

LCBO

LCBO STRATEGIC PLAN 2023 – 2026

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MESSAGE FROM THE PRESIDENT & CEO

It is my pleasure to share LCBO's 2023 – 2026 Strategic Plan, which guides our continued transformative journey to support customer choice and convenience and modernize the beverage alcohol marketplace.

The LCBO remains focused on what matters most, delivering value to the people of Ontario. This value comes in many forms. I am proud to have delivered a Dividend of \$2.55 billion in the 2021-2022 Fiscal Year to the government to support critical services, that charitable donations hit a record of over \$16.7 million to further help local communities thrive, and that we have created more opportunities for diversity within our industry. We will stay grounded in driving awareness and growth in purchases of the incredible local vintners, craft brewers, craft cideries, and spirit producers from our own backyard.

The customer remains at the centre of everything we do, and we will continue to make strides in delivering a best-in-class experience, no matter how when, or where customers shop with us. This includes our efforts across product selection, rewards, and personalized offerings, and investing in innovation to improve the shopping experience.

The world around us is changing, and we meet those changes by remaining agile, nimble, and prepared to pivot with the best interest of our people and the people of Ontario at heart. True transformation is continuous, and I look forward to the upcoming years with confidence that the LCBO will meet its ongoing commitments to the province.

Sincerely,

A handwritten signature in blue ink, appearing to read "G. Soleas", is positioned to the left of a vertical line.

George Soleas, President & CEO

MANDATE

Legislative Mandate

The Liquor Control Board of Ontario (LCBO) is one of the largest retailers and wholesalers of beverage alcohol in the world. The LCBO is established as a crown agency through the *Liquor Control Board of Ontario Act, 2019, S.O. 2019, c. 15, Sched. 21* (the Act). As articulated in the Act, the LCBO's mandate is to control the importation of liquor into Ontario and to be a socially responsible retailer and wholesaler of wine, beer, and spirits.

Government Priorities

The LCBO is committed to supporting the Government's priorities, which are outlined in the Annual Letter of Direction to the LCBO from the Minister of Finance. Specific priorities for the sale and distribution of beverage alcohol in Ontario include:

1. Promoting local and helping shape a more sustainable Ontario

- Helping shape a more sustainable Ontario by pursuing opportunities that support the well-being of Ontario's communities, minimize LCBO's environmental impacts, and lead positive change in the beverage alcohol industry.
- Promoting local Ontario products through collaborative marketing and merchandising efforts both in-store and online in response to consumer demand.
- Driving diversity, inclusion, equity and accessibility for employees and customers.

2. Supporting the modernization of LCBO and the Marketplace

- Ensuring LCBO retail spaces are receptive and responsive to the needs of Ontario consumers, the people that we all serve.
- Supporting the government's objectives and policy development activities related to improving choice and convenience for consumers while modernizing Ontario's beverage alcohol retail marketplace, including facilitating analysis of the sector through data sharing between the LCBO and Ministry of Finance.
- Reviewing and acting on opportunities for red tape reduction for beverage alcohol producers.

3. Delivering returns to the people of Ontario

- Helping ensure the LCBO and government meet our financial and social objectives as they relate to the control and sale of alcohol.
- Investing in technology to support LCBO's modernization and operations.

MISSION, VISION, AND VALUES

LCBO Mission

We are a best-in-class, customer-first, responsible retailer and wholesaler, supporting our local communities and delivering value to Ontarians.

LCBO Vision

To deliver remarkable experiences as the trusted destination for the world's wines, beers and spirits.

LCBO Values

- **EXCELLENCE:** We hold ourselves to a high standard of performance in everything we do.
- **SUSTAINABILITY & SOCIAL IMPACT:** We have supported Ontario's social and environmental needs for over 90 years.
- **CUSTOMER SERVICE:** We value our customers and are committed to providing engaging and accessible customer service.
- **HEALTH, SAFETY & WELLNESS:** We value the holistic health, safety, and wellness of our employees, customers, business partners and the communities in which we operate.
- **INTEGRITY:** We operate with integrity, transparency, and good faith in all our interactions.

ENVIRONMENTAL SCAN

External Environment

Economic Factors Influencing the LCBO

As Ontario and the world moves beyond the COVID-19 pandemic, economic acceleration has been interrupted by pressures and uncertainty resulting from geopolitical tensions, 40-year high price inflation, rapidly rising interest rates, and ongoing supply chain issues. With cost-of-living pressures and an economic slowdown, Ontarian households will be cautious with spending over the medium-term.

Consumer and business confidence slumped in 2022 mainly on higher prices and interest rates and will slowly recover over the next few years as economic pressures unwind. Domestic spending will likewise be constrained, but business investment is expected to support growth in the province. Further, a CAD/USD exchange rate below \$0.80 will support trade exports and inbound tourism to Ontario. The health of the provincial housing market and its influence on household wealth is a key risk ahead.

Although pandemic-related travel restrictions have been eased and travel hesitation has waned, rising interest rates and inflation have had a negative impact on discretionary spending. The forecasted inflation and interest rate environment will continue to create uncertainty within the consumer and supplier pricing environment, and will need to be monitored going forward. These issues are exacerbated by the ongoing war in Ukraine, which has had a significant impact on global supply chains. While sales performance is expected to continue to exceed pre-pandemic levels, the combination of economic and global factors may continue to have an impact on consumer spending patterns.

Beverage Alcohol Marketplace

Ontario's beverage alcohol marketplace was stable and predictable prior to the of the COVID-19 pandemic. Beginning March 2020, pandemic restrictions and health concerns had a significant influence on market performance and trends as on-premise consumption at bars, restaurants and venues shifted to off-premise at home. Further, measures to support the industry and Ontario businesses resulted in more points of access and

availability; including new delivery options and increased online ordering. From February 2022 onward, the overall Ontario market has now mostly normalized from pandemic impacts and the expanded points of access.

Today there are 680 LCBO stores, close to 400 LCO/agency stores, 450 licensed Grocers with beer and cider, of which 157 also offer wine, 420 Beer Stores, 292 off-site Winery Retail Stores (including 69 Ontario wine boutiques), over 750 local producer on-site retail points of sale, plus delivery from bars and restaurants, and other direct-to-consumer options. Ontario features close to 3,000 physical retail locations for beverage alcohol, up more than a third over the past ten years, with new expanded online ordering platforms, led by LCBO.com.

Despite significant growth in points of sale, however, overall per capita consumption of alcohol in Ontario remains in slow decline. Beer consumption has decreased -2.5% since fiscal 2017-18 while wine has declined -0.5%. Conversely, spirits have increased +1.3% while ready-to-drink coolers and seltzers have accelerated over +16% driven by product innovation and changing consumer preference.

Moving forward, the provincial beverage alcohol marketplace will continue to see moderation and product preference shifting, particularly as demographic age cohorts evolve. Likewise, a tighter economic environment will influence consumer, supplier, and retailer behaviour in the medium term.

Changing Customer Expectations

The LCBO continues to see changes in customer behaviour, many of which were accelerated as a result of the COVID-19 Pandemic, and which are showing signs of having lasting impact.

Throughout the pandemic, many customers gravitated to shopping online driving online sales growth by 250% specifically through using same-day pick-up. As restrictions eased and customers adjusted to a new normal, they returned to shopping both in-store and online, enjoying the convenience of online shopping and the flexibility of in-store pick up and home delivery options.

Customer interest and purchasing behaviour continues in a number of areas including: a desire to buy local products and support local businesses, seeking lighter choices including lower sugar, low and no alcohol products, trading up to more premium quality products, choosing brands with a social purpose that align with their personal values.

Internal Environment

Promoting local & our Spirit of Sustainability

In response to the continued demand for local product, the LCBO is proud to showcase Ontario's outstanding products, which it elevates through collaborative efforts and extensive product assortment in-store and online. For example, the LCBO supports Ontario Wine by highlighting local wineries through a broad set of marketing programs and merchandising activities. The number of local Ontario craft breweries and products represented at the LCBO continues to expand at a greater rate than any other beer category. Local craft cider makes up the majority of cider products listed at the LCBO and local Ontario craft spirits are featured in our stores.

Besides promoting local, our mandate to help shape a more sustainable Ontario has established sustainability as a strategic priority for the LCBO. Our Spirit of Sustainability platform is our bold commitment to our customers, employees, and partners to hold ourselves to a higher standard and allows us to drive meaningful and equitable change in our communities through programs and partnerships.

Spirit of Sustainability's efforts focus on three strategic pillars: Good People, Good Planet, and Good Partnerships. Each pillar has enterprise-wide goals that allow us to measure our impact and ensure our efforts are pushing the industry and province forward.

- **GOOD PEOPLE:** The LCBO is committed to improving the wellbeing of customers, employees, and communities across Ontario.
- **GOOD PLANET:** The LCBO is committed to minimizing its impact on the environment.
- **GOOD PARTNERSHIPS:** The LCBO is committed to improving the sustainability of the industry through leadership and partnerships.

As part of our commitment to enhance industry diversity, the LCBO has launched the Spirit of Inclusion Initiative, a program designed to create opportunities for diverse women to enter, advance and thrive in the beverage alcohol industry. Together with our impact partners, the program will provide bursaries and scholarships, facilitate mentorship relationships, and identify paid co-op placements for diverse women who are looking to begin or advance their careers in the winery, brewery, and distillery fields.

For more information on our commitments and impacts made in our community, see the latest published Impact Report (available on the LCBO website).

Supporting the modernization of LCBO and the Marketplace

The LCBO has steadily expanded the number of new LCBO Convenience Outlets (LCOs) in underserved communities to support the Government of Ontario's efforts to evolve and open the beverage alcohol marketplace. LCOs give existing local businesses across Ontario the opportunity to sell a full range of beverage alcohol products on behalf of the LCBO, expanding convenience and choice for Ontarians, and offering economic benefits to the host business and the wider community.

At the same time, grocery stores continue to be important wholesale customers of the LCBO, providing even more options for the benefit of Ontarians. Since the launch of the grocery program, the LCBO has been working closely with new and existing grocery customers to optimize the program for consumers while increasing operational efficiencies.

As the beverage alcohol market continues to evolve, the LCBO is expected to adapt quickly as both a retailer and a wholesaler. Recognizing its critical role as a wholesaler, the LCBO continues to build up its capabilities and capacity to serve an expanded business-to-business (B2B) channel.

The LCBO is dedicated to providing an accessible and inclusive experience for customers, employees and suppliers. This commitment includes providing LCBO goods and services in a barrier-free environment that respects the dignity and independence of persons with disabilities. This applies not only to our brick-and-mortar retail environments, but also to our digital properties, which have become an increasingly popular channel. Within the organization, the LCBO champions and drives accessibility to meet and/or exceed compliance as legislated by the Accessibility for Ontarians with Disabilities Act (AODA).

In accordance with the French Language Services Act, the LCBO will continue to introduce initiatives that support delivering excellent and accessible services to Franco-Ontarians. The LCBO sees its FLS mandate as a stepping-stone towards the promotion of diversity and inclusion in our communities and to creating a more sustainable Ontario.

Additionally, LCBO is committed to providing equitable access to our services, regardless of gender, age, sex, race, class, religion, ethnicity, ability, language, sexual orientation, or gender identity. The LCBO supports employees by engaging and mobilizing a diverse employee population who feels connected to the mission and values of their employer, is physically and mentally supported, brings their whole selves to work, takes pride in their work, and is empowered to achieve and exceed their goals.

Delivering returns to the people of Ontario

The LCBO is a proud contributor to the Government and people of Ontario. The revenues it generates support key public programs and services for Ontarians including health care, education, and infrastructure at provincial and local levels. The LCBO will grow its sales in a socially responsible way, ensuring maximum profitability by further improving operational efficiency and tailoring product assortment and services to its customers. To support efficient operations, the LCBO will continue to invest in modernizing its technology and other critical improvements to better serve our customers.

In fiscal 2021-2022, the LCBO returned a historically high dividend of \$2.55 billion to the Government of Ontario to support critical services like healthcare, education, and infrastructure. LCBO's total Revenue was \$7.18 billion with a Net Income of \$2.54 billion.

STRATEGIC DIRECTION

The LCBO continues to evolve its operations and prioritize work effort to address the challenges and opportunities presented in the business environment, while delivering the mandate provided by the province. In the coming years, the LCBO will focus on four strategic priorities to achieve its mission.

PRIORITY 1. REBUILD AND STRENGTHEN OUR FOUNDATIONS

Rebuild and strengthen the foundations of our IT infrastructure, systems, processes, and program management to create flexibility and agility to support our business model, increase efficiency, and enable business transformation.

PRIORITY 2. ELEVATE THE WHOLESALE BUSINESS

Optimize the sales potential of our B2B customers, deliver best value to all stakeholders, and plan for scalability in preparation for marketplace modernization.

PRIORITY 3. REIMAGINE THE CUSTOMER EXPERIENCE

Amplify a customer-first offering by increasing access, convenience, and choice for Ontarians, and deliver an exceptional service and product selection across all channels.

PRIORITY 4. ENHANCE A PURPOSE-DRIVEN, CHANGE-READY, AND INCLUSIVE CORPORATE CULTURE

Build a purpose-driven, inclusive, safe, healthy, and accountable culture where every employee feels valued, respected, and heard, working together to create moments made great and a sustainable future.

Key Performance Indicators

Key Performance Indicators (\$'000,000s)						
	2021/22 (Actual)	2022/23 (Forecast)	2023/24 (Forecast)	2024/25 (Forecast)	2025/26 (Forecast)	Rolling 3-Year Forecast 2023/24 to 2025/26
Net Sales	7,338	7,400	7,527	7,716	7,947	23,190
COGS	3,650	3,774	3,817	3,858	3,966	11,641
Gross Margin <i>GM %</i>	3,688 50.3%	3,626 49.0%	3,711 49.3%	3,858 50.0%	3,981 50.1%	11,550
Total Expenses as % of Net Sales	1,181 16.1%	1,238 16.7%	1,275 16.9%	1,304 16.9%	1,343 16.9%	3,922
Net Income as % of Net Sales	2,543 34.7%	2,441 33.0%	2,452 32.6%	2,596 33.6%	2,680 33.7%	7,728
Capital Expenditures	102	83	88	95	90	273

Priority 1: Rebuild and strengthen our foundations

Rebuild and strengthen the foundations of our IT infrastructure, systems, processes, and program management to create flexibility and agility to support our business model, increase efficiency and enable business transformation

To ensure long term sustainable success of the organization, the LCBO will spend the next several years focused on improving our technology landscape to enhance the customer, consumer, and employee experience and increase operational efficiency. This will be accomplished by implementing flexible and scalable backend systems, optimizing processes, decreasing downtime, and reducing exposure to security risks. A particular emphasis is placed on creating a foundation that is flexible, agile, and scalable to enable speed-to-market and timely response to the changes in the beverage alcohol marketplace and consumer needs.

SUPPORTING FOCUS AREAS AND INITIATIVES

- 1. Deliver on the Future State Modernization Transformation project:** Initiate and implement a multi-year transformative business and technology system upgrade and rebuild, supported by change management, to create agility and value throughout the organization
- 2. Build, expand and innovate our digital capabilities:** Evolve and expand our digital capabilities in both internal LCBO processes and operations, and customer-facing, to create a seamless B2B and B2C customer experience through online channels
- 3. Establish a flexible and efficient supply chain with a clear and optimized last mile strategy:** Provide an end-to-end optimized distribution and logistics network delivering on increased flexibility and scalability, improved product and information flow, improved customer service, reduced risk, and improved efficiencies within our supply chain

KEY PERFORMANCE INDICATORS

Target total expenses as 16.9% of Net Sales in 2025/26

Target inventory turns of 7.3 in 2025/26

Priority 2: Elevate the wholesale business

Optimize the sales potential of our B2B customers, deliver best value to all stakeholders, and plan for scalability in preparation for marketplace modernization

As the beverage alcohol market continues to evolve, the LCBO is expected to adapt quickly as both a retailer and a wholesaler.

Recognizing its critical role as a wholesaler, the LCBO continues to build up its capabilities and capacity to serve an expanded B2B channel. It aims to further enhance its order and account management to optimize the operational processes with B2B customers. A forward-looking focus on creating more values to B2B customers will allow the LCBO to stay agile through the marketplace modernization and be able to meet B2B customers evolving needs as a trusted wholesale partner.

The LCBO will integrate its systems and platforms in phases to improve the B2B customer experience, making it easier and more seamless to do business with the LCBO.

SUPPORTING FOCUS AREAS AND INITIATIVES

- 1. Develop a differentiated B2B customer strategy to provide the right services and products to the right customers:** Clearly define and establish B2B customer portfolios to deliver rewarding and curated products and services for our customers that enhances relationships with the LCBO and meet business needs
- 2. Strengthen focus in customer-centricity through enhanced order and customer relationship management:** Enhance wholesale customer experience and prepare to scale through centralizing the wholesale services function of account management
- 3. Aspire to become a valuable wholesale solution provider to our B2B customers:** Develop a longer-term vision to elevate the wholesale business to be a holistic solutions provider for B2B customers, identifying business requirements and framework to transform the business model and capabilities

KEY PERFORMANCE INDICATORS

Target B2B Sales of \$1.64B in 2025/26

Priority 3: Reimagine the customer experience

Amplify a customer-first offering by increasing access, convenience, and choice for Ontarians, and deliver an exceptional service and product selection across all channels

As customer expectations evolve, the LCBO is modernizing its offerings, both in store and online, aligning the customer experience with the dynamic, hybrid approach customers are looking for. As part of this evolution, the LCBO is focused on providing an immersive physical and digital experience, retail store operational efficiency, and curated product assortment, enhancing its digital platform to make perfect choices easy for any occasion.

With the newly introduced loyalty program, the LCBO will further leverage data and loyalty insights to provide rewarding and personalized offerings across channels. We will continue to evolve our B2C customer experience allowing our future-focused brand promise of “perfect choices made easy, moments made great” to come to life in new ways.

SUPPORTING FOCUS AREAS AND INITIATIVES

1. **Establish an integrated channel strategy with product, promotion, and experience to drive channel differentiation:** Develop a long-term strategy that defines the roles of our B2B and B2C channels, online and offline and their corresponding business models, with channel specific assortment, services, promotions, and experiences to serve each customer segment and drive efficiency
2. **Create an integrated, engaging, and innovative, omni customer experience:** Innovate and integrate digital and physical channels to enable customers to discover and shop seamlessly from anywhere at any time
3. **Evolve the Future Store Network with the right locations, formats, offers, and experiences:** Evolve the store network and optimize market development by choosing when and where to renovate, relocate, and expand to maximize contribution to profit and return on investment
4. **Enhance customer loyalty through personalization:** Reward and engage our loyal customers through relevant and personalized offerings; provide actionable business insights and value for trade partners

KEY PERFORMANCE INDICATORS

Target B2C sales of \$6.41B in 2025/26

Customer NPS target 89 in 2025/26

Priority 4: Enhance a purpose-driven, change-ready, and inclusive corporate culture

Build a purpose-driven inclusive, safe, healthy, and accountable culture where every employee feels valued, respected and heard, working together to create moments made great and a sustainable future.

The LCBO has made significant strides in the transformation of its workplace and has already seen the positive results of improvements in its organizational structure, work processes and culture. The LCBO continues to attract and grow diverse talent as a “Good Place to Work” and is committed to differentiating ourselves as an employer of choice by embedding our employee value proposition into our employer brand and amplifying our social impact platform, the Spirit of Sustainability. By raising the bar on leadership, talent is grown from within, and employees will be kept engaged and feel valued for their contributions.

With the ever-changing environment, particularly with the recent impact of the COVID-19 pandemic, it is imperative that the LCBO places a greater emphasis on mental health and well-being by fostering a culture focused around stigma reduction and access to meaningful resources. By continuing to advance the Diversity and Inclusion Strategy, a culture of belongingness, equity, and respect will be fostered ensuring a safe, inclusive and accessible work environment for all employees.

Finally, given the large-scale enterprise strategic initiatives and foundational technology roadmap, there is a need to introduce a consistent change management approach to enable leaders to support employees in being change ready. As well, the LCBO will need to be agile and change-ready through optimization of the workforce model.

SUPPORTING FOCUS AREAS AND INITIATIVES

1. **Attract, Grow, and Engage Purpose-Driven Talent:** Support and enable the business to deliver on strategies by attracting, growing, and engaging purpose-driven diverse talent, raising the bar on leadership, and fostering a meaningful employee value proposition
2. **Amplify a Healthy, Safe, and Inclusive Culture:** Continue to design programs, policies and practices to build a culture whereby everyone brings their best selves to work, is productive and ensures the LCBO mandates are achieved
3. **Cultivate a Change-Ready Organization:** Support the business to be agile and change-ready through optimization of the workforce model and a consistent practice of change
4. **Reinforce the organization as an industry leader in sustainability and social impact:** Continue to grow the LCBO's social impact platform to ensure that we are holistically driving impact across the business, engaging the public, employees, and stakeholders to recognize and support LCBO's mandates of sustainability and social impact

KEY PERFORMANCE INDICATORS

TARGET EMPLOYEE NET PROMOTER SCORE ABOVE 0% BY 2025/26 (INDUSTRY BENCHMARK)

TARGET EXCELLENCE CANADA MENTAL HEALTH & HEALTHY WORKPLACE PLATINUM CERTIFICATION BY 2025/26

TARGET TOP EMPLOYER AWARD BY 2025/26

IMPLEMENTATION PLAN

Through a disciplined and transparent approach, the LCBO will ensure the implementation of this Strategic Plan and the proposed outcomes through:

- Detailed operational plans by function, including roadmaps and milestones, clearly connected to strategic priorities
- Quarterly progress updates to the LCBO leadership team that are outcome-focused, measuring performance to plan

- Visible governance of major initiatives by senior executives, ensuring timely decision-making and accountability across the organization
- Establishment of a Value Realization Office to assess implementation of Future State Modernization project and impact versus original business case intent
- Ongoing prioritization reviews to ensure the appropriate commitment of resources to most critical activities
- Regular, clear, and transparent communication to key stakeholders as progress is made.

Human Resourcing

To support the successful execution of strategic projects and priority initiatives, the LCBO conducts an annual workforce and talent review to assess critical organizational capabilities and key talent to deliver on the business strategy. Change management, communication and training are deployed for large-scale initiatives to support significant organizational or work process changes.

Summary of staff numbers described below:

	2022-23 Plan	2023-24 Plan
Total Staff (FTE)	8,221 (+317 YoY)	8,289 (+68 YoY)
Management/excluded	1,195	1,249
Unionized	7,010	7,004
Contract staff	16	36

**Please note that staffing numbers beyond for 2023/2024 cannot be projected at this time.*

The LCBO has a compensation framework for its executive staff which follows the *Broader Public Sector Executive Compensation Act 2014* requirements as set out by the Government of Ontario. The LCBO continues to administer executive compensation within all legislative requirements.

Over the three years the general increase compensation plan for our non-union non-executive population (management/excluded staff) has mirrored the general increases negotiated with OPSEU on behalf of our bargaining unit staff. In accordance with Bill 124 “Public Sector Compensation Restraint to Protect Public Services Act” the LCBO implemented the three-year moderation period on April 1, 2021 for both bargaining unit and management/excluded staff. The legislation requires those general increases to be no more than 1% per year for each year of the three-year moderation period. The LCBO’s collective agreement with its OPSEU employees expired March 31, 2021 after which the moderation period commenced. The moderation period for the management/excluded staff mirrored that of the bargaining unit.

External Partnerships

As a major retailer and wholesaler, the LCBO has deep and longstanding relationships with a wide range of external stakeholders and partners within Ontario and abroad. Through these relationships, the LCBO helps support the

evolution of Ontario's beverage alcohol marketplace, contributes to the growth and success of Ontario's economy and social causes, and fulfills its own mandates and strategic priorities.

The LCBO is an active collaborator with major beverage alcohol industry associations in Ontario and beyond including Drinks Ontario, Spirits Canada, Ontario Craft Brewers, Ontario Craft Wineries, the Ontario Wine Appellation Authority, Wine Growers of Ontario, Ontario Craft Distillers, Ontario Craft Cider Association, and many others. The LCBO maintains strong relationships with trade and industry groups to support customer convenience and choice and the ongoing health of the beverage alcohol industry.

As such, we strategically partner to fundraise for charitable organizations with strong track record of driving meaningful community impact across the province. By aligning our charitable partnership with our Spirit of Sustainability commitments, LCBO raised over \$16.7 million last year to support the health and well-being of Ontario's diverse communities through 13 different charitable partners.

Enterprise Risk Management

The LCBO's ERM program ensures that risks are identified, assessed, and mitigated. The LCBO reviews its entire risk profile quarterly, both to make sure that known risks are being mitigated, and to make sure that new and or evolving risks are identified, or re-assessed, and mitigated.

The top risks for the LCBO currently are:

Supply Chain Disruption – The LCBO buys alcoholic beverages from across the world and is subject to the same supply chain issues as many other retailers. The supply and demand for ocean freight has tightened throughout the pandemic and although starting to ease somewhat, it is still a constricting factor. Vendors have experienced supply chain disruptions that then impacted LCBO supplies. Many mitigations have been put in place to minimize the impact of this risk on the LCBO's operations, such as: the implementation of pandemic and labour disruption plans to ensure sufficient staff are available for critical warehouse locations, forging partnerships with various transportation modes in global trade lanes, with strategic consolidated facilities located throughout the world.

Cyber Disruption – As the cyber threat landscape continues to evolve, the LCBO adapts its security stance and continues to monitor changes and additions to the threat landscape and responds as needed. Mitigations in place to minimize the impact of this risk include security monitoring and reporting, incident response planning and testing, LCBO cyber response plan and crisis management processes in place, and security awareness training for all LCBO employees.

Technology Debt – Aging of its legacy systems is a risk that impacts the LCBO's mandates directly. A Future State Modernization program is underway to ensure that our stakeholders, customers, and partners continue to receive the services from the LCBO. In the meantime, mitigation strategies have been introduced, such as incident and issue management processes, change and release processes, and vendor support for end-of-life systems where feasible supported by internal resources.

Government Policy and Legislative Change – As changes are introduced in government policy and legislation, the LCBO must be in a position to respond in a timely manner. A robust working relationship with the Ministry of Finance and other stakeholders has been crucial.

Talent/Succession/Compensation – The LCBO is not immune to the people challenges that are present in the current talent environment. A complicating factor for this risk for the LCBO is the inability to increase compensation as

needed to match the private sector market. Many of the initiatives in place as part of the people strategy aim to address this risk.

Third Party Risk – As the LCBO continues to engage with third parties, this risk elevates. Internal processes to manage vendors are being put in place better manage third party risk.

Communication Plan

The LCBO is committed to timely, effective, and transparent communications with all stakeholders including employees, customers, the media, industry and charity partners, and the provincial government.

Communications for LCBO's Strategic Plan are designed to:

- Share the LCBO's vision and future direction with a strong consistent voice and brand identity;
- Inspire and compel action among employees to implement the plan;
- Improve the understanding of external audiences of the LCBO's evolving role and strategy;
- Inform how the LCBO successfully achieves and delivers upon the strategic priorities;
- Contribute to the overall transformation of the LCBO.

Sharing the plan with internal stakeholders

The LCBO follows a multi-phased approach to ensure LCBO employees across head office, supply chain, and retail store locations are aware of and understand the plan and their role in supporting our Strategic Plan. This includes sharing the strategy via town halls and small-group presentations, communicating the expectations of employees through in-person and digital channels, making the plan and resources easily accessible to all staff, and tying the Strategic Plan into all related internal planning processes to reinforce how it guides decision-making.

Sharing the plan with external stakeholders

To support external engagement with industry partners and charity partners, communications related to all corporate priorities include a link back to the Strategic Plan so that intended audiences understand the purpose behind the LCBO's actions.