

LCBO

LCBO STRATEGIC PLAN 2024 - 2026

CONTENTS

MESSAGE FROM THE PRESIDENT & CEO	3
MANDATE	4
Legislative Mandate	4
Government Priorities	4
MISSION, VISION, AND VALUES.....	5
LCBO Mission	5
LCBO Vision.....	5
LCBO Values	5
ENVIRONMENTAL SCAN	5
External Environment	5
Internal Environment.....	6
STRATEGIC DIRECTION	8
Key Performance Indicators	9
Priority 1: Rebuild and strengthen our foundations.....	9
Priority 2: Elevate the wholesale business	10
Priority 3: Reimagine the customer experience	11
Priority 4: Enhance a purpose-driven, change-ready, and inclusive corporate culture	11
IMPLEMENTATION PLAN.....	12
Human Resourcing.....	13
External Partnerships.....	14
Enterprise Risk Management	14
Communication Plan.....	15

MESSAGE FROM THE PRESIDENT & CEO

It is my pleasure to share LCBO's 2024 – 2026 Strategic Plan.

The LCBO remains driven by the opportunity to deliver value to the people of Ontario. In this first year of focusing on four strategic priorities, we were able to transfer a record dividend to the government, helping to fund key local and provincial services and programs. Charitable donations also hit a record of over \$14.6 million to further help local communities thrive and help support increased diversity within our industry.

The customer, both retail and wholesale, remains at the centre of everything we do, and we will continue to meet them when, where and how they shop with us. This includes our efforts across product selection, personalized offerings, and investing in innovation to improve the customer experience. We will stay guided by our values which fuel our mission; inspire our vision; and drive our collective success. They are the foundation of our culture, govern how we do business, and guide how we interact with customers, partners, and each other.

Meaningful change is happening in Ontario's beverage alcohol marketplace and, as we continue to evolve and transform as an organization, we are well poised for the possibilities ahead. Drawing on our organization's incredible history, we will work hand in hand with our partners to support Ontario.



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*, (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:

- Supporting the government's objectives related to improving choice and convenience for consumers while modernizing Ontario's beverage alcohol retail marketplace.
- Continuing to support local economic development, including by enhancing the promotion of local Ontario products in response to consumer demands and market trends. This should include increased opportunities for collaborative marketing and merchandising efforts, both in-store and online, in response to those demands and trends.
- Effectively deploying technology to support LCBO's modernization and operations, and ensuring strong governance practices are place for all IT procurements and projects.
- Helping ensure the LCBO and government meet our financial and social objectives as they relate to the control and sale of alcohol. This includes ongoing engagement with social responsibility and public health partners to reduce alcohol related risks and ensure consumers can make informed decisions related to alcohol consumption.
- Ensuring LCBO retail spaces and wholesale services respond to the needs of Ontario consumers and businesses, which we all serve.
- Reviewing and acting on opportunities for red tape reduction to improve operational efficiencies and reduce administrative burden for customers and vendors, while complying with government directives.
- Building on LCBO's success as a leader in sustainability and social impact by aligning your Spirit of Sustainability platform with environmental, social and governance principals and developing a multi-year strategy.

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

The LCBO refreshed its Values to better reflect the evolving culture of the organization, and to provide inspiration and a shared vision. This exercise was conducted in the first half of FY24, engaging with employees across the organization to ensure that the refreshed values reflect who we are today, and who we aspire to be.

The refreshed values:

- We put the **customer first**
- A **safe place** for all
- Every action, **for the good of Ontario**
- We **celebrate authenticity**
- We win **as one team**

ENVIRONMENTAL SCAN

External Environment

Economic Factors Influencing the LCBO

Economic recovery in Ontario continues to be interrupted by pressures and uncertainty resulting from geopolitical tensions, high price inflation, 20-yr high 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 continued to slump in 2023 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.

With the uncertain economic environment, 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 exceeding pre-pandemic levels, the combination of economic and global factors may continue to impact consumer spending patterns.

Beverage Alcohol Marketplace

Ontario's beverage alcohol marketplace has moved beyond the COVID-19 pandemic era with expanded market options, but the industry faces an unsupportive economic environment and an evolving consumer. Higher costs for food and housing in particular have eroded available discretionary spend. At the same time, higher costs of production and distribution have resulted in many beverage alcohol suppliers raising prices on their products.

Coupled with increased concern around personal consumption, aging baby boomer population, and a movement towards increased moderation, the result has been sales volume declines and near flat dollar sales in the overall market which is expected to persist in the near term.

Today there are over 685 LCBO stores, close to 400 LCBO Convenience Outlets(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), up to 700 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 –3.0% since fiscal 2017-18 while wine has declined -1.5%. Conversely, spirits have increased +1.3% while ready-to-drink coolers and seltzers have accelerated +20% 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, which are showing signs of lasting impact in the way consumers interact and shop at the LCBO. Consumers now are more attuned 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 products, 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 promotes Ontario Wine by highlighting local wineries through a broad set of marketing programs and merchandising activities. **The LCBO also profiles local craft cider and craft beers in their stores across the province and online in response to consumer trends and continuing demand.** Local Ontario craft spirits are also 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.

To continue our goal in reinforcing LCBO as a leader in sustainability and social impact, we will be aligning and elevating the Spirit of Sustainability platform to environment, social and governance (ESG) principals. Our ESG strategy, roadmap and action plan will elevate the platform and align to broader business strategies and government mandate. We will work to establish key environmental initiatives, build upon our social innovation, and improve our governance efforts related to ESG.

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

As part of the 2018 election, the provincial government committed to expand the sale of beverage alcohol to grocery, big box and corner stores to improve choice and convenience for consumers and modernize Ontario's beverage alcohol marketplace. Since then, several changes have been introduced, including the expansion of the number of LCOs operating in underserved communities and increasing the number of licenced grocers participating in the LCBO's grocery program.

In December 2023, the provincial government announced that beginning no later than January 1, 2026, Ontarians will be able to buy beer, wine, cider, coolers, seltzers, and other low-alcohol ready-to-drink beverages at all participating convenience, grocery, and big box stores across the province. The LCBO welcomes its role as the exclusive wholesaler of beverage alcohol in Ontario and will continue to ensure that LCBO retail spaces and wholesale services respond to the needs of Ontario's customers and businesses.

The LCBO will assess the impact the announced changes will have on Ontario's beverage alcohol marketplace and review its business operations, including wholesale, retail, logistics, and realty opportunities, in order to best support our people, our partners, and our customers. The LCBO will continue to modernize its offerings, both in-store and online, aligning the customer experience with the dynamic, hybrid approach customers are looking for. Recognizing its critical role as a wholesaler, the LCBO will continue to build up its capabilities and capacity to serve an expanded business-to-business (B2B) channel.

Providing an accessible and inclusive experience for customers, employees and suppliers continues to be our priority. 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 (FLSA), the LCBO continues to introduce initiatives that support delivering excellent and accessible services to Franco-Ontarians. The LCBO sees its FLSA 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, bring 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 2022-2023, the LCBO returned a dividend of \$2.58 billion to the Government of Ontario to support critical services like healthcare, education, and infrastructure. LCBO’s total Revenue was \$7.40 billion with a Net Income of \$2.46 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. The LCBO is entering the second year of its current strategic plan, continuing the momentum established in the first year and building on the focus areas within the four strategic priorities started in FY24.

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

(Please note that financial forecasts and KPIs do not account for the impact of the December 2023 announcement about marketplace modernization, due to the lack of available detail and difficulties associated with making accurate forecasts in light of the impending changes to the beverage alcohol marketplace in Ontario)

(\$'000,000s)	2022/23 (Actual)	2023/24 (Forecast)	2024/25 (Forecast)	2025/26 (Forecast)	Rolling 2-Year Forecast 2024/25 to 2025/26
Net Sales	7,403	7,466	7,417	7,565	14,982
COGS	3,782	3,709	3,690	3,771	7,462
Gross Margin GM %	3,621 48.9%	3,757 50.3%	3,726 50.2%	3,794 50.2%	7,520
Total Expenses as % of Net Sales	1,221 16.5%	1,236 16.6%	1,329 17.9%	1,348 17.8%	2,677
Net Income as % of Net Sales	2,457 33.2%	2,546 34.1%	2,450 33.0%	2,486 32.9%	4,936
Capital Expenditures	73	62	96	100	196

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 business-to-consumer (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 17.8% 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 \$1.53B 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 \$6.03B in 2025/26

Customer Net Promoter Score (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 pandemic and current economic environment, 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:

	2023/24 Forecast	2024/5 Plan
Total Staff (FTE)	8,053 (+67 YoY)	8,123 (+70 YoY)
Management/excluded	1,365	1,404
Unionized	6,652	6,677
Contract staff	36	42

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 the *Public Sector Compensation Restraint to Protect Public Services Act, 2010* (which is commonly referred to as Bill 124), 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 current collective agreement between the LCBO and OPSEU expires March 31, 2024, with negotiations to renew the agreement expected to begin in early 2024.

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 and government agencies in Ontario and beyond including Drinks Ontario, Spirits Canada, Ontario Craft Distillers Association, Beer Canada, Ontario Craft Brewers, Ontario Craft Cider Association, Wine Growers of Ontario, Ontario Craft Wineries, the Ontario Wine Appellation Authority, and the Alcohol and Gaming Commission of Ontario, 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 \$14.6 million last year to support the health and well-being of Ontario's diverse communities through 18 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:

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 – On December 14, 2023, the provincial government announced planned changes to the beverage alcohol marketplace in Ontario. The LCBO will continue to support government and its partners and stakeholders and help to ensure that changes to LCBO processes are conducted in a risk-informed manner and are aimed at improving B2B and B2C convenience, efficiency, and choice.

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.

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 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 leveraging all internal communications channels, 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 corporate priorities include a link back to the Strategic Plan so that intended audiences understand the purpose behind the LCBO's actions.