



5 Economic Benefits

This chapter reviews VANOC's performance in the following areas:

- A Financial Performance
- B Buy Smart: Sustainable Purchasing, Licensing and Business Development
- C Sustainable Innovation and Practice

OUR PATHWAY

🇨🇦 To demonstrate that sustainable innovation and practice makes good business sense



Managed well, events such as the Vancouver 2010 Olympic and Paralympic Winter Games can generate sustainable economic benefits for host communities and regions in British Columbia and across Canada, including jobs, business development opportunities, trade and infrastructure improvements. Economic benefits can be created by VANOC, government partners, corporate sponsors, the tourism sector and the broad base of organizations and businesses involved in the Games. These economic benefits can be enhanced by sustainable business practices and innovation.

VANOC is committed to openness and transparency on all issues related to economic performance and responsibility. While applying prudent fiscal management practices, we also want to leverage our spending activities to create additional social, economic and environmental benefits for our host communities and the Olympic Movement.



Engaging Partners and Stakeholders

WHAT To provide input and feedback on VANOC's Buy Smart Program (sustainable purchasing) and opportunities for business development

- WHO**
- corporate sponsors
 - 2010 Commerce Centre
 - sustainability practitioners
 - community and environmental non-government organizations
 - current and potential VANOC suppliers
 - advocacy groups (such as the Ethical Trading Advisory Group)

HOW Workshops, focus groups, interviews presentations and group meetings

SUSTAINABILITY CONNECTION

A healthy and balanced economy can increase living standards and manage the impact of human activities on nature and communities by reducing waste and pollution, and more efficiently using resources such as energy, materials and labour. Ethical sourcing can advance more sustainable lifestyles and social justice in emerging and developed economies. Recruiting, training and business opportunities can support capacity-building in communities that experience disproportionate economic or social hardship. Sustainable technology and innovation can generate local and regional economic benefits.

A Financial Performance

We report quarterly on our financial performance. Audited financial statements for the period ending July 31, 2008, along with subsequent quarterly reports for our current fiscal year and past financial statements, can be viewed at vancouver2010.com.

We are committed to delivering a balanced budget for the Games. We will only spend what we raise. We also expect the public to hold us accountable for the two budgets that are under our control:

- a venue development budget of \$580 million, contributed in equal parts by the Government of Canada and the Province of British Columbia.
- an operating budget of \$1.63 billion for programs and activities needed to prepare for and stage the Games.

Public Funding for Venue Development

The Government of Canada and the Province of British Columbia are contributing cash of up to \$580 million (\$290 million each) directly to VANOC for venue construction. We will not exceed approved levels of public investment in the Games. We have an additional \$11.8 million in the form of value in kind (VIK) coming from our sponsors, and are on track to complete all venues before Games time to allow for testing and athlete training opportunities.

The rationale for public investment in the 2010 Winter Games is that they will yield returns through:

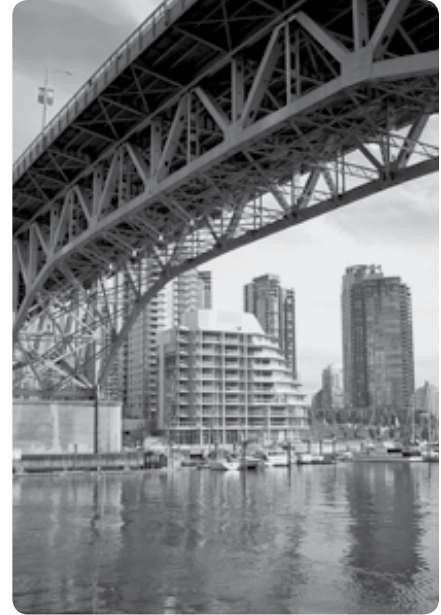
- increased tax revenues, employment and economic growth as a result of overall Games-related spending
- the creation of significant community sport and health benefits over the long term
- capital improvements that provide long-term public benefits

Private Funding for Operations

Revenues are generated by VANOC and the International Olympic Committee from corporate sponsorships, ticket sales, broadcasting rights, and licensing and merchandise sales. These revenues will be used to fund our \$1.63 billion operating budget.

Much like a franchisee, VANOC enjoys certain rights relating to licensing the Olympic and Paralympic Brands in Canada, integral elements of VANOC's sponsorship and licensing programs for revenue generation. Only official sponsors, licensees and government partners formally associated with the Games may use them. Since late 2003, when VANOC was established, we have had a strong response from the private sector. We have consistently met or exceeded our revenue targets in these areas.

Olympic and Paralympic Games sponsors contribute cash or VIK in return for marketing rights at the Games. For an up-to-date list of our corporate sponsors and suppliers, see vancouver2010.com.



ACTION TRACKER

Financial Performance

GOALS FOR 2007-08	PROGRESS WE MADE IN 2007-08	GOALS FOR 2008-09
Secure a further 15 to 20 sponsors, bringing our final revenue targets within reach	<p>We exceeded expectations for this reporting year by signing 21 new sponsors, bringing us to 95 per cent of our final sponsorship revenue targets</p> <p>We secured two co-presenting sponsors for the 2010 Olympic Torch Relay and two lower-level sponsors (signature supporters), giving us a total of four</p>	Reach 100 per cent of our sales target

The tables that follow illustrate year-end results for the fiscal 2007-08 reporting period. For completeness, we have also included cumulative results from the 2003-08 period. This financial information should be read in conjunction with the VANOC financial statements for the year ended July 31, 2008, available on our website at vancouver2010.com. (Note that federal and provincial government partners have fiscal years ending March 31.)

Table 8A
VANOC Summary of Financial Results — Venue Development

	FISCAL 2005-06 (\$000)	FISCAL 2006-07 (\$000)	FISCAL 2007-08 (\$000)	CUMULATIVE 2003-08 (\$000)
Where our funding comes from				
Government contributions				
Government of Canada	64,010	118,405	70,650	261,165
Province of British Columbia	–	111,196	26,091	218,287
Sponsorship revenues, net	555	2,749	3,915	7,218
Investment and other income	657	913	940	3,122
Total	65,222	233,263	101,596	489,792
How we spend it				
Cypress Mountain	1,022	8,808	5,939	15,873
Vancouver Olympic/Paralympic Centre	626	15,618	15,495	31,739
Pacific Coliseum	2,693	6,735	6,772	17,402
Richmond Olympic Oval	2,881	9,170	11,746	54,094
Training Venues	–	5,001	72	5,073
UBC Thunderbird Arena	7	34,918	2,289	37,279
Olympic and Paralympic Village Vancouver	–	–	–	30,000
Whistler Athletes' Centre	41	5,414	13,396	18,851
Whistler Media Centre	–	–	–	3,000
Whistler Creekside	4,546	16,127	6,348	27,043
Whistler Olympic/Paralympic Park	22,184	47,347	38,625	114,690
Olympic and Paralympic Village Whistler	–	29,000	–	29,000
The Whistler Sliding Centre	23,622	46,606	24,549	100,390
BC Place	–	–	300	300
Other	5	2,335	3,915	7,685
Interest and carrying charges	418	1,133	389	1,944
Total	58,045	228,212	129,835	494,363
Excess of revenues over venue development expenses	7,177	5,051	(28,239)*	(4,571)*

* It is typical in Games Organizing Committees for an excess or a deficiency to arise and fluctuate as the timing of the receipt of revenues and the payment of expenses is dependent on specific contracts and does not follow a regular business cycle.

Table 8B
VANOC Summary of Financial Results — Operations

	FISCAL 2005-06 (\$000)	FISCAL 2006-07 (\$000)	FISCAL 2007-08 (\$000)	CUMULATIVE 2003-07 (\$000)
Where our funding comes from				
IOC contribution	—	87,419	19,135	112,822
Sponsorships	44,455	105,095	105,607	256,503
Licensing and merchandising	3,383	1,966	3,745	9,115
Other income	1,051	2,124	15,226	18,643
Marketing rights and royalties	(16,640)	(18,776)	(21,432)	(60,414)
Total	65,222	233,263	101,596	489,792
How we spend it				
Workforce and Sustainability	9,175	18,455	20,785	57,863
Finance	18,842	21,849	13,623	63,513
Revenue, Marketing and Communications	6,815	9,564	20,042	40,665
Technology	4,948	33,754	51,081	91,031
Service Operations and Ceremonies	5,110	10,162	29,092	45,929
Sport and Games Operations	2,723	26,824	34,652	65,356
Foreign exchange (gain) loss, net	2,131	(3,684)	1,149	(301)*
Total	49,744	116,924	170,424	364,056
Excess deficiency of deferred revenues over deferred expenses	(17,495)	60,904	(48,143)*	(27,387)*

* These excesses are due largely to the timing of the receipt of venue development funds when compared to the timing of related expenditures.

BACKGROUND

Communicating with Integrity

We are committed to ensuring the activities of the Games are communicated with accuracy, integrity and transparency. Sponsors and marketing partners are vital to the success of the Games and associated legacies. With this comes our legal obligation to the IOC and the marketing partners to protect against unauthorized use of the Olympic and Paralympic Brands in Canada. We adhere to the Government of Canada's *Olympic and Paralympic Marks Act, Trademark Act, Copyright Act and Competition Act*. VANOC's challenge is to balance engagement and excitement around the Games and its activities with communities and businesses while ensuring responsible stewardship of the Vancouver 2010 brand. We have developed a *Real 2010: Protecting the Brand* booklet (outlining our commercial rights management policies), a Licensee Code of Conduct and a Supplier Code of Conduct, all of which are available at vancouver2010.com. To ensure the consistency and integrity of all materials, our marketing and communications efforts are supported by comprehensive brand and graphics standards. In the 2007 calendar year, we focused our outreach with community and business organizations on informing them of the marketing communication rights and boundaries around the Olympic Brand. We received 88 enquiries about and/or requests for use of our intellectual property. We also tracked 184 reported infractions of our intellectual property, 139 of which required further action. Going forward, we will continue to monitor marketing communications activities and respond to significant infractions.

By adhering to these standards, we aim to protect and strengthen the Olympic/Paralympic Brand so that we secure sufficient funds, host spectacular 2010 Winter Games and assist Canadian athletes.



B Buy Smart: Sustainable Purchasing, Licensing and Business Development

VANOC has identified purchasing, licensing and business development as strategic opportunities to advance our sustainability commitments and create value on a variety of different fronts. This means we strive to make economically, environmentally and socially conscious choices when purchasing products and services, where possible and practical. Our Buy Smart Program is a formalized set of procedures and activities designed to ensure that sustainability attributes, ethical choices and Aboriginal participation are taken into account within our procurement and licensing activities. Our Licensee Code of Conduct helps ensure suppliers of licensed merchandise meet credible standards.

Following the successful implementation of the Licensee Code of Conduct, and as a result of stakeholder input, VANOC has introduced a Supplier Code of Conduct to the Buy Smart Program. The code's purpose is to ensure ethical, safe and healthy workplaces for people who supply products and services to VANOC. Regular suppliers are required to review the code as part of our bid and contract process. The code has the same minimum standards of performance as our Licensee Code of Conduct. Going forward, VANOC will use a risk-based approach to assess supplier compliance.

CHALLENGE

Ensuring Freedom of Association

For a time-constrained project entity such as VANOC, a compliance-based approach to assessing ethical sourcing with licensees defines a number of areas, including workers' rights. This is not without its challenges. Over 50 per cent of our licensed merchandise is sourced from Asian markets. Some of the jurisdictions in this region do not have policies and practices that support Freedom of Association (FOA) for workers. While we include this element in our Code of Conduct, we realize complete conformance is not yet possible in selected markets.

With input from the Ethical Trading Action Group (an international non-government organization concerned with ethical sourcing) and others, VANOC has worked with its third-party audit provider, Intertek, to expand the auditor's ability to detect FOA issues for reporting purposes. In addition, audit reports have been expanded to include FOA information to inform VANOC and its licensees of specific conditions. Going forward, we will continue to work with our licensees to improve and track performance through corrective action plans. We will also continue to work with members of the Olympic Movement to embrace sustainable sourcing. Part of the solution involves more on-the-ground support for factories eager to improve but lacking in capacity or training. While VANOC does not have the resources to provide such support, we are encouraging engagement by regional non-government organizations to help fill this gap. We also continue to share our experience with other host/bid committees, as well as the IOC.

The report is ultimately more credible when you communicate candidly about the issues you are struggling with. On the occasions where I have seen VANOC speaking from the heart, I find that people are reasonable and understanding of the challenges.

—Tim Reeve, advisor
Sustainability Purchasing Network

BACKGROUND

Licensee Code of Conduct Program Recognizes Corrective Action

Corrective actions, process improvement and mid-course corrections are expressions of continual improvement that are core to effective management systems — whether they target health and safety, quality, environmental management or even ethical sourcing. It is especially important when a new business code and associated set of business requirements are instituted between two or more parties. Part of the legacy to our supply chain is to support continual improvement rather than irrevocably terminating business with non-compliant entities. While we recognize our compliance approach to ethical sourcing has its limitations, we are pleased with the improved performance of some of our licensees in the last reporting year. For instance, our licensees worked with five factories that were banned (after their initial audit) to bring failing audit grades to acceptable levels, often resulting in significant new business contracts between the licensee and the factory.

ACTION TRACKER

Buy Smart: Sustainable Purchasing, Licensing and Business Development

GOALS FOR 2007-08	PROGRESS WE MADE IN 2007-08	GOALS FOR 2008-09
Develop the means to identify and track the number and value of contracts awarded to inner-city enterprises, the Aboriginal community or organizations with environmental technology attributes	Identification and tracking system for Buy Smart contracts was developed through the creation of a field in the database where a supplier can be identified as part of the priority population segment we are tracking	Continue implementing ways to track number and value of contracts with inner-city, Aboriginal and environmental attributes
Provide advanced notice to the marketplace of procurement opportunities that are significant or have high sustainability and Aboriginal participation potential	Hosted eight VANOC one-hour presentations on sustainable and Aboriginal procurement opportunities, as well as four opportunity e-mail updates to the marketplace Provided procurement updates to the 2010 Commerce Centre for its business network presentations to BC-based enterprises	Continue to provide advance notice to the marketplace of procurement opportunities that are significant or have high sustainability and Aboriginal participation potential
Continue to monitor corrective actions through follow-up factory audits	Met with Maquilla Solidarity Network and Ethical Trading Action Group to discuss best practices for social compliance programs Modified Licensee Code of Conduct audit tool to detail specific non-conformances to improve licensee corrective action planning Reported Licensee Code of Conduct audits by country	Share Buy Smart model with sponsors and partners Continue to monitor licensee corrective action plans through follow-up factory audits
Develop and implement a procedure to apply the Licensee Code of Conduct to all regular VANOC suppliers and sub-contractors	Developed and approved Supplier Code of Conduct in June 2008 (now included in all VANOC procurement packages)	Evaluate selected suppliers for Code of Conduct assessments, based on scale of product use and/or sustainability impact (impact on environment and priority groups)
Develop verification protocols for VANOC suppliers and sub-contractors	Developed verification protocols for suppliers and contractors	Test and improve verification protocols with selected suppliers on compliance with Code of Conduct
	Presented VANOC's Buy Smart Program and lessons learned to date to London 2012 Organizing Committee and (London's) Olympic Development Authority (ODA)	Share Buy Smart Program learnings with Olympic Movement

Following the advice of stakeholders to track compliance activities by country, VANOC worked with Intertek to analyze this information. In the 2007-08 reporting year, the 198 Licensee Code of Conduct audits by country are broken down as follows:

China	124	Bangladesh	5	Taiwan	3	Cambodia	1
Canada	32	Vietnam	5	Indonesia	2	Sri Lanka	1
USA	12	India	5	Mexico	2	Italy	1
				Other	5		



SUSTAINABILITY IN ACTION

PUTTING OUT FIRES

This story begins with an effusive phone call to Keith Spodek, group director, quality assurance and sustainability for Birks.

"Keith you saved my life." This was the owner of one of Birks' external factories. Keith couldn't think what he'd done to deserve such credit. "What are you talking about?" he replied.

The factory owner was talking about a fire in the dust collection — a fire that could have burned down the building. But it didn't, thanks to Keith's persistence in implementing VANOC's Licensee Code of Conduct. And specifically, thanks to new fire extinguishers that had been placed strategically throughout the building.

But the phone call is not where the story starts. It begins many months before, when Birks became the Official Supplier of Jewellery Products to the 2010 Winter Games and Keith first studied VANOC's Licensee Code of Conduct.

The Licensee Code of Conduct, one component of VANOC's Buy Smart Program, obligates all licensees to produce their products

in a way that respects the environment and the health, safety and dignity of the workers who make the products. This means committing to continuous improvements and verifying compliance through factory audits.

Keith's first step was to ask each of Birks' six factories — two internal and four external, all in Canada and the US — to undergo VANOC's self-assessment process. It revealed a number of small but critical gaps — gaps like missing, hidden or out-of-date fire extinguishers.

Keith then worked to bring each factory into full compliance with the code; enter the new fire extinguishers — and disaster was averted.

When Intertek — VANOC's third-party auditor — visited the factories, every one of them passed the audit. Four passed with a grade-A rating and no corrective actions were required. "We had amazing results from the factories," said Keith. "All this hard work paid off."

C Sustainable Innovation and Practice

If sustainability is not affordable, people will not practice it. We would like to use our 2010 Winter Games to showcase and make the business case for sustainable innovation and practice. In this reporting year, we've identified innovations in a more comprehensive way than we did previously. For a cumulative list of innovations, which also captures innovations from past years, please see Appendix C. We continue to track sustainability innovations associated with Games venues and villages (see Appendix B). Going forward, these innovations will be reviewed further for eligibility through a sustainability innovations recognition program.

Because VANOC is taking such a leadership role in sustainability, its influence is a catalyst for change.

—Kathryn Molloy, executive director
Sierra Club of British Columbia

ACTION TRACKER

Sustainable Innovation and Practice

GOALS FOR 2007-08	PROGRESS WE MADE IN 2007-08	GOALS FOR 2008-09
Increase opportunities for sponsor and partner participation	<p>Convened 10 teleconference tutorials with representatives from 19 Games sponsors to share best practices on sustainable and Aboriginal procurement</p> <p>Identified and evaluated opportunities to activate on sustainability collaborations with 65 sponsor representatives at two 2010 Sponsor Sustainability Initiative meetings (held in November 2007 and March 2008)</p>	Convene opportunities for interested government partners to share best practices in sustainable and Aboriginal procurement
Pursue opportunities to identify showcase platforms (virtual or physical)	<p>Conducted sustainability panel presentation with the Province of BC, Teck Cominco, RONA, Purolator and the Sierra Club of BC at a global conference on business and sustainability (GLOBE 2008). This enabled us to present the opportunities and challenges of using a sporting event to advance innovation and foster more sustainable practices and behaviour</p>	Profile sustainable innovations and stories at the World Conference on Sport and Environment through VANOC sustainability reports and VANOC-related communications
Ensure a process is in place to identify and profile sponsor, partner, supplier or stakeholder innovations from 2008 to 2010	Developed a recognition program to profile 2010 Winter Games-related sustainable innovations in communities and the marketplace	Expand opportunities to participate in innovation recognition program to interested sponsors and partners