



2021 Annual Report



**ENTERTAINMENT
SOFTWARE**
ASSOCIATION OF CANADA



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Message From The President and CEO



Entertainment Software Association of Canada’s (ESAC) mandate is to promote and protect the interests of Canada’s video game industry from coast to coast. By engaging with governments across the country and advocating for the best possible environment to make and publish video games, our efforts continue to result in policies that are increasing job creation and corporate investment in Canada’s video game industry. Our engagement with the media has led to the emergence of a more positive narrative around games and the games industry in Canada during a time when negative narratives are dominating the press.

We are proud to support an industry that helps bring Canadians together across of all demographics, professions, governments, businesses and communities. Two-thirds of Canadians regularly play video games, not only for entertainment, but also to connect with friends and family. Our latest research study, conducted by NPD Group Canada, found that 58% of adult video game players were spending more time playing during the pandemic and a massive 80% of teens spent more time playing with their friends while schools were closed and they were asked to stay home. Games have played a vital role in keeping people connected this past year while also improving their mental health. Our study found that 65% of adults and 78% of teens indicated that games improved their mental health and made them feel better while adhering to public health directives.

The past year has been one of the most difficult in history. Economies around the world have been pushed to their limits. Sectors that once dominated have found themselves struggling to survive in the face of lockdowns. Physical goods have been harder to procure in a year where visiting stores has been difficult or impossible. Many businesses have been unable to transition effectively to a work from home environment, struggling to keep productivity levels up while not being able to go to the office. I am pleased to say that the video game industry has proven itself pandemic-resilient, if not resistant. Our pre-existing digital platforms and infrastructure have enabled us to distribute our products digitally without the need for physical stores. Our experience and expertise in global distributed development has allowed us to move close to 30,000 direct employees to their homes with minimal disruption to the development of ongoing products. While it hasn’t been perfect, our industry has demonstrated how to succeed during challenging times by investing in the infrastructure and technology to embrace digital.

In our digital first society, access to technology has a major impact on our everyday lives. At ESAC, we recognize the power of video games to support and serve our communities. Video games developed in Canada are played here at home and throughout the world by more than 2.2 billion video game players. We continue to develop some of the biggest franchises in the world and our reputation as a leader in the industry continues to grow.

As we move forward toward the end of the COVID-19 pandemic, it will be vital for our industry to continue to show consumers why they picked up a phone or a controller in the last year and played a game. To continue to be able to give them the experiences they have come to love and the connections they have become accustomed to. Games are much more than a pandemic past-time. Video games offer new worlds to explore, new characters to experience, new allies to form and new enemies to defeat. They are a reflection of the human experience, designed by talented people who bring their visions to life through the experiences they bring to your favorite platform.

I continue to be in awe of this industry and am proud to work everyday to ensure that it continues to grow and that its incredible innovations and experiences are known to those who make decisions that could impact our industry. And it is our job everyday at ESAC to make this happen.



Message From The Chair



Canada is home to one of the world’s most vibrant video game industries. The Entertainment Software Association of Canada (ESAC) is the voice of Canada’s video game industry, and serves its member companies by engaging on relevant issues with government and public policy stakeholders nationally and internationally.

The role of the ESAC Board (Board) is to ensure good governance of ESAC with respect to activities carried out in support of our industry. The Board provides oversight of ESAC and supports its strategic direction to ensure that the organization’s activities benefit all members.

We are committed to providing guidance and direction to ESAC to ensure a healthy environment for our industry to flourish. This includes the realization that although ESAC is a member-driven organization that it’s mission and work benefit a far greater portion of the industry than those of us just within its membership. This acknowledgement has been a key driver in the organization’s efforts to include as many studios as possible within its economic studies, its annual industry events in multiple provinces and its assistance and guidance during the past year.

In ESAC’s most recent research study, conducted by NPD Group Canada, it was found that 61% of Canadians regularly play video games. These 23 million Canadians come from all economic backgrounds, all ethnic groups and spread across all demographics from young children to Seniors. It has been clear through both our research and media reports that video games have played a major role in people’s lives over the past year. There is no greater sense of pride than knowing what you do is positively impacting the lives of people who engage in your products. In addition to the social impact games have made, the continuing economic impact the industry is making in Canada continued this year, even while things were far from normal.

COVID-19 has been an unprecedented economic and social challenge that none of us were prepared for. In my position as Chair of the Board I have witnessed the efforts that ESAC has made to both support and promote the industry in a time that both were deeply needed. I was proud that ESAC took the initiative to assist non-member companies who had questions and concerns about their business during the pandemic. The board did not hesitate to approve the release of our back-to-work guide, that was funded and developed on behalf of ESAC membership, with the entire Canadian video game industry.

It was and is our belief that while ESAC will always be a member focused organization, our mandate exceeds that of just those who are a part of the association. Our work transcends membership to benefit the entire Canadian industry. As Chair of the Board I could not be more proud of the work that this organization does to advance the industry with government, media, the public and other key stakeholders in Canada and around the world.

As we approach the beginning of the economic and social rebuild after COVID-19 we know that video games will continue to play a huge role in keeping people connected and entertained. The board of ESAC looks forward to ensuring our organization is engaged in the right initiatives that will continue to advance the video game industry and its priorities in Canada.



Public Health Agency of Canada Campaign

#CRUSHCOVID



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Canada



Once it was determined that the video game industry was not going to be one of the industries that suffered during the pandemic, but in fact, would benefit from increased consumer sentiment toward our industry, the focus became on determining ways we could use this reach to help the government. To this end, we began strategizing with our members to find ways we could disseminate important public health messages related to preventing the spread of COVID-19 to our increasingly large player base.

Our proactive approach to the Federal government was met with enthusiasm, which told us we were on the right track on how best to help in this time of need. We knew the video game industry, as a digital industry, could not produce emergency health equipment such as ventilators or PPE such as masks and visors. We also knew that games were playing a key role in helping people stay connected and entertained and that the audience for games has markedly increased. This audience gave the video game industry an enormous opportunity to reach a very large number of people with targeted health messaging aimed at a younger demographic.

After months of working together with the Public Health Agency of Canada (PHAC) and our members the #CrushCOVID campaign was launched. Under this initiative, PHAC and ESAC collaborated to develop specific messages that would be disseminated by both organizations aimed primarily at those 18-35 who engage with video games. This demographic was a difficult group for the government to reach, as in the early stages of the pandemic the virus was thought to be less dangerous to them and therefore messaging was not working as effectively as older age groups.

A series of graphics and short videos was produced and released over a staggered timeline in November and December. These were shared on social media by both PHAC, Health Canada, the Federal Minister of Health, as well as ESAC and several of our members. The campaign was even announced by Canada's Chief Public Health Officer during one of her daily briefings, watched by millions across the country.

#CrushCOVID is an unprecedented collaboration between the Federal government and ESAC and is, what we hope, the beginning of an extended relationship that will allow the Canadian video game industry to use its influence and reach to help the government disseminate key health information that will protect people and save lives as we move through this devastating pandemic.



Thought Leadership



ESAC has always been a leading industry association with respect to research and data. The video game industry has consistently been lauded by government for having the most relevant and recent data and statistics about key metrics like employment, wages, diversity, revenues and GDP. This information helps ESAC present compelling and cogent advocacy positions to support the policies most important to our industry.

As the industry has matured and become a much larger economic force in Canada, the time has come for ESAC to evolve the tactics we use to position the industry for success. In the past we have relied solely on our own studies and narratives to depict a picture of a thriving industry that sits within the centre of an innovation ecosystem. While this has been effective, in light of our growing influence it is time to become part of the larger national discussion that helps form policy on a larger economic platform.

ESAC has been a member of the Canadian Chamber of Commerce for years, and have worked diligently with that organization to advance priorities for the industry through this much larger trade body. This past year ESAC diversified our partnerships to include think-tanks and economic policy organizations, such as the C.D. Howe Institute and the Public Policy Forum of Canada. These organizations are two of Canada’s leading economic think-tanks and represent an opportunity for us to grow our audience of influential policy experts, as well as expand our network of industry champions. These partnerships will help position our industry as part of the larger discussion around the future of Canada and where the digital economy may be going. Already these relationships have resulted in opportunities for us to engage on panels, working groups as well as new studies around issues like labour, talent and the future of work.

As the video game industry continues to grow in size and prominence, it is vital that we are included at the most important policy discussion tables in the country. Although we are in the early stages of our thought leadership journey, we are pleased with the progress thus far and are optimistic about the value of this new direction and are confident that over time it will result in the industry having a much more favourable view amongst Canada’s leading influencers.



#SVGC2020



The Entertainment Software Association of Canada (ESAC) supports the growth of Canada's video game industry through research, advocacy and promoting awareness of key issues affecting the sector; such as talent development and the future of technology skills in Canada.

As part of its efforts, ESAC annually hosts its Canadian Student Video Game Competition, inviting post-secondary students from across the country to participate and showcase their development skills and demonstrate excellence in three (3) core areas: Originality/Creativity, Artistic Expression and Technical Proficiency. Video games are an important part of today's society and students from across our country are creating exciting and innovative experiences as part of their post-secondary education. ESAC is proud to continue our tradition of supporting and growing the next generation of Canada's video game talent. We believe in the importance of ensuring a solid talent pipeline that will propel our industry well into the future. Students making video games today will shape innovations in our industry for years to come.

This year's winning team received a cash award for \$6,000 that will be put toward new equipment for their continued education and training. Our Student Video Game Competition is a way to inspire and recognize students wishing to launch careers in the video game industry and remains a key platform for us to reward the best and brightest of Canada's post-secondary system.

ESAC's Student Video Game Competition is now in its sixth year. While we were unable to offer the traditional trip to E3 that has been such a motivator in garnering submissions, we still received 20 submissions this year and we are so pleased with the talent we're seeing across the country. Games submitted were played and reviewed by our expert panel of judges.

This year, a team of students representing the School of Digital Arts, Animation and Design at the University of Quebec at Chicoutimi (NAD-UQAC) and the Département d'informatique et de mathématique de l'Université du Québec à Chicoutimi (DIM-UQAC) teamed up to build the game Cold Sun. The game is a third-person stealth adventure set in a post-apocalyptic world, Cold Sun, effortlessly weaves artwork and a heart-felt narrative together to create an enjoyable and visually exciting production.

This year's top three games in #SVGC2020 showcase top-notch talent from a cross-section of Canada's post-secondary game development programs:

- First Place – Cold Sun, NAD-UQAC/UQAC
- Second Place – Wyrnwood, Sheridan College
- Third Place – The Last Frame, UQAC



Ottawa Day



Mary Ng 
@mary_ng
Canada government official

Thank you to the [@ESACanada](#) for the productive discussion today. Great to chat about the competitive advantage of the Canadian video game industry at global events and providing opportunities for [#CDNBiz](#).



Each year ESAC produces and hosts a large event on Parliament Hill that includes a reception and demo night where members showcase their games for MPs and staff. The reception is followed by a day of advocacy meetings with key MPs and staff on the Hill where we advocate for ESAC priorities. The last Ottawa Day took place in early February of 2020, only two-days after Parliament returned from the Holiday closure. We were one of the first industry groups to hold an event before COVID-19 resulted in mass lockdowns.

ESAC is not the only industry association, non-profit or charity that had to adapt and find new ways to engage Parliamentarians and their staff in this remote and virtual environment. While we have found relative success with phone calls and video meetings, there will be no in-person events in Ottawa for some time to come. This made it necessary for ESAC to develop a new strategy to engage government in an innovative way that would attract attention and make an impact during these unique times.

Online Media

Without an in-person physical showcase, ESAC needed to create a centre of gravity to propel interest in what we were saying, and promote as a credible companion to the virtual meetings we would have with MPs. To accomplish this goal, ESAC partnered with the Globe and Mail, Canada’s largest newspaper, on a paid advertorial about the positive impacts the industry has had on both the social fabric of Canadians during the pandemic but also on the economy. It highlighted key data points from our 2019 and 2020 studies and positioned the industry as a leader in the coming digital economic transformation.

Custom Message

In the absence of being able to meet with Parliamentarians in person, we shot a short 5-minute video where ESAC CEO, Jayson Hilchie provided a greeting in lieu of an in-person event. Jayson highlighted all of the positive ways games and the games industry is impacting Canadians. The messages in the video echoed those from the Globe and Mail article and was shot on-site at member studio, Certain Affinity Toronto. The objective of the greeting was to stay visible to as many MPs and key staff as possible in the absence of an event. We also promoted the greeting on social media in order to get a larger audience for the message and cut it into separate pieces to use it on multiple platforms.

Virtual Meetings with Parliamentarians

ESAC arranged multiple virtual meetings with Parliamentarians from across parties to ensure the positive message about the video game industry was conveyed to those on all sides of the House of Commons. Meetings were supported by the participation of numerous member companies who shared their experiences making games during the pandemic, reinforcing our message of continued growth and success during a challenging economic and social time. It is only with the support of our members that ESAC can credibly advocate for the industry and we thank all of those companies that participated. We are hopeful that we will return to Parliament Hill for our Video Games on the Hill Showcase in 2022.



HR Update



DIGITAL COMMUNICATIONS MANAGER

ESAC is pleased to announce a new member of its team. Dylan Boyd joined our association this fiscal. Dylan has extensive experience in design, social media, and website management.

Dylan started his career in radio as the Digital Media Manager at Evanov Media Group. There he was responsible for the development of a new website design structure and the development of graphic assets and rich media. He was also responsible for creating and overseeing creation of all graphic and motion content for 19 radio stations across Central and Eastern Canada.

Following his time at Evanov, Dylan moved on to Precise Parklink, one of Canada's largest parking management companies, where he was Brand Coordinator. There he developed materials that included collateral such as business cards, brochures, ebooks and signage, as well as motion graphics, 3D imagery, and graphics for web and social media.

Dylan has a Bachelor of Design from Ontario College of Art and Design University with a major in Graphic Design and minors in Wearable Technology and Integrated Media.

Dylan has been using his expertise for the implementation of robust digital strategy for ESAC. As we remain prohibited from traveling and meeting with industry and media in-person, we have relied on an expanded digital media strategy that includes graphic design on-demand, improved web analytics, social media and an overall improvement to our online presence. The need for ESAC to pivot to a digital strategy to reach decision makers, the media and public was precipitated by our inability to be in front of our key audience due to the pandemic. Dylan's skillset has been invaluable and will be going forward as we continue to improve and expand our digital and online presence.



Essential Facts 2020



Real Canadian Gamers Essential Facts

In November of 2020 ESAC released its latest study, *Real Canadian Gamers Essential Facts 2020*, conducted by NPD Group Canada. The purpose of the research was to quantify the state of the Canadian consumer market and understand who the Canadian gamer is, what they play, why they play and how games have helped them deal with the difficulty of the COVID-19 pandemic.

As a unique portion in this year’s edition, given timing, we were able to ask specific questions about how the pandemic was influencing people’s engagement with our products. We were thrilled to find that not only were the vast majority of Canadians spending more time playing games, but games were acting as a medium for them to stay in touch with their friends, spend more time with their kids while at home and perhaps most importantly, improving their mental health as they adhered to public health guidelines.

Staying home for extended periods of time is not easy, especially when you are physically removed from those you love and those you spend the most time with. For the vast majority of us this was the first time we had ever been told to avoid those who form the foundation of our social and family circle. That’s why, as the Canadian video game industry, we have never had such an immense sense of pride as we have had in the last year. It is always our aim to entertain and connect, but this is the first time our products have been used in such a difficult time, certainly in Canada. There is no greater sense of pride than knowing the experiences and games we make have been able to act as such a conduit for connection and outlet for mental health.

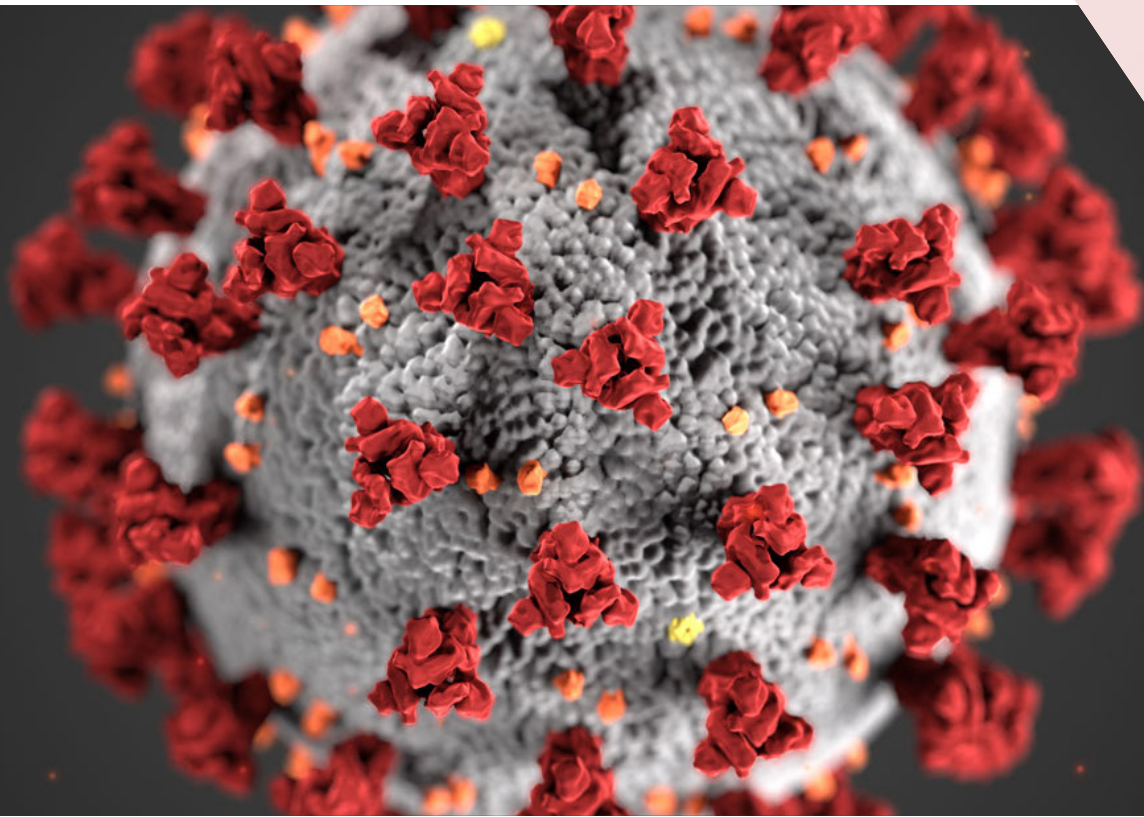
Once again, this year it was found that the majority of Canadians are avid video game players. Over 23 million of us, approximately 61% regularly play games. These people are spread across all demographic groups. They range from young children all the way to retired seniors who use games for entertainment and connection. The backgrounds of gamers also are as diverse as their ages, coming from all walks of life and ethnicities. And once again the split between male and female gamers is equal at 50/50. And there are no boundaries for enjoying interactive entertainment products. Our research has shown that while the majority of gamers are playing on their phones, a huge percentage are also playing on consoles and PC’s as well.

The majority of players are engaging with our games on more than one platform and acquiring their content through digital channels, which has been one of the reasons the video game industry has been able to thrive during the pandemic. The ability to give consumers the choice of physical or digital is key to our offering, but in a time when you cannot access physical goods due to lockdowns, the ability to deliver our products digitally has been vital.

We were also pleased to find that awareness and adherence to the ESRB ratings system continues to be high, with parents regularly consulting the ratings to help them make content choices for their children. As the major form of self-regulation for our industry, the ESRB ratings are a priority for us to ensure parents have the information they need to make decisions about game content. The video game industry takes its responsibility to parents seriously and the ratings system, along with instructional videos on how caregivers can use parental controls, are priority initiatives for ESAC.



COVID-19



The COVID-19 pandemic has been devastating to industries across the economy but most importantly to the livelihoods of millions of Canadians. At the beginning of the pandemic no one could accurately predict how bad it would be, or how much it would impact our world and the way that we live and work. As an entertainment industry dependent on consumer interest and disposable income, there was concern that the video game industry could be negatively impacted by the pandemic restrictions as people prioritize spending on essentials.

It quickly became apparent, however, that video games would become one of the most important social outlets for people as they isolated at home. Not only did games become a significant way for friends and families to stay connected, they also helped improve players mental health by offering connection, diversion and entertainment during a time of tremendous uncertainty, challenge and hardship.

According to NPD Group Canada, sales of video games and video game hardware increased more than 29% in 2020 over the same period in 2019. This massive growth at a period of time where the industry was about to begin a new console cycle is unprecedented. Games became the outlet of choice for people whose disposable income migrated from movie theatres and vacations, to virtual and interactive entertainment, proving that video games are in fact the most important form of entertainment in the world.

Not only did games become the product of choice for consumers, our industry also successfully migrated almost 30,000 direct employees to remote work and maintained development on games that were due to launch during the pandemic. In most cases, games were released as planned and on schedule, a testament to the high-calibre management found in our industry, along with our ability to adapt to uncertainty and adjust to new norms.

ESAC worked tirelessly to help guide and advise companies with respect to closures, regulations and other issues that the industry faced in the early days of the pandemic. The team regularly took calls from both member companies and non-member companies to help them navigate the unprecedented situation. Bi-weekly calls with members were established to share information and ensure that everyone knew what was and what was not permitted in their various provinces, but also to hear from other members and what challenges they were dealing with. These calls were vital for most of 2020 to ensure that members felt connected and informed.

ESAC's relationships with the various provincial associations has never been stronger. As part of the move toward more collaboration and information sharing, a monthly call with the leaders of all of the provincial associations has been held now for over a year. This call has proven to be a valuable outlet for both ESAC and for the provincial associations to ensure that we are all on the same page and supporting each other when needed. This collaboration will continue into the future and benefit industry across Canada as their representatives work together to continue to make Canada the premier destination for the development of games.

As part of these efforts, ESAC and its members funded the development of a back-to-work guide, developed by Sherrard Kuzz LLP, a Toronto based employment law firm. This plan covered the various legal and human-resource obligations in every province in Canada that our members operate in. The guide was designed to ensure that video game studios know what they are responsible and liable for should they choose to reopen when allowed. This plan was subsequently shared with the various provincial associations and distributed to their members as a show of support from ESAC to the broader industry.

While COVID-19 will be with us for some time yet to come, the Canadian video game industry will be well represented both nationally and provincially to ensure that the right information and guidance is provided to protect the sector and its growing employee base.



Broadcasting Act



During our Lobby Day in February 2020, ESAC met with Heritage Minister Stephen Guilbeault to discuss the ongoing development of a new and expanded Broadcasting Act. ESAC had taken part in multiple discussions with the government and the expert panel during the previous two years while the scope of the legislation was being debated and developed. It was ESAC's position that video games should not be defined as "programs" and publishers as "broadcasters" and therefore not subject to regulations under the new Act.

Implications of being covered by the new legislation could be numerous and have a significant impact on members' finances. Foreign publishers of games played in Canada could be subject to a levy of a percentage of their Canadian revenue that would then be used to fund the development of Canadian content. Platforms such as those available on consoles could be required to promote Canadian content/games and make them easily accessible to consumers at the expense of games the platform wanted to promote. Finally, being subject to CRTC regulations would effectively regulate the video game industry as a broadcaster. This would potentially result in content regulations that supersede the industry's already highly successful self-regulatory ratings system.

To advocate for exclusion from the regulation, ESAC prepared a compelling policy position to clearly and logically articulate why we should be exempt from the new Act. Through our extensive work with government officials, in collaboration with our members, we were able to convince the Minister and other key decision makers that video game publishers and console operators are not broadcasters, and games are not "programs". Educating Minister Guilbeault on the makeup of the Canadian industry helped drive home the need to prevent new regulation that could limit growth. He now recognizes that the Canadian games industry is a world leader, employing thousands of Canadian citizens in well paid creative and senior leadership positions.

The desire to improve the landscape of Canadian content on the world stage is a laudable goal; however, it is an issue that does not exist in the video game industry. Canada is known the world over as a leader in the development of interactive entertainment and many of the best-selling titles are consistently conceptualized and developed in Canada by Canadians.

While the success of our efforts is a win for the industry, the implications could have been extensive with combined levy's of more than tens of millions of dollars. We must continue to monitor potential legislation such as this to ensure that the video game industry does not become captured as it continues to be recognized as a global industry leader.



Management's Discussion and Analysis



The Entertainment Software Association of Canada is in a strong financial position. In fiscal 2021, ESAC was faced with an unprecedented situation with respect to COVID-19 and the uncertainty that surrounded its impacts. I am happy to report that the association not only achieved all of its objectives, but also did so within budget. This includes multiple pivots from traditional initiatives that were either paused or cancelled in exchange for new digital initiatives that allowed us to reach our audiences at home. Some of these pivots included:

- Increased investment in public relations and industry branding through a digital-first initiative that leveraged creative, social, earned and paid media to reach our audience through multiple channels and outlets.
- In-house creative and graphic design expertise with the hiring of Dylan Boyd.
- Leveraging outside media consultants for paid media opportunities in leading publications.
- Repurposing travel and accommodation budgets into digital communications and research.
- Elimination of the physical ESAC office when the lease expired rather than re-signing a lease for an additional five-years in the middle of an office market shakeup.
- Continued sound fiscal management with a small surplus and contribution to members' equity.



About ESAC

ESAC is the national voice of the video game industry in Canada. We work for our members – Activision Blizzard, Glu, EA, Gameloft, Ubisoft, Kabam, Other Ocean Interactive, Ludia, Microsoft, Nintendo, Sony Interactive Entertainment, Relic Entertainment, Solutions 2 Go, WB Games, Square Enix, Take 2 Interactive, Codename Entertainment, Certain Affinity and NetEase Games – to ensure legal, regulatory and public affairs environments are favourable to long-term business development. For more information, visit theESA.ca.