OLG and the LCBO.

Social Responsibility: Evolving Social Attitudes

In an ongoing effort to modernize as a regulator and to better reflect both the maturity of the industries it regulates and evolving societal views, the AGCO continues to refine its role in the promotion of social responsibility in the alcohol, gaming and horse racing sectors. In the gaming industry, this has led to a focus on responsible gambling, while the changing views of the liquor industry place a greater emphasis on responsible use and enjoyment. Additionally, as part of the regulation of horse racing, the AGCO will be working with the industry to determine the best course to promote social responsibility in this line of business.

5.2 Internal Factors

Strategic Planning

The AGCO intends to refine its existing Strategic Plan to ensure that it reflects the strategic direction of the organization envisioned for the next several years. The process will include internal consultations with all levels of the organization in order to obtain insights into the anticipated challenges and opportunities on the horizon. The Plan is accompanied by an enhanced business planning process and integrated performance measurement approach to ensure that current and future initiatives support the agency's Strategic Goals; better position the AGCO to respond to expanded responsibilities; identify opportunities to enhance our regulatory approach; and align with the strategic priorities of the AGCO Board of Directors. The ongoing process of strategic realignment coincides with, leverages and supports the transformational initiatives that are currently underway, and positions the AGCO to adapt quickly to emerging initiatives and priorities.

AGCO 2020 and AGCO NEXT

The AGCO 2020 initiative is a vision to deliver world-leading, integrated, interactive, and intuitive regulation for the liquor, gaming and horse racing sectors. It focuses on serving the public interest by advancing a consultative, risk-based approach to regulation that enhances compliance, increases public confidence and reduces administrative burden. In particular, AGCO 2020 will be a companion for the changes to come with iAGCO's implementation and will help to set the foundation for re-examining AGCO's approaches to several areas, including, but not limited to, leadership culture, management, organizational partnerships, customer service and compliance.

AGCO NEXT is about internally transforming the AGCO into the organization it needs to be to meet its strategic vision, the rising expectations of citizens and employees, and the rapidly changing opportunities and challenges of the digital age. It's about listening to the organization, better connecting meaning to work, creating enabling spaces for innovative thought, and emulating internal success stories.

Horse Racing Industry Modernization

The AGCO is responsible for developing, monitoring and enforcing a wide range of rules and procedures that ensure horse racing in Ontario is conducted fairly, honestly and in the public interest. The AGCO is actively working to engage the industry in its work to modernize Horse Racing regulation. In the spring of 2016, the AGCO launched *Moving Ahead: Horse Racing Regulation in Ontario*, a project directed at identifying and implementing reforms to the Rules of Racing that govern horse racing. In February 2017, the AGCO issued the Horse Racing Findings Report which reflected feedback from the industry as part of the *Moving Ahead* project. At that time the AGCO announced several initial policy reforms and changes to the Rules of Racing for the 2017 race season. Finally, feedback from the Horse Racing Findings Report led the AGCO to establish three external stakeholder working groups in mid-2017 on the topics of Officiating, the Equine Drug Program and Health and Safety. These three working groups will finalize their work and provide recommendations by early 2018.

Expansion of AGCO Regulatory Mandate

Marketplace evolution within the liquor and gaming sectors, along with government initiatives and legal and regulatory reforms, has continued to expand the AGCO's regulatory authority, including the integration of horse racing regulatory functions and the regulation of beer, wine, and cider sales in grocery stores. To help manage the operational and financial pressures related to this expanded mandate, the AGCO continues to implement its long-term direction through its Strategic Plan.

The AGCO strives to be proactive in implementing changes to improve efficiencies in its operations, demonstrating its commitment to Value for Money. Recent initiatives include implementation of an Enterprise Risk Management Framework, numerous program audits to improve efficiencies, and a long-term information technology strategy. Additionally, the AGCO's shift to a risk-based regulatory approach has ensured agency resources are allocated to areas that represent greater risk, increasing effectiveness and efficiency.

Quality Service Delivery

Service expectations have changed in recent years and will continue to challenge the AGCO's capacity to respond in timely and effective ways. In response, the AGCO must offer a Quality Service Experience by making effective use of new technology to enhance and streamline service delivery approaches and channels that are sensitive to stakeholder needs and expectations. Investments in technology have been made through iAGCO which will enable online service delivery so that stakeholders can more easily provide information to and receive information from the AGCO.

Education, Training and Awareness (ETA) Initiatives for Licensees and Registrants

In 2018/19, the AGCO will build on the work done to refresh the ETA strategy, and will continue to enhance and reinforce the AGCO's approach to education across all its lines of business. The objectives of the ETA strategy are to ensure that existing and new initiatives are anchored in AGCO priorities, benefit from internal coordination, and support improved regulatory compliance and outcomes. One of the core elements of the strategy is to be more responsive to stakeholders' feedback on potential options, opportunities and priorities from an educational perspective moving forward.

New programs will be identified to support stakeholder education and understanding of the laws that apply to them. Funding for these new programs, in whole or in part, may come by leveraging monies generated through the assessment of Orders of Monetary Penalty (OMP). Moving forward, the AGCO will continue to use OMP funds to improve the education it provides to its licensees and registrants to support regulatory compliance, and consider funding requests from external stakeholder organizations for educational initiatives which support the AGCO's overall ETA program objectives. Over the past year, for instance, the AGCO has developed, funded and delivered webinars for the launch of beer, wine and cider in grocery stores; audit and compliance education sessions for Ontario wineries; and an e-learning pilot for the Charitable Gaming industry.

Skilled Workforce

Essential to implementing a successful transformation of the AGCO's regulatory approach and its business processes is establishing and maintaining a rewarding workplace environment with high performing and empowered staff who feel valued and supported, and where change management practices are understood and integrated into all initiatives. By significantly investing in leadership development and coaching, the AGCO is preparing its leaders to effectively manage the significant and transformational changes taking place across the agency.

The AGCO has also taken a proactive approach to attract and retain high quality talent in order to effectively carry out its mandate. The AGCO's approach includes the application of more creative and inclusive recruitment strategies, while also refining its profile and enhancing its appeal to external candidates.

5.3 Assessing and Managing Risk

The external and internal factors outlined above carry a number of risks and uncertainties which, if left unaddressed, could adversely affect the achievement of the AGCO's Strategic Goals. The AGCO leverages sound risk management methodologies through the continued use and enhancement of an Enterprise Risk Management Framework to monitor and mitigate these environmental risk factors.

The framework consists of a portfolio view of risks. An annual risk workshop is held with the senior management team to identify, assess, and decide on prioritization and mitigation activities for the AGCO's top risks. These risks are reviewed and updated quarterly to ensure they reflect the changing risk landscape. Risk assessment activities are integrated with our strategic and corporate planning process to ensure that risks arising from the AGCO's goals and plans are considered and assessed. The results of the risk assessment activities are a key input in the development of the AGCO's audit and evaluation plan. The

AGCO's Enterprise Risk Management Framework and associated processes are overseen by the Board of Directors, which provides input and counsel on the process.

The framework assists in enabling the organization to identify areas of potential and existing risk and ensures that risk is routinely identified, assessed and overseen by the AGCO Board. This forms the basis of a systematic, disciplined and integrated approach to the management of risk.

The Enterprise Risk Management Framework will continue to form a foundation to guide management decision-making processes when developing strategic plans and corporate planning activities. This ensures that the AGCO understands its business and operational risks and manages them to an acceptable level of exposure given its priorities and objectives.

6. STRATEGIC DIRECTION AND IMPLEMENTATION PLAN

6.1 Strategic Direction

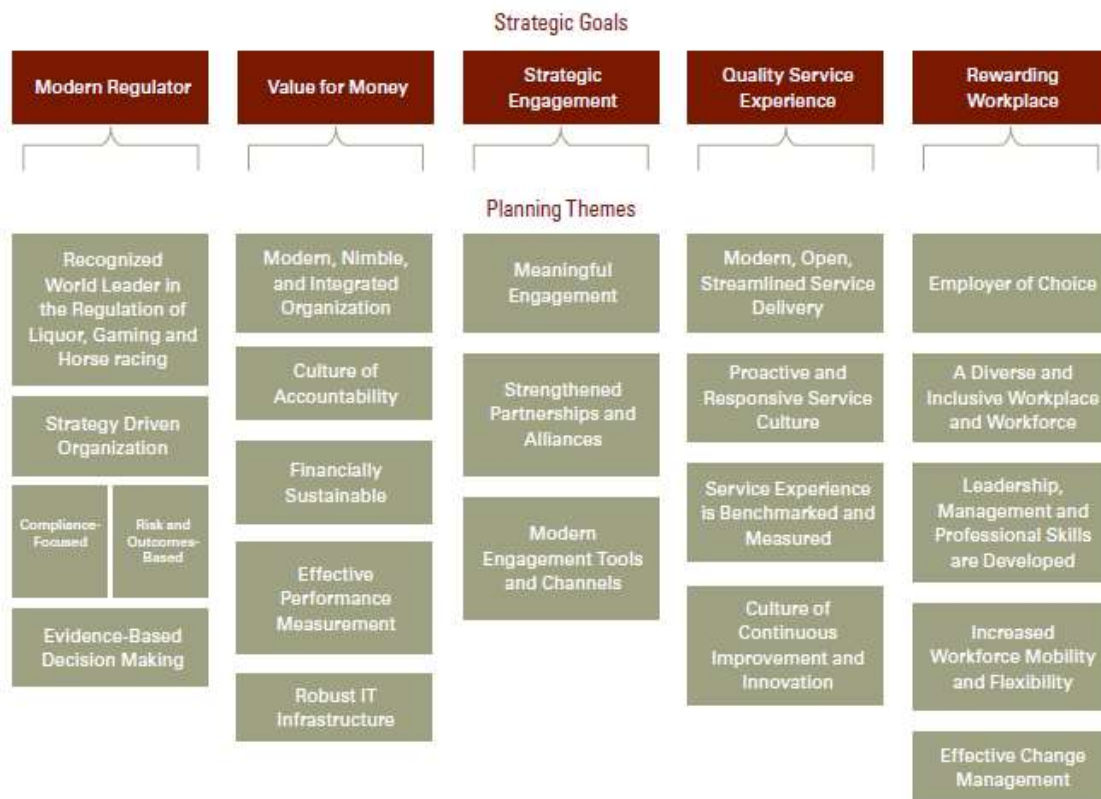
The AGCO regulates within an increasingly complex social, economic and political context which will continue to shift in the coming years. To effectively navigate this dynamic environment, adapt to future environmental shifts and continue to deliver the Strategic Goals, it is necessary for the AGCO to follow a structured and strategic approach to planning.

The AGCO Strategic Plan identifies the following five Strategic Goals:

1. Modern Regulator
2. Value for Money
3. Strategic Engagement
4. Quality Service Experience
5. Rewarding Workplace

The AGCO Strategic Plan is meant to act as a road map for achieving these goals and also involves anticipating potential challenges and opportunities within the AGCO's operating environment. Each Strategic Goal is supported by a number of more detailed and specific planning themes which help guide the identification, development, prioritization and implementation of strategies and initiatives.

AGCO Strategic Goals and Planning Themes



Modern Regulator

The AGCO continues to modernize its regulatory approach, demonstrating leadership, innovation and effectiveness in the regulation of the alcohol, gaming and horse racing sectors. In order to achieve this objective, the AGCO will continue its ongoing transition towards risk-based, outcomes-based, and compliance-focused regulation. Building on its experience with foundational programs such as Risk-Based Licensing and Registration, and Risk-Based Enforcement, and consistent with its strategy of integration and convergence, the AGCO will develop a framework to guide the consistent use of risk-based methodologies and approaches across all lines of business, including horse racing.

Standards-Based Approach

The Standards-Based Approach to gaming regulation is a key modern regulatory initiative that is aligned with the AGCO's modernized regulatory approach. Under this approach, the regulatory focus shifts from requiring gaming registrants to comply with a prescriptive set of rules and regulations, to providing standards that must be achieved. The Registrar's Standards for Gaming for the casino, iGaming, cGaming and lottery sectors are the articulation of the Standards-Based Approach.

The Standards-Based Approach represents a fundamental change that delivers a modernized approach to gaming regulation and allows the AGCO to focus its resources on key risks and maintaining game integrity, while providing a degree of business flexibility and efficiencies for the industry. Ultimately, the goal is to strengthen regulatory outcomes in a way that does not unnecessarily burden regulated entities.

As of July 17, 2017, the last casino transitioned to operating under the Registrar's Standards for Gaming, marking the completion of the fourth and final phase of the implementation of the Standards-Based Approach to regulation across Ontario's casinos. This represents a significant milestone as all Ontario casinos are now operating under the Registrar's *Standards*, along with the cGaming, iGaming, and Lottery lines of business.

AGCO 2020

In 2017, the agency announced AGCO 2020. Building on the AGCO's goal of being an employer of choice that actively supports and engages a high performing workforce, and with a vision to deliver world-leading, integrated, interactive, and intuitive regulation, AGCO 2020 will focus on enhancing compliance, increasing public confidence and reducing administrative burden in the alcohol, gaming and horse racing industries by advancing a risk-based, consultative approach to regulation in service of the public interest. This initiative envisions a nimble work culture that maximizes the use of technology and fosters innovation, collaboration, and exceptional service.

AGCO 2020 is very closely aligned with other corporate priorities. In particular, AGCO 2020 will be a companion for the changes to come with iAGCO's implementation and will help to set the foundation for re-examining AGCO's approaches to several areas, including, but not limited to, leadership culture, management, organizational partnerships, customer service and compliance.

Rules of Racing Review – Horse Racing

A comprehensive review of the existing Rules of Racing is underway with the objective to align the Rules with the AGCO's modernized regulatory direction. The ultimate goal is to have a horse racing regulatory framework that is simpler, more flexible, and better focused on the mitigation of regulatory risks and the achievement of clear regulatory outcomes.

Horse Racing Appeal Panel

Now in its second year of operation, the Horse Racing Appeal Panel (HRAP or Panel) continues to be focused on providing a fair, open and accessible process for all parties, and ensuring that it has procedural rules in place to support an efficient and responsive appeal process.

In the coming year, the HRAP is committed to building on its successes and learnings since launching in April 2016, and looking for opportunities to improve its operating efficiency and effectiveness. Among other things, key performance indicators (KPIs) will be developed to better help monitor and track how well the tribunal is doing against objectives. In the first year, these KPIs will be focused on the Panel's quality service objectives and ensuring that the tribunal meets the needs of parties as well the demands of the public and Ontario government for greater accountability. The intent is to post these KPIs on the HRAP's website and to periodically report on the Panel's performance.

Another priority will be to continue to provide relevant and timely educational information to help parties comply with the HRAP's adjudicative framework. A great deal of attention and progress has already been made in this respect. A plain language guide was introduced in 2016 to explain in simple terms, in particular to those who might be self-represented, the key aspects of the appeal process. A number of information sheets and notices to the industry have also been developed to provide clarity around certain aspects of the process, including a backgrounder issued in July 2017 on the concept of a "de novo" hearing.

In the coming year, the HRAP will be looking for additional opportunities to enhance awareness of its mandate and rules by engaging more directly with the horse racing industry, for instance, by offering one-on-one information sessions to key industry associations or parties/representatives who appear frequently before the tribunal. The HRAP hearing space, which was recently refurbished, will also soon house more educational material for reference by parties before and after their hearings. Where the Panel is finding gaps or ongoing issues, the HRAP will continue to make adjustments to its policies and rules as necessary. The HRAP intends to review and revise its Rules of Procedure on an annual basis to ensure that the tribunal operates effectively and transparently.

Business continuity and succession planning will be particularly important in 2018. Appointment terms expire for six of the Panel Members in March 2018. Formal performance assessments will be undertaken and led by the HRAP Chair, with the objective being to support honest two-way dialogue and feedback between the Chair and Panel Members. In addition, Panel profile and job descriptions will be developed to ensure the tribunal has the appropriate experience and skill set to continue to fulfill its mandate. Following these evaluations, the HRAP Chair will make recommendations to the AGCO Board for re-appointments.

Charitable Gaming

The AGCO developed a strategic approach which set objectives to support the modernization of all of the charitable gaming initiatives, including electronic raffles, electronic 50/50 draws and progressive raffles (e.g. Catch the Ace). The AGCO is committed to helping grow and sustain a healthy charitable gaming sector in Ontario, while ensuring that games are offered with honesty, integrity, and in the public interest.

The AGCO's regulatory framework for electronic raffles in Ontario was developed through 2016/2017. In 2018 the AGCO will further expand the offerings of e-raftles by permitting online sales and multi-event/location e-raftles. As part of the development process for Phase 2, the AGCO will conduct consultations with stakeholders.

Liquor Retail in Ontario

Continuing to move forward with the recommendations provided by the Premier's Advisory Council with respect to the distribution of beverage alcohol, the AGCO has done extensive policy, stakeholder engagement and other regulatory work to support various initiatives, which include the sale of wine, cider and fruit wines in Farmers' Markets as well as the sale of wine, beer and cider in grocery stores. As the government considers the work and recommendations of the Premier's Advisory Council on Government Assets for the distribution and retail of beer and wine in Ontario, the AGCO will have the opportunity to continue its regulatory modernization of the beverage alcohol industry in a way that supports new investment and innovation while upholding the public interest.

Cannabis Legalization

The AGCO is committed supporting the Ontario government as it develops a framework for the legalization of cannabis in alignment with federal government legislation.

Value for Money

The AGCO is committed to remaining efficient and effective in its operations, and to be supported by best-in-class technology as well as strong governance and accountability structures with the focus of developing a modern, nimble and integrated organization. Moreover, continuing to develop foundational frameworks in the areas of funding and corporate governance ensures that the AGCO strengthens its culture of accountability and remains financially sustainable.

Risk-Based Approach to Regulation

The AGCO employs a risk-based approach to its licensing, registration and compliance activities. By identifying which applicants, licensees and registrants pose an enhanced risk of non-compliance, the AGCO is better able to deploy its resources on identified high-risk areas, thereby allowing for improved efficiency and service delivery.

To support the agency's commitment to Value for Money and enhanced accountability, the AGCO is currently implementing the second phase of a uniform and integrated process to identify, analyze, evaluate, treat, and monitor key risks across the organization. Enhanced accountability and governance is achieved through risk identification, mitigation and monitoring. The Enterprise Risk Management Framework and methodologies form a foundation to guide management decision-making processes. This ensures that the AGCO understands its business and operational risks and manages them to an acceptable level of exposure given its priorities and objectives. Other initiatives that enhance governance and accountability include AGCO Board of Directors training and an accountability framework that outlines the AGCO's requirements related to government oversight.

Performance Measurement and Regulatory Intelligence

More recently, the AGCO has also begun the development and implementation of a strategic and integrated approach to performance measurement in order to target, monitor and evaluate the extent to which the agency is realizing results. This enhanced approach to performance measurement will enable the AGCO to further improve program effectiveness by promoting a focus on results, service quality and value for money. This performance measurement framework will also help build the foundation for effective application of data analytics capabilities to evaluate and measure AGCO policies, programs and performance.

Along with building a foundation for effective application of data analytics through performance measurements, the AGCO has also modernized its technology infrastructure by successfully implementing a Regulatory Intelligence IT solution which will allow for more sophisticated data analytics capabilities.

Work is underway to continue exploring and analyzing both internal and external data sources in order to generate deliverables in liquor, iGaming and horse racing. These emerging projects will enable data driven, evidence-based policy and program development and a deeper understanding of the AGCO's business needs while bolstering the organization's analytical capabilities.

Strategic Engagement

To further its commitment to Strategic Engagement, the AGCO continues to explore formal partnerships with other regulators; monitor and assess domestic and international trends in the alcohol, gaming and horse racing sectors; and coordinate strategic outreach to key partners and stakeholders.

In addition, approximately 28 municipal police services from across the province and the Ontario Provincial Police, are now participating in the Last Drink program. Under this program, Ontario police services inform the AGCO about any alcohol-related driving offences where the drivers named a licensed establishment as the last place where they consumed alcohol. This information allows the AGCO to identify educational opportunities to work with licensees to better meet their regulatory obligations.

The AGCO continues to proactively work with multiple governments, industry and public interest partners on liquor, gaming and horse racing matters. This proactive work includes engagement on various initiatives

such as the modernization of horse racing regulation and the modernization of charitable gaming. The AGCO released a consultation paper for horse racing regulation to the various stakeholders in Ontario's horse racing industry, followed by a series of roundtable sessions. This outreach gave the industry an opportunity to provide input on the steps the AGCO can take to ensure fairness, integrity and safety in the horse racing industry while moving forward on opportunities to reduce the administrative burden on business and support the long-term sustainability of the industry.

Additionally, the AGCO continues to facilitate the ongoing Responsible Gambling Policy Roundtable that includes the OLG, Responsible Gambling Council, the Centre for Addiction and Mental Health and the Gambling Research Exchange Ontario. The AGCO established the Roundtable to serve as a platform to discuss and evaluate the Registrar's Standards related to Responsible Gambling (RG) and provide a forum to discuss areas of shared interest and recent advancements in RG. The RG Roundtable convenes twice per year.

The AGCO continues to make efforts to collaborate and, in some cases, work jointly with regulatory agencies in other provinces and foreign jurisdictions in order to conduct investigative work, establish and enforce common standards, and develop regulatory responses to new gaming products and emerging risks. Inter-jurisdictional collaboration among gaming regulators is facilitated through the negotiation of bilateral Memoranda of Understanding (MOUs) between regulatory and law enforcement agencies. The AGCO currently has MOUs in place with approximately 30 regulatory and law enforcement agencies around the world.

Quality Service Experience

Providing a quality service experience is a commitment the AGCO strives to achieve by creating a strong service culture that is proactive and responsive while working toward continuous improvement and innovation across every aspect of its operations. The AGCO will continue to ensure that all interactions with the organization result in a quality service experience that is benchmarked and measured against service standards, and that services are delivered in a manner that is fair, inclusive and responsive. The implementation of iAGCO is a central component of the Strategic Plan commitment to offer online modernized and streamlined service delivery while also supporting broader government priorities of efficiency and accountability. This online portal will allow various stakeholders to easily request a licence/permit/authorization/registration for the alcohol, gaming and horse racing industries. The AGCO is also undertaking a review of its business processes to identify opportunities to improve effectiveness in its regulatory activities and provide a heightened quality service experience. Extensive work will continue to enable the implementation of the remaining phases of iAGCO.

Rewarding Workplace

Transforming into an employer of choice is a key component of the AGCO's strategic goal to create a Rewarding Workplace that is diverse and inclusive. A Rewarding Workplace is one that supports an environment of high-performing and empowered staff where people are valued and supported through effective talent management. This shift will occur by evolving the corporate culture over time so that it

becomes second nature for all leaders and employees to adopt the fundamental principles embedded in an employer of choice organization.

The AGCO will continue to enhance its employee engagement and development activities, including the annual Town Halls, leadership coaching, mentoring programs and training opportunities.

6.2 Implementation Plan

The AGCO's enhanced planning process aligns the agency's major initiatives to the five Strategic Goals across all levels of the organization. This approach ensures the work that is currently underway, as well as any future initiatives, will continue to align with the AGCO's Strategic Plan. This enhanced planning process is meant to track and report on progress of ongoing initiatives, while also informing the consideration of new initiatives.

The AGCO's Corporate Plan captures major initiatives from across the organization, including project owners, key commitments and deliverables. The status of the initiatives within the Corporate Plan is updated and reported quarterly to the CEO and the AGCO Board of Directors.

Division-level planning has also been aligned to support the agency's Strategic Plan. Divisional Plans, along with corporate-level initiatives, also report on division-level initiatives which support the achievement of the agency's Strategic Goals.

7. INFORMATION TECHNOLOGY PLAN

AGCO's Information Technology plan will continue to build and focus its strategy around electronic service delivery.

As part of the first phase of iAGCO implementation, a subset of liquor data has been migrated into iAGCO. The migration of existing data into iAGCO will continue into subsequent implementation phases. As this data is added, it will also feed directly into the RI solution, allowing the AGCO to conduct analytical and reporting outputs.

RI is a key component of the AGCO's Strategic Plan, and will contribute to achieving the organization's strategic goal of becoming a Modern Regulator. Internally, RI data will help provide insights into the AGCO's regulated sectors, and contribute to improving the efficiency and effectiveness of the AGCO's regulatory oversight.

Through access to and analysis of quality data, the AGCO is continuing to design policies and programs that are evidence-based and more responsive to actual risk and issues. Doing so supports the AGCO's shift from prescriptive and complex rules to providing straightforward regulatory direction through a Standards-Based regulatory approach.

AGCO also promotes transparency in all of its activities. For example, RI is in alignment with Ontario's Open Government Initiative insofar as the system will allow for easier access to information, understanding and use for external stakeholders. Ultimately, this access to information will spark innovative discoveries that can help spur growth in the economy and improve the lives of Ontarians.

Digitalization of documents is a priority, and existing documents are being added daily to support business processes. As new licence types are implemented in each phase of iAGCO, the need for internal digitalization of documents will decrease. Currently, AGCO staff have ease-of-access to over 125,000 digitized documents in the Electronic Document and Records Management Systems (EDRMS). As a result of digitalization employees are able to make informed and timely decisions, which helps reduce the turnaround time for public services.

As AGCO continues to develop the key components of its IT systems and evolve as a Modern Regulator, AGCO will conduct a feasibility analysis regarding the virtualization of data centers to help guide the agency in recognizing and mitigating risk. To ensure business continuity, the focus will be on securing reliable methods of virtualization, such as a hot site, and improving the AGCO's data backup methodologies residing in the data centre. Virtualization will ensure that AGCO continues to operate on a high-availability platform for all its online services and that back up information is readily available for any disaster recovery.

8. HUMAN CAPITAL PLAN

The AGCO recognizes that capable and motivated employees are critical to achieving business objectives and increasing capacity to better deliver services. As a result, the AGCO is committed to fostering a work environment where:

- Employees believe that their contributions are valued;
- Employees are supported by their managers;
- Managers are focused on achieving outcomes as opposed to task-based management; and
- Creativity and openness in giving and receiving feedback are encouraged.

Strategy and Alignment

The primary focus in the coming year is the continued work to strengthen the skills and abilities of AGCO staff as the agency works through transformation and change. The AGCO will also continue to build leadership skills and capabilities through the established coaching program. In addition, several new initiatives will be emphasized, particularly in the areas of:

- Talent acquisition: transforming how we source, recruit and hire our talent.
- Supporting leaders and people with initiatives such as: iAGCO implementation, AGCO 2020 and Compliance 2020.
- Continuing to implement the Diversity and Inclusion Plan.
- Continuing to modernize human resources by implementing systems for performance management and electronic files.
- Developing and implementing strategies related to the results of our Total Health Index survey, specifically with respect to coping skills and leadership effectiveness.
- Continuing to move AGCO's wellness strategy forward and specifically develop a mental health strategy for our organization.
- Developing our leaders through AGCO's proactive coaching program and move towards leaders becoming certified coaches.

Resources Needed to Meet Goals and Objectives

The AGCO's fiscal and human resource needs for 2017/18 are driven by a number of factors, including:

- Successive mandate expansions, such as the transfer of authority for the regulation of horse racing from the ORC;
- Changes to the framework for liquor regulation stemming from the Premier's Advisory Council on Government Assets, including the sale of beer, wine and cider in grocery stores;
- Eligibility assessments of applicants for registration under the GCA required to continue supporting the OLG and the government's gaming modernization initiatives (e.g. private sector involvement) including the transition to a Standards-Based regulatory environment, proposals for new games and ongoing education;

- Project management support with the development and implementation of operational programs including Electronic Raffles and iGaming; and,
- Transition to becoming a Modern Regulator and successfully managing people through change.

Talent Acquisition

AGCO's workforce demographics are also changing as 86% of the senior Executive Team and 17% of staff across the organization are eligible for retirement in the next five years. As of November 2017, 3 AGCO employees have retired in the current fiscal year. This turnover presents an opportunity for workforce planning. Ensuring that the leaders and staff possess the requisite skills through knowledge transfer and succession planning is essential, particularly as AGCO continues its significant organizational transformation.

The talent acquisition process has been streamlined and automated through the introduction of a new applicant tracking/talent acquisition software product. This system provides improved and efficient internal processes and reduced time to screen candidates applying to AGCO vacancies. In addition to streamlining processes, the AGCO is also undertaking a review of how it sources, recruits, hires and trains staff, particularly leaders.

Staff Numbers

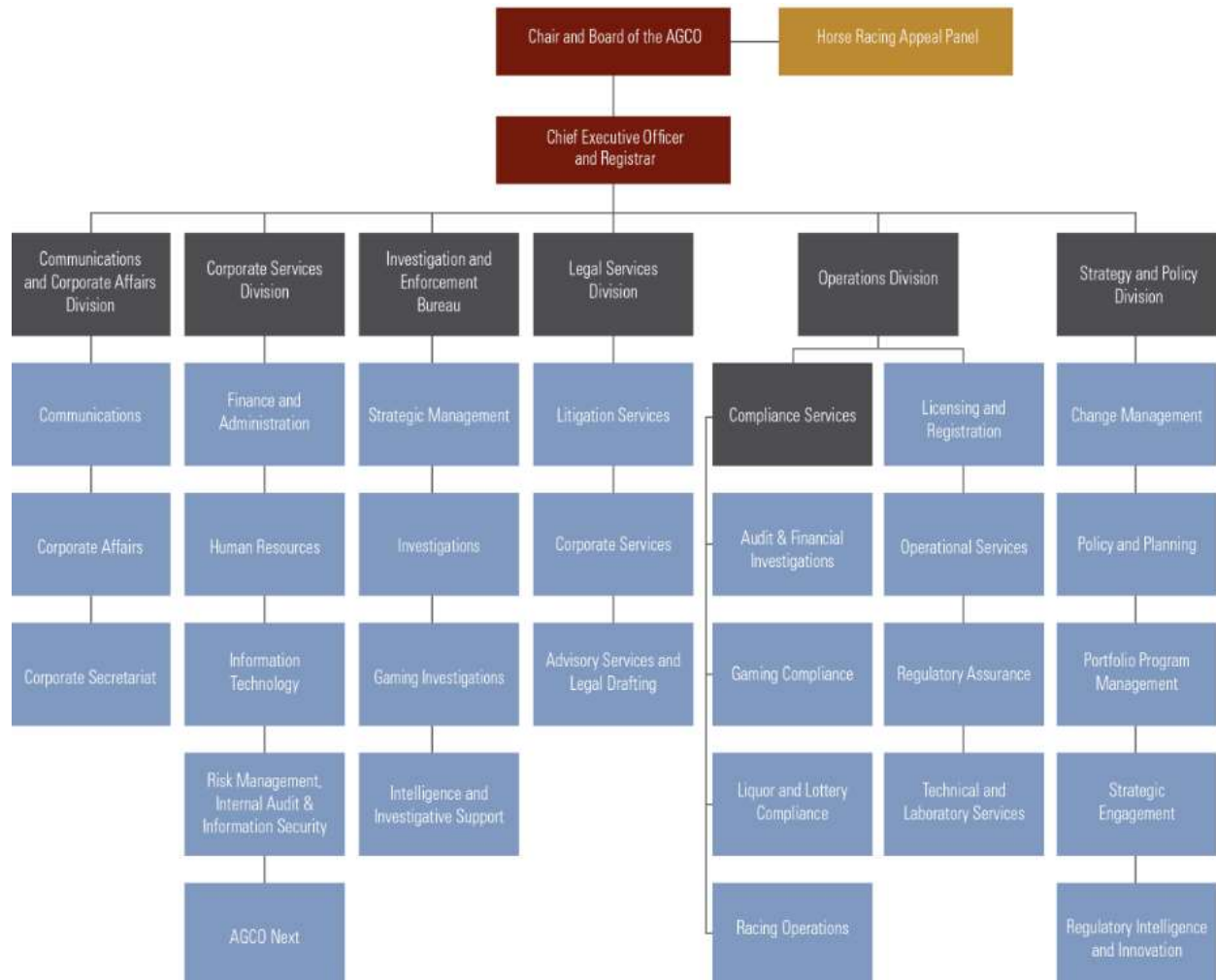
The total number of AGCO employees is determined by adding the number of active employees employed as of the end of a month. Employees on a leave of absence are included in the headcount. Employees on long-term disability are excluded. This chart provides a breakdown of headcount by employment status.¹

[1]				
	<i>Management</i>	<i>Union</i>	<i>Non-Union</i>	<i>TOTAL</i>
AGCO				
Permanent:	80	306	40	426
Part-time Permanent:	0	24	2	26
Contract:	3	41	7	51
Temporary:	0	0	6	6
Seconded from other agencies/ministries:	1	1	0	2
AGCO TOTAL	84	372	55	511
OPP	0	0	0	128
OIC (Board of Directors)	0	0	5	5
Horse Racing Appeal Panel Members	0	0	10	10

¹ The AGCO has typically experienced turnover rates of less than 6%. AGCO's turnover rate is lower than other industries.

[1] Staff numbers projected as of November 30, 2017.

Organizational Chart (as of December 31, 2017)



9. INITIATIVES INVOLVING THIRD PARTIES

The AGCO remains committed to developing new partnerships with third parties nationally and internationally, and will continue to foster existing relationships through available channels. Within Ontario, the AGCO continues to partner and engage across the alcohol, gaming and horse racing sectors.

In May 2017, the AGCO launched Phase 1 of iAGCO, beginning with applications for SOPs and liquor manufacturer's licences and renewals. SOPs were previously issued in a paper-based format by the LCBO at their retail stores on behalf of AGCO; however, with the launch of Phase 1, a transition period was introduced to phase out the paper form by spring 2018. The AGCO has worked closely with the LCBO to provide continual service for applicants during the transition phase and beyond. To date, electronic take-up of SOPs under iAGCO has been steadily increasing, averaging 52% overall and 70% since mid-October. During the period of June 1st, 2017 to October 31st, 2017 the AGCO issued 15,376 SOPs of which 78% were automatically approved.

The AGCO continues to organize and execute significant stakeholder engagement activities in all three sectors. One example is through working groups with membership from a range of third-party representatives including the horse racing, liquor, gaming and social responsibility sectors. Regular meetings and communication with these groups has helped the AGCO to maximize its ability to be responsive to stakeholder needs, feedback and public interests. Specifically, in the past year the AGCO has consulted widely on initiatives related to Rules of Racing and electronic raffles in charitable gaming. Other examples of stakeholder engagement activities include the many educational webinar presentations which take place each year. A multitude of these presentations have been hosted in partnership with additional stakeholders including the LCBO and the Association of Municipal Managers, Clerks and Treasurers of Ontario. In addition to leading its own stakeholder engagement activities, the AGCO continues to actively participate in stakeholder and industry association meetings and conferences in an effort to promote a two-way dialogue with the sectors that it regulates.

The AGCO will remain committed to building and maintaining partnerships with law enforcement agencies across Ontario. Whether through regular contact with members of the OPP Bureau assigned to the AGCO, specialized educational seminars and materials on liquor enforcement for front-line police officers, or information sharing on liquor, gaming and horse racing investigations, the AGCO values their partnerships with law enforcement agencies.

Internationally, the AGCO continues to be a well-respected member organization of both the International Association of Gaming Regulators (IAGR) and the North American Gaming Regulators Association (NAGRA). In addition, over the past year the AGCO has hosted a variety of international delegations, such as the Casino Regulatory Authority of Singapore and the Korea Center on Gambling Problems.

Nationally, the AGCO is a member organization of the Association of Liquor Licensing Authorities of Canada (ALAC), the Canadian Partnership for Responsible Gambling (CPRG), the Canadian Association of Gaming Regulatory Agencies (CAGRA) and other regulatory associations. The AGCO is committed to engaging with other regulators in Ontario and abroad on pursuing additional MOUs and formal agreements

of cooperation where opportunities exist to support greater collaboration or support the regulatory outcomes of each party.

Looking ahead to 2018, the AGCO is planning to launch Phase 2 and 3 of iAGCO which will impact licensees within the liquor industry and registrants in the gaming industry. The AGCO has committed to engaging with its diverse stakeholder network to ensure the implementation of the new electronic service solution meets the needs and interests of those being regulated as well as its own requirements from a regulatory perspective. In addition, the AGCO intends to launch a municipal engagement strategy that will see the AGCO establish more of a presence and engage more regularly in a coordinated manner with its stakeholders at the municipal government level.

10. COMMUNICATION PLAN

10.1 Context & Strategy

The AGCO's corporate communications function plays an important role in supporting the services the agency provides to the citizens of Ontario and to the industries it regulates. Specifically, it is responsible for developing corporate programs, establishing channels for communication and enabling the two-way exchange of information between the agency and its many external and internal stakeholders.

Effective and timely communications with licensees, registrants, the public and the provincial and municipal governments are crucial for the effective regulation of the alcohol, gaming and horse racing sectors. Internal communication is also critical. AGCO staff are located in over thirty offices and gaming sites across Ontario. Clear and consistent information exchanges with its staff helps the agency manage the significant change that comes with the transformational corporate initiatives that are part of its Strategic Plan.

The AGCO's communications strategy is designed to facilitate timely and relevant two-way communication with each of its stakeholder groups by adopting digital technologies and creating engaging visual content that can be shared and consumed across multiple platforms. The strategy is also designed to manage change internally and keep employees informed and engaged about the purpose, progress and operational impacts of new developments in regulation.

Based on the Strategic Plan for Communications initiated in 2014-2015, a Channel Strategy was developed with the aim of identifying and evaluating the most frequently used channels of communication with the AGCO's audiences. The Channel Strategy will govern how channels are used most effectively for communicating and serving target audience segments.

A Digital Communication Strategy is also being developed with the aim of identifying and applying appropriate digital solutions to build and strengthen relationships with stakeholders and employees, while creating opportunities for digitally-optimized communication, education, collaboration and innovation. The plan includes innovative strategies such as the increased use of video and graphical content that will be shared with targeted stakeholder groups via the website, email, and appropriate social media platforms.

Communications activities also include issues management, media relations and the support of stakeholder engagement activities, with the goal of providing clear, consistent information and education to a diverse population of stakeholders across all sectors.

10.2 Roll-out and Products

AGCO Website

The AGCO's new external website, launched in May 2017, is designed as a series of user portals that combines information and resources relevant to the liquor, gaming and horse racing sectors and their

stakeholder groups, making it easier to navigate and access. The site is built using a modern content management system that is much easier to update and maintain, resulting in a site that is clearer, more visually appealing and responsive to both tablet and mobile devices. The site is also compliant with accessibility standards set by the *Accessibility for Ontarians with Disabilities Act, 2005* (AODA). Further enhancements are planned for the site in the near future, including a greater emphasis on audiovisual content targeting the needs of specific stakeholder groups. Enhanced analytics capabilities will guide future improvements to the content and design of the site based on analysis of user interactions and direct feedback.

Educational Webinars and Videos

The AGCO first conducted webinars in 2015 to remotely engage with stakeholders about new activities and programs. The webinars have proven popular and continue to be useful communications tools to support a variety of AGCO initiatives. When appropriate, recordings of the webinars are posted to the AGCO website, providing the opportunity for further review and to serve as an archive for future reference. An increasing number of short graphical or live-action videos will also be developed to explain important processes or changes, answer frequently asked questions, and deliver important announcements to stakeholders and the public via the website, email, and social networks.

Communications Support for AGCO Initiatives

The role of Communications is to provide communications expertise and support to other divisions and operations in their initiatives. Some major initiatives to be supported by Communications in the next year include:

iAGCO

Communications continues to provide a critical role in the roll-out of iAGCO. Once fully implemented, the iAGCO portal will significantly streamline both internal and external communication and processes and serve as a one-stop shop for stakeholders from all regulated lines of business to apply for and manage their licences, registrations and permits online.

External communications support includes preparing information and awareness products for the AGCO's website and for distribution among stakeholder associations, as well as promotional items for relevant industry group conferences and direct communication products for Ontario's liquor manufacturers. A key to external communications is ensuring that all affected stakeholders are aware of implementation schedules and understand the related implications and benefits.

Internal communications support includes keeping staff informed about the progress of iAGCO and maintaining a dedicated intranet page to provide updates at key points in the initiative's implementation.

Charitable Gaming Modernization Project

Communications is supporting the next phases of the Charitable Gaming Modernization Project in the form of external and internal products created to spread awareness of the new electronic raffle regulatory framework. This includes the creation of an educational video for electronic raffle licensees.

Horse Racing Regulatory Reform Project

This project is directed at modernizing the regulatory rules that govern horse racing, and requires general communications support, including writing, editing and design of various materials, and advice on best practices for communicating to the horse racing industry both online and through traditional channels. A new newsletter, Race Line, has been developed to keep horse racing industry stakeholders informed of important information and will be published three times per year.

“AGCO 2020” Transformational Agenda

Communications is playing a key role in supporting the AGCO 2020 vision of delivering world-leading, integrated, interactive, and intuitive regulation for the liquor, gaming and horse racing sectors. AGCO 2020 focuses on serving the public interest by advancing a consultative, risk-based approach to regulation that enhances compliance and public confidence. It includes the goal of becoming an employer of choice that actively supports and engages a high-performing workforce. It envisions a nimble culture which maximizes the use of technology and fosters innovation, collaboration and exceptional service.

Ongoing Programs

Education, Training and Awareness (ETA)

The AGCO will continue to support the agency’s ETA strategy to promote stakeholder education and understanding of the laws and regulations that apply to them and for which the AGCO is responsible. The ETA strategy aims to improve regulatory compliance and outcomes across all lines of business.

Media Relations

The AGCO receives approximately 100 media inquiries per year from many different media outlets, including newspapers, radio, magazines, web-based news blogs and television. These outlets request information on AGCO activities, decisions and regulations affecting liquor, lottery, gaming and horse racing activities.

The agency strives to respond to these requests in a timely and transparent way. A recent media response analysis covering a 6-month period indicated that 51% of media inquiries were responded to within 3 hours, and 82% of the remaining requests by the next business day.

AGCO policy provides that all media inquiries are handled by a media spokesperson through the Communications and Corporate Affairs Division. In some instances, specialized media and spokesperson training has been provided to Operations Managers who deal with the news media. This practice will continue and these encounters will be managed by Communications.

Information Bulletins

The AGCO issues information bulletins targeting the alcohol, gaming and horse racing stakeholders impacted by decisions from the Registrar, as well as changes or clarifications to the regulations governing these sectors. A

variety of channels are used to distribute bulletins, including the AGCO's website and direct email distribution to stakeholders via their industry associations.

Newsletters

The AGCO regularly publishes and distributes both printed and electronic newsletters in English and French to provide educational and compliance information to stakeholders and the public.

- *Licence Line* is a quarterly newsletter prepared for liquor sales licensees. It covers a variety of issues important to that audience, including information on recent changes to liquor legislation, regulations and policies, as well as industry news and tips for stakeholders.
- *Lottery Line* is a newsletter for lottery retailers and is published three times a year. It provides information and tips to educate sellers on the laws, regulations and policies governing the sale of OLG lottery products and break-open tickets.
- *Race Line* is an informative and educational newsletter for horse racing licensees and other parties interested in Ontario's horse racing industry. The first issue of Race Line was published in April 2017. It is produced electronically three times a year and printed copies are available at industry association offices, racetracks and from the AGCO.

Electronic versions of all newsletters are currently available on the AGCO website, but future plans include a transition to a digital format that can be emailed and shared more easily.

Social Media

The agency will continue to expand its presence on social media by producing and sharing informative digital content (videos, images, infographics, etc.) and interacting appropriately with stakeholders by responding to relevant questions and inquiries. Currently active on its English and French Twitter accounts (@Ont_AGCO and @Ont_CAJO), the AGCO's goal is to increase audience engagement with existing information and resources and to use this channel to contribute to overall stakeholder education and compliance.

11. DIVERSITY, INCLUSION AND ACCESSIBILITY PLAN

Diversity, Inclusion and Accessibility Plan

AS OF NOVEMBER, 2017



The AGCO's Diversity, Inclusion and Accessibility Plan supports the agency's progress towards meeting the Strategic Goals outlined in the AGCO's Strategic Plan. Building a culture of inclusion as an employer and service supplier aligns with the Strategic Goals of creating a Rewarding Workplace and providing a Quality Service Experience.

In addition, this strategy will help the AGCO to fulfill its broader mandate to regulate the alcohol, gaming and horse racing sectors in accordance with the principles of honesty and integrity, and in the public interest by ensuring that accessibility and inclusion are fundamental to the agency's operations. In 2016, the AGCO made a significant effort to increase awareness by delivering "cultural competency" training to all staff and management. The program has now been incorporated into the AGCO's onboarding program for new hires. A key goal in the next fiscal year is to conduct a demographic survey to gain a better understanding of the AGCO's workforce and to work towards developing plans for bridging gaps that are identified through the survey.

12. MULTI-YEAR ACCESSIBILITY PLAN

The AGCO's Accessibility Plan and Policies were first published in January 2013, and were developed in accordance with the *Integrated Accessibility Standards Regulation* (IASR) under the AODA. The Plan outlines the AGCO's commitment and strategy to prevent and remove barriers and improve opportunities for people with disabilities, and address the current and future requirements of the AODA. The plan serves as a framework for how the AGCO will continue to educate and engage its employees in identifying, preventing and removing barriers to aid the organization to better serve the public, and refine its policies and practices with respect to accessibility.

Since the initial publication of its Accessibility Plan and Policies, the AGCO has implemented many of the requirements outlined in the plan and participated in supporting activities, including consultation sessions with persons with disabilities and the organizations that serve, represent or advocate on their behalf. These activities have assisted the AGCO in better understanding the barriers that persons with disabilities often experience when accessing services, and have informed mitigation strategies and the ongoing review and development of AGCO's Accessibility Plan and Policies.

To ensure the AGCO continues to meet the requirements under the AODA, and that its policies remain effective, the AGCO has implemented a number of ongoing initiatives and policies in recent years. For example, all current employees have received training on the requirements of Ontario's accessibility laws, including the IASR and the *Ontario Human Rights Code, 1990*, with all new employees required to receive such training as soon as practicable. These accessibility training resources and materials, as well as supplementary accessibility information and e-training modules, are available to staff at all times via the AGCO's intranet.

The AGCO has also taken steps to ensure that its employees and the public are aware of the availability of accommodations for disabilities, where needed, to support participation in all areas, such as undertaking a critical review of the AGCO's recruitment processes to ensure all those interested in potentially joining the AGCO as an employee are aware of the AGCO's policies with respect to accessibility and accommodations for persons with disabilities. As part of this review, several policies were updated, such as the AGCO's Accommodation and Return to Work Policy and the Short-Term Income Protection Policy, as well as the Absence and Disability Management Program to help employees further manage their health and wellness.

In Spring 2017, the AGCO launched a newly refreshed website which was designed to be compliant, both in design and functionality, with the AODA. Over the coming year, the AGCO will continue to work to enhance the design and functionality of its website to conform to the Web Content Accessibility Guidelines (WCAG) 2.0 Level AA. The AGCO's multi-year plan and its policies are reviewed annually and updated where necessary to inform the public on the AGCO's progress. More information on planned and ongoing activities with respect to accessibility is available via the AGCO website.

13. THREE-YEAR FINANCIAL PLAN

As an agency reporting to MAG, the AGCO's annual spending authority comes from the Ministry's printed estimates, as approved by the Legislature, and all revenues are remitted to the Consolidated Revenue Fund. The AGCO Board of Directors reviews the annual budget.

The recent expansion of the AGCO's mandate has necessitated a strategic and comprehensive review of the AGCO's funding framework. Initial work on the funding framework included a review of fees for Special Occasion Permits (SOP) to better understand how regulatory fees might more accurately correspond to the AGCO's actual cost of regulation, account for inflation and aim to move the AGCO closer to full-cost recovery.

AGCO Revenue (\$ thousands)						
Over / (Under)	2017-18 Budget	2017-18 YE Forecast	Variance \$	2018-19 Budget	2019-20 Budget	2020-21 Budget
FEES						
Liquor - related	11,870.60	11,039.77	(830.83)	14,766.93	15,605.76	15,773.58
Gaming - related	11,389.70	11,422.89	33.19	11,272.36	11,556.56	11,856.56
Sub-Total	23,260.30	22,462.66	(797.64)	26,039.29	27,162.32	27,630.14
LEVIES						
Liquor - related	4.50	4.50	0.00	4.50	4.50	4.50
Gaming - related (Provincial Fee on Break Open Tickets)	4,982.50	4,837.16	(145.34)	4,643.67	4,457.92	4,457.92
Sub-Total	4,987.00	4,841.66	(145.34)	4,648.17	4,462.42	4,462.42
Total Fees and Levies	28,247.30	27,304.31	(942.99)	30,687.46	31,624.74	32,092.57

AGCO Revenue – Key Explanations:

- The 2017-18 Budget variance is due to unexpected delays in the implementation of SOP fee increases and the volume of grocery stores authorized to sell beer, wine and cider compared to what was planned at the beginning of the year.
- Revenue increases from 2018-19 to 2020-21 reflect the impact of expected SOP fee increases, additional grocery store authorizations to sell beer, wine and cider, and increased registration fees resulting from the management of OLG casinos transferring to private operators.

AGCO Expenditures (\$ thousands)

Savings / (Pressure)	2017-18 Budget	2017-18 YE Forecast	Variance \$	2018-19 Budget	2019-20 Budget	2020-21 Budget
OPERATING						
Salaries and Wages	63,472.14	59,190.56	4,281.57	64,622.90	64,622.90	64,622.90
Benefits	11,123.27	13,379.82	(2,256.56)	11,355.40	11,355.40	11,355.40
ODOE (OTHER DIRECT OPERATING EXPENSES)						
Transportation and Communications (T&C)	2,950.00	2,480.04	469.96	2,976.30	2,976.30	2,976.30
Services ⁽¹⁾	18,779.85	11,647.65	7,132.20	14,243.82	5,263.36	8,036.99
Supplies & Equipment	1,698.30	1,094.22	604.08	1,698.30	1,698.30	1,698.30
Gross Expenditures	98,023.55	87,792.30	10,231.25	94,896.72	85,916.26	88,689.89
Recoveries ⁽¹⁾	(69,894.10)	(59,662.85)	(10,231.25)	(69,194.10)	(59,394.10)	(59,394.10)
Total	28,129.45	28,129.45	0.00	25,702.62	26,522.16	29,295.79

⁽¹⁾ The 2018-19 Services line includes due diligence costs of \$9.8M to procure external service providers to assist in Eligibility Assessments required to support OLG Gaming Modernization, which are fully recoverable.

AGCO Expenditures – Key Explanations:

- The 2017-18 Budget savings in salaries and wages is mainly due to attrition, benefits pressure due to pension costs, and savings in services due to delays in the OLG Gaming Modernization implementation timelines.
- iAGCO is a multi-year project planned to be completed in 2019-20. The AGCO continues to fund iAGCO internally in 2017-18; however, as the Ministry of the Attorney General has committed to fully supporting iAGCO, they have agreed to fund any financial pressures in the remaining two years.

AGCO Capital Assets (\$ thousands)

	2017-18 Budget	2017-18 YE Forecast	Variance \$	2018-19 Budget	2019-20 Budget	2020-21 Budget
IT Hardware	277.80	277.80	0.00	196.92	683.08	1,193.81
iAGCO	4,858.75	4,858.75	0.00	4,590.06	3,284.36	0.00

The AGCO's Capital Budget consists of the purchase of IT hardware and costs related to the implementation of the iAGCO IT business application. iAGCO capital assets include all build costs including hardware, software, licences and services related to the delivery of iAGCO. AGCO IT hardware includes the purchase of personal computing devices, mainframes, data network equipment and storage devices.

14. PERFORMANCE MEASURES & TARGETS

The AGCO's approach to performance measurement enables the agency to improve program effectiveness by promoting a focus on results, service quality and value for money through continued targeting, monitoring and evaluation of results.

Performance measures are an integral component of the AGCO's strategic planning process. Effective strategic planning requires continuous feedback on progress towards achieving stated objectives using performance measures which are based on the five Strategic Goals identified in the AGCO Strategic Plan.

In keeping with the principle of a 'critical few' performance measures, the selected measures are intended to provide a broad overview of the AGCO's activities, but are not intended to measure all facets of the agency's operations. As part of the enhanced planning framework, performance measures will continue to be developed for AGCO Corporate and Divisional plans, which are intended to be more granular and project-specific in nature.

The AGCO is committed to ensuring agency-wide performance measures support the goals outlined in its Strategic Plan. To meet this commitment, the AGCO will continue to engage in multi-year goal setting and continue to refine its approach to linking resource planning and performance measurement to support a results-oriented organization.

APPENDIX A

APPOINTMENTS TO THE AGCO BOARD OF DIRECTORS

Name	Position	Original Appointment	Current Term Start Date	Current Term Expiry Date	Residence
Buchanan, Elmer	Member (Part-Time)	July 22, 2015	July 22, 2017	July 21, 2020	Havelock
Holmes, Jane	Member (Part-Time)	January 11, 2017	January 11, 2017	January 10, 2019	Mississauga
Kerr, S. Grace	Member (Part-Time)	July 25, 2007	May 31, 2017	May 30, 2019	London
	Chair (Part-Time)	May 31, 2017	May 31, 2017	May 30, 2019	
Nagel, Linda	Member (Part-Time)	December 7, 2016	December 7, 2016	December 6, 2018	Toronto
Williams, Eric Anthony Clear	Member (Part-time)	July 22, 2015	July 22, 2017	July 21, 2020	Alton

APPENDIX B

Strategic Goal Supported	Performance Measure	Five Year Planning Cycle Target	Results 2016/17
Modern Regulator	Percentage of compliance matters resolved through the Letter of Incident (LOI) process without a request for hearing.	Maintain the ratio of compliance matters resolved through LOI process without request for hearing at an average of 90%.	87%
	Percentage of high-risk infractions following transition to a compliance-based operating model.	Maintain an average 30% decrease in infractions compared to benchmark data.	55% decrease compared to benchmark
Value for Money	Average gaming and liquor application turnaround time.	Average turnaround time meets or is lower than AGCO Standard (30 days).	Liquor: 31 days Gaming: 11 days
	Average electronic gaming lab testing turnaround time.	Average turnaround time meets or is better than comparable jurisdictions (New Jersey = 53 days, Michigan = 52 days, and Nevada = 35 days).	34 days
Strategic Engagement	Current number of Memorandums of Understanding (MOUs) with external law enforcement and regulatory agencies to advance AGCO's regulatory interests.	Increase number of MOUs by 20%.	14% increase as of 2016/17
	Percentage of stakeholders indicating a high level of engagement following AGCO consultations using a Stakeholder Engagement Plan.	Percentage stakeholders reported feeling engaged/highly engaged during stakeholder engagement events averages 80%.	95%
	Number of national and international committees and working groups with AGCO representation.	Increase AGCO participation by 5%.	8.6% increase over 2015/16
Quality Service Experience	Percentage of gaming suppliers indicating very good/excellent level of service provided by AGCO testing and lab services.	Increase percentage of gaming suppliers indicating very good/excellent level of service to 75%.	86%
Rewarding Workplace	Time to fill vacancies (weeks).	Average time to fill vacancies meets or is better than AGCO internal target (9 weeks).	7.8 weeks
	Number of training hours per employee.	Average number of training hours taken per employee meets or exceeds AGCO target (15.75 hours).	14.66 hours