

Social Responsibility Review

2006

For the Benefit of
Québec Society



LOTO
QUÉBEC

LOTO-QUÉBEC'S MISSION IS TO ASSURE THE SYSTEMATIC AND EFFECTIVE OPERATION OF GAMES OF CHANCE IN THE PROVINCE. CREATED IN 1969 TO IMPLEMENT A PUBLIC LOTTERY, THE CORPORATION HAS SINCE BEEN ENTRUSTED BY ITS SHAREHOLDER, THE GOVERNMENT OF QUÉBEC, WITH VARIOUS NEW MANDATES THAT HAVE SEEN IT CONSIDERABLY DIVERSIFY ITS ACTIVITIES OVER THE YEARS. IN ADDITION TO A STATE LOTTERY, THE CORPORATION NOW OPERATES THREE CASINOS, RELATED RESTAURANT AND HOTEL SERVICES, A VIDEO LOTTERY NETWORK, ALONG WITH NETWORK BINGO ACTIVITIES. THE CORPORATION IS ALSO ACTIVE IN INTERNATIONAL MARKETS, OFFERING PRODUCTS AND SERVICES DEVELOPED WITHIN ITS VARIOUS AREAS OF COMPETENCE. LOTO-QUÉBEC RETURNS THE FRUITS OF ITS ACTIVITIES IN THEIR ENTIRETY TO THE GOVERNMENT AND TO THE PROVINCIAL COMMUNITY AT LARGE. IN RECOGNITION OF ITS SOCIAL RESPONSIBILITIES, THE CORPORATION FINANCES A PROGRAM FOR THE PREVENTION AND TREATMENT OF COMPULSIVE GAMBLING, WHILE TAKING ITS OWN ACTIONS TO COMBAT DEPENDENCY ON GAMING. MOREOVER, THE CORPORATION MANIFESTS ITS SOCIAL COMMITMENT IN NUMEROUS OTHER WAYS, INCLUDING THROUGH ITS FINANCIAL SUPPORT OF COMMUNITY ACTION AND ITS SPONSORSHIP PROGRAM THAT GENERATES SIGNIFICANT ECONOMIC SPIN-OFFS THROUGHOUT QUÉBEC.

Gaming: a state-controlled activity

In the majority of countries around the world, games of chance must be controlled and managed by State authorities in order to be legal. In Canada, the Criminal Code stipulates (with a few exceptions) that only the provinces may operate games of chance in accordance with their respective legislation. In effect, the State monopoly on the operation of games of chance not only ensures that all profits generated by gaming go into State coffers and are used for public good, but it also prevents the forces of competition from determining how the industry will evolve. Moreover, the State presence provides greater assurance of the integrity of gaming, the protection of consumers, and the prevention of illegal gambling. Québec legislation entrusts Loto-Québec with the mandate to operate games of chance and stipulates that the norms and conditions for each category of game it offers be regulated. These regulations must be approved by the Government and are published in the Gazette officielle du Québec. Furthermore, the regulations governing casinos and video lotteries must be subject to the scrutiny of the Régie des alcools, des courses et des jeux before their approval by the Government.

The Social Responsibility Review is available in its entirety on Loto-Québec's Web site at lotoquebec.com

Pursuing our Commitment to Contributing Responsibly



For an organization like ours, mandated to provide the population with high quality entertainment while maintaining a balance between economic vocation and social responsibility, each and every one of our activities is of vital importance.

Fiscal 2005-2006 was a pivotal year with respect to Loto-Québec's commitment to contributing responsibly to the provincial community at large. Within the pages of its first Social Responsibility Review published in October 2005, the Corporation outlined the numerous ways it works to fulfill its economic mandate while constantly taking the social and environmental repercussions of its activities into account. This publication was produced in direct response to the desire of the vast majority of Québécois to know more about our various contributions.

We also recognize that the public is concerned about excessive gaming and would like to see us intensify our efforts in that regard. That is why we focused more attention than ever this past year on promoting responsible gaming throughout our different activity sectors. The next few pages of this report provide an update to our first Social Responsibility Review by summarizing our contributions to the Québec community at large during fiscal 2005-2006.

Alain Cousineau

*Chairman, President and
Chief Executive Officer of Loto-Québec*

Economic and Social Responsibility:

Maintaining the Balance

Economic Contribution

Loto-Québec returns the fruits of its activities in their entirety to Québec society. As such, the Corporation's clientele, business partners and employees all benefit from its economic contribution, as do the Government and provincial taxpayers alike.

Where Loto-Québec's earnings went in 2005-2006

Total consolidated revenues	\$4.016 billion
Net income	\$1.614 billion
Dividends to the Québec Government*	\$1.537 billion
Prizes to lottery and bingo winners	\$984.6 million
Commissions and other compensations to lottery, video lottery and bingo network partners	\$427.3 million
Purchase of goods and services from 1,159 suppliers	\$394.6 million
Salaries and benefits to employees	\$359.6 million
Taxes and special contributions to governments	\$254.7 million

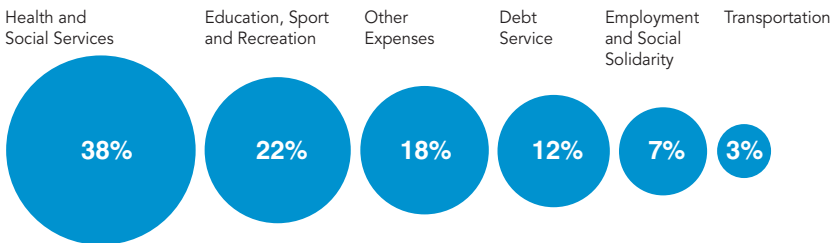
* During fiscal 2005-2006, Loto-Québec contributed more than \$1.5 billion in dividends to the Québec Government's Consolidated Revenue Fund in order to finance public programs and services. The graphic on the next page illustrates the breakdown of projected Consolidated Fund expenditures during 2006-2007.

It doesn't change you, **except**

One of Loto-Québec's principal contributions is in the form of the prizes it awards to thousands of lottery and bingo winners each year. During fiscal 2005-2006, a total of 1,274 lucky winners received 593 prizes of \$50,000 or over, including 44 prizes in excess of \$1 million.

Government of Québec 2006-2007 projected expenditures

Source: 2006-2007 Expenditure Budget, Volume II



In Support of the Tourism Industry

The Casinos: veritable engines driving the tourism industry

The most popular attractions in their respective regions, Loto-Québec's three casinos logged over 10.6 million visits during the past fiscal year, including 2.5 million from tourists. In addition to supporting several thousand direct and indirect jobs, these gaming houses generate major economic benefits within their zones of operation.

However, in order to be able to continue to contribute to the development of tourism in Québec, the Casino de Montréal is facing a formidable challenge – that of remaining competitive with the other gaming houses located in the northeastern U.S.

Broadening Horizons Through Innovation

Since its creation 36 years ago, Loto-Québec has earned an enviable position as an international reference on many fronts, including being the first lottery corporation in the world to operate an online sales network, to launch a CD-ROM-based lottery, to introduce an interactive terminal in its casinos for the prevention of excessive gaming, and to market a televised lottery.



Casino de Montréal



Casino de Charlevoix and Fairmont Le Manoir Richelieu Hotel



Lac-Leamy Complex: Casino and Hilton Hotel

Contributing responsibly means fulfilling our mission with respect for our values and for the benefit of all with whom we interact.

Social Contribution

2005-2006 Contributions

Contributions to the fight against excessive gaming **\$35 million**

- *Ministère de la Santé et des Services sociaux* \$22 million
- *Ministère de la Sécurité publique* \$3 million
- *Fondation Mise sur toi* \$10 million

Contributions to non-profit organizations **\$21.5 million**

- *Société des bingos du Québec* \$11.4 million
- *Lotomatique and kiosk sales* \$10.1 million

Services for the elderly who have lost their autonomy **\$30 million**

- *Ministère de la Santé et des Services sociaux*



Agricultural fairs

\$5.5 million

• *Ministère de l'Agriculture, des Pêcheries et de l'Alimentation*

Fonds d'aide à l'action communautaire autonome

\$13.3 million

(5% of the net income generated by the Société des casinos du Québec and Resto-Casino)

Fonds d'aide à l'action humanitaire internationale

\$2.7 million

(1% of the net income generated by the Société des casinos du Québec and Resto-Casino)

Sponsorships

\$16.6 million

La Collection Loto-Québec

\$0.4 million

Employee programs

\$2.6 million

Our employees:

Our strength and key to superior customer service

As its greatest asset, Loto-Québec is committed to keeping its workforce of 7,100 qualified individuals occupying 250 different job categories well informed. In line with this commitment, the Corporation ensures that its employees are familiar with and share its values and preoccupations with respect to its various contributions, sensitizes them to responsible gaming, and provides them with the information they need to assure adequate customer response. Moreover, Loto-Québec is committed to providing a healthy and stimulating environment that enables employees to develop and achieve their maximum potential.

Loto-Québec's social contributions include financial support to more than 1,000 non-profit organizations (NPOs).

The Contributions Take the Form of:

Agreements and programs enabling NPOs to sell lottery products via *Lotomatique* or at kiosks located in shopping malls (more than 1,443 NPOs are supported in this way)



Donations of all profits generated by network bingo operations at participating halls (some 1,010 NPOs are supported in this way)



Contributions of 5% and 1% of net earnings generated through the operation of casinos and their affiliated businesses (bars, restaurants, hotels, etc.) respectively to the Fonds d'aide à l'action communautaire autonome and to the Fonds d'aide à l'action humanitaire internationale

La Collection Loto-Québec's program for the acquisition of contemporary works of art in support of the province's visual arts milieu, as well as through its regional activities and the exclusive exhibitions presented at Espace Création





Festival international des rythmes du monde de Saguenay

Sponsorships of more than 100 public events across the province under the banner of *Les Rendez-vous Loto-Québec* and the *Sorties signées Casino* program, selected on the basis of their ability to generate economic spin-offs for the community and to attract tourists

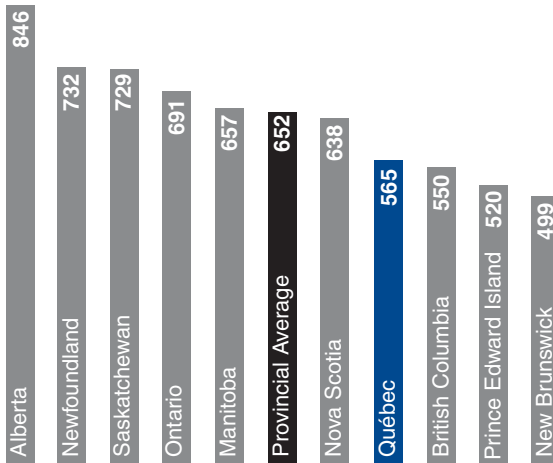
Loto-Québec also contributes more than \$60.5 million into designated funds, including:

- \$52 million to the Ministère de la Santé et des Services sociaux, including \$22 million to help compulsive gamblers and \$30 million for services for the elderly who have lost their autonomy
- \$3 million to the Régie des alcools, des courses et des jeux for the control of access to video lottery terminals
- \$5.5 million to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation for certain agricultural projects

The Numbers Speak for Themselves

Just as they wish to know where the Corporation's revenues go, Québécois are concerned about overall spending on gaming and about the whole question of compulsive gambling. Contrary to some perceptions commonly held about gaming in Québec, the actual numbers tell a different story. For example, Québécois are among the Canadian consumers who spend the least on games of chance – approximately \$90 less than the national average. In fact, compared to the residents of other provinces, Québécois rank seventh in terms of per capita spending on legalized gambling.

Spending on gambling per Province *



* Source: *Gross Per Capita Spending on Legalized Gambling in Canada and the Provinces in 2004-2005*. Data gathered from the audited Annual Reports of Canadian lottery corporations for the most recent period for which complete information is available.

Excessive gaming

Also contrary to an often-held perception, the prevalence of compulsive gambling is not on the rise in Québec. According to the results of the most recent study **, the actual number of compulsive gamblers within the province's adult population (1% in 1996 and 0.8% in 2002) and of players at risk (1.4% in 1996 and 0.9% in 2002) remained stable between 1996 and 2002, while Loto-Québec's revenues increased by 40% during the same period.

** Source: *Ladouceur, R., Jacques, C., Chevalier, S., Sevigny, S., Hamel, D. & Allard, D. (2004). Prevalence of Gaming and Compulsive Gaming Habits in Québec in 2002. Université Laval and Institut national de santé publique du Québec.*

Loto-Québec's social contributions take a multitude of forms.

Our top priority:
the promotion of healthy gaming.

Examples:

- **the reduction of the number of video lottery sites and reconfiguration of the video lottery terminal (VLT) network**

Since 2004, Loto-Québec has been committed to reducing the number of sites operating VLTs by at least 31% before the end of 2007. The majority of units withdrawn from bars and brasseries are to be concentrated in provincially controlled gaming centres. As of March 31, 2006, close to 43% of the objective had been reached.

The obligatory reorganization of the VLT network translates into the withdrawal of 2,500 units from the bar network and the cutting of 1,142 sites. Of the 2,500 VLTs withdrawn, 1,770 are to be relocated to the gaming centres, along with the 430 units currently in place at racetracks. In all, the reorganization represents the withdrawal of a total of 730 machines.

In addition to the obligatory withdrawals, a voluntary VLT withdrawal program offering compensation equivalent to one year's commission was implemented during the year aimed at:

- retailers equipped with five VLTs within 271 targeted zones
- proprietors of multiple sites (10 VLTs or more) throughout the province

- **the establishment of controlled sites**

Four new gaming centres are to be established in Québec, including two at existing racetracks in Québec City and Trois-Rivières respectively, another at a race-track to be opened on the northern fringe of Montréal, and a fourth at the highly popular tourist destination of Mont-Tremblant.

By concentrating VLTs in this way, not only is Loto-Québec reducing accessibility, but it will also assure rigorous control and continuous surveillance at its establishments, thus promoting responsible gaming practices. Moreover, the Corporation will be offering the same type of self-exclusion program as the one in place at the province's casinos since 1993.

The Fondation Mise sur toi has played an integral role in the organization of **an extensive awareness campaign** targeting both Loto-Québec employees and clientele.

- Internally, a specially adapted awareness week helped familiarize the 7,100 employees of Loto-Québec and its subsidiaries with the variety of preventive measures in place throughout the organization's various spheres of activity.
- Among the general population, a comprehensive advertising campaign entitled *It's only a game/It's nothing more than chance* ran for 13 weeks on the province's major television networks and in all Québec dailies. As a complement to this initiative, a major information campaign was also launched which saw close to 1.2 million pamphlets entitled *Your Player Profile in 8 Questions* put into circulation as inserts in the province's dailies and certain weeklies and community papers, as well as being distributed to the Corporation's partners.
- In addition to these initiatives, a weeklong Web campaign was launched on Québec's two most frequented sites — Canoë and Cyberpresse. The campaign ultimately reached more than 268,700 Web surfers.
- A post-campaign evaluation conducted among 1,054 Québécois by Léger Marketing revealed that the advertising initiative reached 83% of the province's adult population. No fewer than 94% of respondents reported having learned about the existence of a help hotline thanks to these messages, 90% came to recognize that gaming is a matter of chance, and 88% indicated that the campaign increased awareness of responsible gaming. Moreover, 88% of respondents felt that these advertisements were useful, and 75% agreed that they helped identify excessive gaming behaviour.
- The Help and Referral Hotline received over 5,590 calls during the three months of the campaign, marking one of the greatest increases in call volume in the past seven years.

Loto-Québec also redesigned the section of its Web site related to responsible gaming, adding considerable information and a list of free resources available throughout the province. More than 86,800 visits to this section of the site alone were logged between April 1, 2005 and March 31, 2006.

Finally, the Fondation received a mandate in 2005 to work with the appropriate parties to develop additional prevention programs and measures in support of individuals grappling with gambling problems in seven specific sectors or regions of the province.

Fondation Mise sur toi

Since 2002, the Fondation Mise sur toi has pursued its efforts aimed at the prevention of excessive gambling, the promotion of healthy gaming behaviour, and the protection of individuals at risk. The Fondation is actively involved in the implementation and continuous improvement of prevention tools within Loto-Québec's activity sectors, as well as in the promotion of the 1 866 SOS-JEUX hotline created to provide assistance to people experiencing excessive gambling problems and to their loved ones.



The Corporation has implemented a wide array of preventive measures over the years within all of its spheres of activity designed to promote the adoption of healthy gaming behaviour.

Preventive Measures

In addition to prohibiting access to and the sale of lottery products to minors under the age of 18, Loto-Québec has introduced a number of other initiatives aimed at preventing and combating excessive gaming.



At lottery product retailers ● ● ● ● ● ● ● ●

- The *Ici on carte!/Here, we card!* awareness campaign
- Indication of the odds of winning on the back of tickets, selection slips and the paper rolls used in game terminals
- Specific measures among wholesalers, retailers and consumers to assure compliance with the legislation prohibiting the sale of lottery products to minors which, upon the recommendation of Loto-Québec, came into effect in February 2000
- An advertising code of ethics that prohibits any form of product promotion targeted at youth or specific ethnic communities

Loto-Québec's commitment to social responsibility includes the adoption of numerous environmental initiatives over the years.

Environmental Contribution

The Corporation's environmental initiatives include:

- Maximum use of paper containing recycled fibres for the printing of tickets and publications
- Utilization of ecological solutions when refurbishing casino sites and developing green spaces
- BOMA Go Green certification for the Québec City regional office and the building housing the Montréal head office obtained in June 2005, with similar certification for all other establishments belonging to Loto-Québec targeted within the next three years
- Establishment of new norms for the recovery of recyclable materials and disposal of construction waste
- Construction and development of all new buildings in accordance with the Leadership in Energy and Environmental Design (LEED) American green building standard

Actión durable



Geste responsable



The Québec City regional office and building housing the Montréal head office were among the first establishments in the province to be certified by the Go Green program.

Finally, Loto-Québec's sustainable development initiative calls upon the contribution of the entire organization. Under the authority of the Senior Vice-Presidency of Communications and Public Affairs and integrated into the organization's strategic planning, this initiative took a significant step forward in 2005, marking the first phase of its implementation with the launch of a pilot project. The project will be carried out in seven phases.

1. Creation of a Social Responsibility Committee
2. Identification and evaluation of current practices related to sustainable development
3. Definition of a sustainable development policy
4. Preparation of an action plan (including objectives and performance indicators) covering a period of three to five years and proposing a series of new practices
5. Approval by the appropriate decision making authorities and distribution of the plan
6. Implementation of the action plan and follow-up
7. Regular progress reporting to the Board of Directors

Loto-Québec at a Glance

Created : 1969

Business Units

Lottery Operations
Société des casinos du Québec Inc.
Société des loteries vidéo du Québec Inc.
Société des salons de jeux du Québec Inc.
Société des bingos du Québec Inc.
Ingenio, filiale de Loto-Québec Inc.
Resto-Casino Inc.
Casino Mundial Inc.
Casiloc Inc.
Lotim Inc.
Technologies Nter Inc.

Workforce: 7,111 employees

Lottery Network

131 wholesalers and 9,843 retailers

Casinos

Montréal / Charlevoix / Lac-Leamy

Video Lottery Network

3,122 sites and 13,516 terminals

Bingo Network

127 participating halls

Suppliers: 1,159

Data as at March 31, 2006

Board of Directors

Alain Cousineau
Montréal
Chairman of the Board
President and Chief Executive Officer
Loto-Québec

Me Serge LeBel
Québec City
BCF S.E.N.C.R.L.

Lynne Roiter, LL.L.
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Corporate Secretary
Vice-President, Legal Affairs
Loto-Québec

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