

YOUR
LCBO

LCBO STRATEGIC PLAN 2021 - 2024

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MESSAGE FROM THE PRESIDENT & CEO

As the LCBO continues to strive to fulfill our mandate to the people of Ontario, and support provincial priorities, I am proud to share our 2021 – 2024 Strategic Plan.

Transferring a record \$2.38 billion Dividend to the government in the 2019-2020 Fiscal Year is an incredible accomplishment, especially in this unique time as COVID-19 continues to impact people and businesses across Ontario. Though uncertain and trying, the pandemic brought forth many examples of what we can accomplish through thoughtful preparation and by working together. As we map out our priorities and goals for the next three years, our priority remains ensuring safe working and shopping experiences for our customers and employees, while maintaining excellence in customer service across all channels.

While wellness is our number-one priority, we remain laser-focused on propelling LCBO's transformative journey forward. I am pleased that through innovation and responsible investment in technology, we have made significant headway in enhancing the LCBO customer experience. Maintaining our position as a best-in-class retailer means investing in the backend of our operations, and expanding shopping options for our customers, including building our e-Commerce channel and delivery options. We will continue to double down on our commitment to finding new ways to amplify our customer experience, regardless of when, where, or how they shop with us.

Our commitment to excellence does not stop with our retail channels. We are proud to support the province as the wholesaler to a growing network of grocers and LCBO Convenience Outlets (LCOs) across the province. As part of the marketplace expansion, the LCBO will continue to work alongside our partners, providing Ontarians with greater convenience and choice for beverage alcohol.

We have outstanding employees – they care about their jobs, their stores, and the communities in which they live and work. A commitment to social responsibility through our *Spirit of Sustainability* platform remains a cornerstone of our way forward.

As one of the largest retailers of beverage alcohol in the world, we understand the wide reach and deep impact we can have in communities across the province. It is why we embrace our obligation and opportunity to be a leading corporate citizen, govern the responsible sale of alcohol, and champion issues that matter to all Ontarians.

At the LCBO, sustainability is more than a buzzword. It means prioritizing the health and well-being of our people, our communities, and our planet, and encouraging others to do the same. It will continue to guide how we work, the organizations and suppliers we partner with, and practices we employ moving forward - all with the goal of delivering on our mandate to help shape a more sustainable Ontario.

As we head into another transformative year, we remain committed to the pivotal role we play in the modernization of the beverage alcohol market by building on the strong foundations we have put in place. We will continue to be agile, nimble, and make decisions that best benefit the customer and ensure engaging, responsible, safe shopping experiences. We remain focused on improving digital, retail, and wholesale channels to help Ontarians discover the world of wines, beer, ciders, and spirits and will continue to invest in technology, training and infrastructure that supports our modernization and operations.

I look toward the upcoming year with confidence and hope. We will continue to embrace change and think differently, increase our contribution to the province, and give back to all Ontarians.

Sincerely,

A handwritten signature in black ink, appearing to read "George Soleas". The signature is fluid and cursive, with a prominent initial "G" and "S".

George Soleas, President & CEO

ABOUT US

OUR MISSION

The LCBO's mission expresses our overarching business goals and philosophies. It identifies why we exist – our reason for being – and what we seek to accomplish.

LCBO MISSION

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

OUR VISION

The LCBO's vision provides an aspirational sense of where we see ourselves in the future.

LCBO VISION

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

OUR BRAND

The LCBO is proud of its new brand promise: Perfect Choices Made Easy. Moments Made Great; and its brand personality: Your friendly and helpful go-to expert.



OUR CORE VALUES

Our core values are part of our DNA. They express what we represent, emphasizing our guiding principles for employee behaviour and organizational decisions and actions. An organization's values are at the heart of its culture. Values are important, lasting, and achievable, and they help determine how we invest our time and resources by guiding our priorities and decisions.



EXCELLENCE

We hold ourselves to a high standard of performance in everything we do.

We value the ability to anticipate and respond to a changing business environment and to execute best-in-class solutions to solve new challenges. We understand the power of community and draw on the strength of people working as a team to achieve more together.

SUSTAINABILITY

For over 90 years, the LCBO has put social responsibility at the core of its mandate. And now, more than ever, it couldn't be more vital for us to continue to evolve that mandate and create a more sustainable future for Ontario.

Spirit of Sustainability (SoS) is the LCBO's enterprise-wide social impact platform designed to create a more sustainable future for Ontario by supporting the province's social and environmental needs. It's our bold commitment to driving meaningful change in our communities, be the industry leader in sustainable practices, and take better care of our planet – all for the good of Ontario.

CUSTOMER SERVICE

We value our customers and are committed to providing engaging customer service.

Our people are welcoming, responsible, outgoing, creative and connected; they are the ambassadors of our brand. Our people provide the human touch that creates excellence in the customer experience.

HEALTH & SAFETY

We value the health and safety of our employees, customers, business partners and the communities in which we operate. **Health and safety is an integral part of our daily workplace.** We are a good neighbour. We look out for each other, adopting and practicing a safety-first mentality.

INTEGRITY

We operate with integrity, transparency and good faith in all of our interactions.

We listen carefully, and treat one another with respect. We are honest, trustworthy and ethical.

ASSESSMENT OF STRATEGIC PROGRESS

The LCBO measures and evaluates the performance of its strategic plan using key metrics. This creates enterprise-wide accountability for the execution of our mandates and strategic objectives.

Maximize Returns to the People of Ontario

| | 2019/20 | 2020/21 Forecast | Y/YChange |
|-------------------|---------------|---------------------|-----------|
| Net Sales | \$6.8 billion | \$7.1 billion | 5.0% |
| Net Income | \$2.4 billion | \$2.45 billion | 2.1% |

Help Shape a More Sustainable Ontario

| | 2019/20 | 2020/21 YTD* |
|-------------------------------------|----------------|---------------|
| Challenges | 12,123,485 | 6,370,534 |
| Refusals | 217,515 | 118,010 |
| Total Charitable Fundraising | \$12.7 million | \$6.6 million |

Support Local Ontario Products

| | 2019/20 | 2020/21 Forecast | Y/YChange |
|---------------------------------|-----------------|---------------------|-----------|
| VQA Wine | \$169.2 million | \$178.9 million | 5.7% |
| Craft Beer | \$169.9 million | \$182.8 million | 7.6% |
| Craft Cider | \$18.9 million | \$22.9 million | 20.9% |
| Ontario Small Distillers | \$20.3 million | \$23.4 million | 15.2% |

Excellence in Customer Experience

| | 2019/20 | 2020/21 Forecast | Y/YChange |
|---|---------|---------------------|-----------|
| Brand Health: Customer Satisfaction* | N/A | 83% | |
| Brand Health: % Exclusive First Choice** | N/A | 46% | |
| Brand Health: Share of Wallet*** | N/A | 52% | |

*Customer Satisfaction –The degree to which customers are satisfied with the LCBO shopping experience. Measured on a 10pt. scale.

**Exclusive First Choice –The proportion of customers for whom the LCBO is their preferred retail choice for beverage alcohol. Derived by converting satisfaction scores to ranking of choice.

***Share of wallet is the amount an existing customer spends regularly with the brand vs. the competition. It differs from market share in that it focuses on growing revenue from existing customers as opposed to attracting new customers.

Excellence in Operational Efficiency

| | 2019/20 | 2020/21 Forecast | Y/YChange |
|---|---------|---------------------|-----------|
| Inventory Turns | 7.7 | 7.3 | -5.2% |
| Total Expenses as % of Net Sales | 15.6% | 16.5% | -0.9% |

Excellence in Employee Experience

| | 2019/20 | 2020/21 Forecast | Y/YChange |
|---|---------|---------------------|-----------|
| Positive movement of 'Ready Now/Ready in up to 2 years' managers | 41% | 50% | 21.9% |
| Positive movement of 'Ready Now/Ready in up to 2 years' senior leaders | 39% | 50% | 28.2% |

Our target is set at 50% to balance the need for growing internal talent (including promotions) and hiring external talent to develop the new capabilities needed to deliver on the business strategy.

ENVIRONMENTAL SCAN

ECONOMIC FACTORS INFLUENCING THE LCBO

Ontario's economy has felt the unprecedented impact of the COVID-19 pandemic. While conditions in 2020 were expected to be moderate at the start of the year, the arrival of the pandemic accelerated a global recession and severely constrained most economies. Despite government policy supports, these pressures are expected to persist over the medium term, aligned closely to the uncertain path of the pandemic and hopes for a vaccine.

Ontario is projected to register a -6.5% decline in economic growth during 2020. Growth is expected to rebound next year by 4.9% even as output remains below pre-pandemic levels during a slow and uneven recovery. Over the next two years growth will range between one to three percent each year. Significant risks to the global economy will remain hinging on a clear path to the end to the pandemic.

Ontario's beverage alcohol marketplace has experienced uneven but generally strong performance during the pandemic. *On-premise* consumption and sales at bars, restaurants, stadiums and the like have declined sharply. Likewise, duty free sales stopped with border closures and reduced global travel. Meanwhile, *off-premise* consumption at homes and staycation spots has increased – driving sales at retail locations; including LCBO stores, grocery locations, and LCBO Convenience Outlets across the province. This imbalance between on-site and off-site consumption will likely hold until a vaccine is widely available.

Favourable economic conditions such as low unemployment and rising income encourage consumer confidence and underpin retail spending which is beneficial to the LCBO. Legal age population growth, housing market wealth effects and a low CAD/USD exchange rate supporting domestic tourism further support performance.

Looking ahead, Ontario's unemployment rate will be elevated but show steady improvement from the pandemic spike to 9.5% in 2020, easing to 7.7%, 6.8% and 6.3% in subsequent years. As a result, consumer confidence will remain below pre-pandemic levels over the medium term and this will limit household spending on discretionary goods and could impact LCBO sales expectations across all channels, in both volume and dollar value.

Additionally, changes in the marketplace and in consumer behaviour have been accelerated during the pandemic. While it is too soon to know the lasting magnitude of these changes on Ontarians, retailers including the LCBO will need to assess and adjust in a post-pandemic world.

MANDATES

The LCBO is committed to fulfilling the expectations as set out by the most recent mandate letter supplied by the Ministry of Finance:

1

SUPPORT THE MODERNIZATION OF THE BEVERAGE ALCOHOL MARKETPLACE

- Support the Beverage Alcohol Review including any changes informed by this review
- Develop a long-term business model that considers modernizing marketplace opportunities to ensure the LCBO remains competitive and dynamic
- Review opportunities for red tape reduction

2

MAXIMIZE RETURNS TO THE PEOPLE OF ONTARIO

- Identify and pursue opportunities for revenue generation, innovative practices, and/or improved program sustainability
- Identify and pursue efficiencies and savings
- Ensure the LCBO's labour and compensation strategy is consistent with the broader framework set out by the government
- Pursue cost reduction strategies associated with relocating the LCBO's head office in Toronto

3

HELP SHAPE A MORE SUSTAINABLE ONTARIO

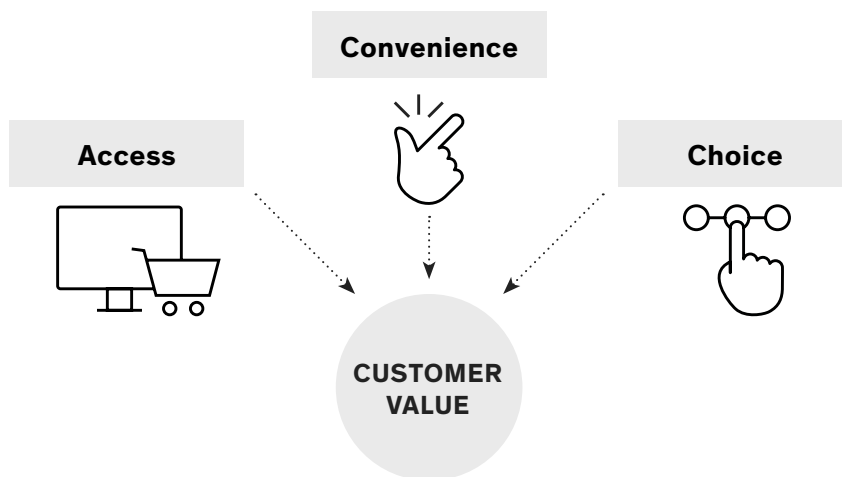
- Respond to challenges faced by consumers, employees and businesses as a result of the COVID-19 pandemic
- Promote local Ontario products
- Engage with partners to support social responsibility related to alcohol consumption
- Support building a more sustainable Ontario in a measurable and meaningful way

1

SUPPORT THE MODERNIZATION OF THE BEVERAGE ALCOHOL MARKETPLACE

EXPANSION OF PRIVATE OUTLETS

Further to the Government of Ontario's announcement to further open the marketplace for the sale of beverage alcohol (as outlined in the Beverage Alcohol Review), the LCBO has responded by expanding to a number of new LCBO Convenience Outlets (LCOs). The LCBO has a critical role to play in this evolution and continues to work closely with the government, wholesale customers, and industry stakeholders to support the recommendations laid out in the review to improve convenience and choice for Ontarians.



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 local residents, and offering economic benefits to the host business and the wider community. As well, the LCBO works closely with the government to reduce the burden on businesses in the beverage alcohol sector as part of an overall modernization of the legal framework for the sale, service and delivery of beverage alcohol. For example, the Alcohol Gaming Commission of Ontario has expanded takeout and delivery options for alcohol by licensees (e.g., restaurants), in response to legislation introduced due to the COVID-19 pandemic.

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.

MARKETPLACE OPPORTUNITIES

In this rapidly evolving marketplace, the LCBO is committed to improving its customer experience across all channels to continually earn the trust and loyalty of its customers.

Customer expectations are evolving, with a heightened desire for greater access to products through the LCBO's digital and retail channels. The LCBO continues to offer Ontarians the best products from home and the world in a convenient, informative and integrated way. The LCBO will leverage its key strengths including staff expertise, engaging marketing content, safe shopping environments, and extensive product selection to deliver remarkable experiences in the world of wine, beer and spirits in a socially responsible manner.

2

MAXIMIZE RETURNS TO THE PEOPLE OF ONTARIO

The LCBO is a proud contributor to the Government 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 growing sales, the LCBO will continue to invest in modernizing its technology and other critical improvements to keep operations running efficiently.

SALES PERFORMANCE AND PROFIT TARGETS

| Income Statement (\$ 000,000's) | | | | | | |
|---------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---|
| | 2019/20 Actual | 2020/21 Forecast | 2021/22 Forecast | 2022/23 Forecast | 2023/24 Forecast | Total Rolling 3-Year Forecast 2021/22 to 2023/24 |
| Net Sales | 6,763 | 7,101 | 7,102 | 7,244 | 7,389 | 21,734 |
| <i>Yr/Yr % Increase</i> | 5.9% | 5.0% | 0.0% | 2.0% | 2.0% | |
| COGS | 3,344 | 3,506 | 3,494 | 3,582 | 3,654 | 10,730 |
| <i>Yr/Yr % Increase</i> | 6.4% | 4.8% | -0.3% | 2.5% | 2.0% | |
| Gross Margin | 3,419 | 3,595 | 3,608 | 3,662 | 3,735 | 11,004 |
| <i>Yr/Yr % Increase</i> | 5.3% | 5.1% | 0.3% | 1.5% | 2.0% | |
| <i>GM %</i> | 50.6% | 50.6% | 50.8% | 50.6% | 50.6% | |
| Total Expenses | 1,055 | 1,170 | 1,205 | 1,195 | 1,229 | 3,629 |
| <i>Yr/Yr % Increase</i> | 4.0% | 10.9% | 3.0% | -0.8% | 2.9% | |
| <i>as % of Net Sales</i> | 15.6% | 16.5% | 17.0% | 16.5% | 16.6% | |
| Operating Income | 2,364 | 2,426 | 2,403 | 2,467 | 2,505 | 7,376 |
| <i>Yr/Yr % Increase</i> | 5.9% | 2.6% | -0.9% | 2.7% | 1.6% | |
| Other Income | 37 | 26 | 32 | 33 | 33 | 98 |
| <i>Yr/Yr % Increase</i> | (10.8%) | (29.7%) | 22.1% | 2.0% | 2.0% | |
| Net Income | 2,402 | 2,452 | 2,435 | 2,500 | 2,539 | 7,473 |
| <i>Yr/Yr % Increase</i> | 5.6% | 2.1% | -0.7% | 2.6% | 1.6% | |
| <i>as % of Net Sales</i> | 35.5% | 34.5% | 34.3% | 34.5% | 34.4% | |
| Capital Expenditures | 65 | 61 | 102 | 65 | 65 | |

SALES TARGETS BY CATEGORY

| \$ 000,000 | 2019/20 Actual | 2020/21 Forecast | 2021/22 Forecast | 2022/23 Forecast | 2023/24 Forecast |
|--|-------------------|---------------------|---------------------|---------------------|---------------------|
| Spirits | 2,311 | 2,522 | 2,533 | 2,558 | 2,601 |
| <i>Yr/Yr % Change</i> | | 9.1% | 0.4% | 1.0% | 1.7% |
| Wine | 1,599 | 1,658 | 1,627 | 1,641 | 1,676 |
| <i>Yr/Yr % Change</i> | | 3.7% | -1.9% | 0.9% | 2.2% |
| Beer & Cider | 1,540 | 1,547 | 1,435 | 1,447 | 1,459 |
| <i>Yr/Yr % Change</i> | | 0.5% | -7.2% | 0.8% | 0.9% |
| RTD | 366 | 539 | 584 | 602 | 609 |
| <i>Yr/Yr % Change</i> | | 47.2% | 8.3% | 3.1% | 1.2% |
| Vintages | 635 | 669 | 682 | 689 | 705 |
| <i>Yr/Yr % Change</i> | | 5.4% | 2.0% | 1.0% | 2.4% |
| Duty Free, Specialty Services, Direct Delivery, Other | 313 | 166 | 241 | 307 | 337 |
| <i>Yr/Yr % Change</i> | | -47.0% | 44.9% | 27.5% | 10.0% |
| Total Corporate | 6,763 | 7,101 | 7,102 | 7,244 | 7,389 |
| <i>Yr/Yr % Change</i> | | 5.0% | 0.0% | 2.0% | 2.0% |

SALES TARGETS BY CHANNEL

| \$ 000,000 | 2019/20 Actual | 2020/21 Forecast | 2021/22 Forecast | 2022/23 Forecast | 2023/24 Forecast |
|------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Retail | 5,539 | 5,786 | 5,769 | 5,795 | 5,850 |
| <i>Yr/Yr % Change</i> | | 4.5% | -0.3% | 0.4% | 0.9% |
| E-Commerce* | 41 | 130 | 140 | 160 | 200 |
| <i>Yr/Yr % Change</i> | | 217.3% | 7.7% | 14.3% | 25.0% |
| Wholesale** | 1,168 | 1,178 | 1,184 | 1,273 | 1,322 |
| <i>Yr/Yr % Change</i> | | 0.8% | 0.5% | 7.5% | 3.9% |
| Other*** | 16 | 7 | 9 | 16 | 17 |
| <i>Yr/Yr % Change</i> | | -57.3% | 34.4% | 83.0% | 4.4% |
| Total Corporate | 6,763 | 7,101 | 7,102 | 7,244 | 7,389 |
| <i>Yr/Yr % Change</i> | | 5.0% | 0.0% | 2.0% | 2.0% |

*E-Commerce is Home Delivery, In-Store Pick-up and VSO.

**Wholesale channel includes: TBS, Duty-Free, Grocer, Depots, and Specialty Services.

***Other channel includes: Winery Direct, Distillery, and Out-of-Province.



HELP SHAPE A MORE SUSTAINABLE ONTARIO

PROMOTE LOCAL ONTARIO PRODUCTS

The LCBO understands that Ontarians value products from local vintners, craft brewers, craft cideries, and artisanal spirits producers. The LCBO is proud to showcase Ontario's outstanding products, which it elevates through collaborative efforts and enhanced product assortment in-store and online.

ONTARIO WINE

The LCBO supports Ontario wineries through a broad set of marketing programs and merchandising opportunities including enhanced shelf signage, prominent in-store location and dedicated displays. Ontario Wine Country Boutiques are located in 20 select LCBO stores and feature an elevated experience and enhanced assortment of Ontario VQA wines including store-exclusive products, niche and seasonal items. Ontario is also the only wine region with a dedicated annual in-store promotion which runs from mid-September to mid-October in all LCBO stores.

Marketing activities in support of this promotion include enhanced consumer tastings, events, a Vintages catalogue featuring VQA wines, advertising, video, online and social media content. The LCBO supports smaller wineries through the Ontario Wine Direct Delivery program to allow smaller Ontario wineries to deliver their products directly to local LCBO stores. The LCBO has hundreds of specially trained "Ontario Wine Country Ambassadors" who share their passion and love for local wine with both staff and customers alike.

ONTARIO CRAFT BEER

Ontario craft beer growth at the LCBO has slowed during the pandemic as consumers have rationed shopping trips resulting in increased sales at grocery and through enhanced local brewery on-line platforms. However, the number of local breweries and products represented at the LCBO continues to expand at a greater rate than any other beer category. The LCBO supports these products in-store through prominent placement in-section, special displays, and dedicated promotions.

Dedicated Ontario craft beer sections offer customers new and seasonal releases, and the LCBO has hundreds of specially trained “Beer Ambassadors” who share their passion and knowledge with staff and customers alike. The LCBO also supports the industry with the development of more effective business practices using enhanced communication tools such as the Direct Delivery Vendor Portal to transmit orders from stores, and by providing educational opportunities and seminars to industry members at events such as the annual Ontario Craft Brewers Conference.

ONTARIO CRAFT CIDER

The Ontario craft cider category continues to experience strong year-over-year growth at the LCBO. The assortment is infused with new offerings throughout the year and includes local specialty ciders made with in-season local fruits like peach, cherry or strawberry. The LCBO also includes locally produced craft cider products in marketing and merchandising programs. Ongoing collaboration with the Ontario Craft Cider Association has led to new and exciting promotional opportunities, such as an Ontario craft cider mini-thematic and the Fall Ontario Craft Cider Fair held at the LCBO’s flagship Summerhill store.

ONTARIO SMALL DISTILLERS

The LCBO supports Ontario craft spirits through its Ontario Small Distillers Program. This program allows small Ontario distillers to deliver approved and locally produced spirits and liqueurs to select LCBO stores. Local micro-distilled spirits are a *quickly-developing* product segment with an increasing number of distillers entering the program on a regular basis. As a result, consumer demand for locally produced products continues to grow.

Opportunities to add more micro-distilled spirits to the LCBO's product offering occur at a more frequent rate than the regular spirits business. The LCBO provides guidance to each distiller on how to grow their business and utilize various promotional programs to help drive sales and achieve sales targets. *Specially-trained* "Spirits Advocate" staff members educate and engage customers with enhanced product knowledge and suggested serving solutions for locally-produced spirits, while on-shelf signage is used to help customers further identify local options. A curated assortment of these products is also included on the LCBO's e-commerce platform.

ONTARIO PRODUCTS SALES TARGETS

| \$ 000,000 | 2019/20 Actual | 2020/21 Forecast | 2021/22 Forecast | 2022/23 Forecast | 2023/24 Forecast |
|---------------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Ontario VQA* | 169.2 | 178.9 | 174.5 | 177.8 | 182.2 |
| <i>Yr/Yr % Change</i> | | 5.7% | -2.5% | 1.9% | 2.5% |
| Ontario Craft Beer | 169.9 | 182.8 | 187.3 | 195.5 | 202.8 |
| <i>Yr/Yr % Change</i> | | 7.6% | 2.4% | 4.4% | 3.8% |
| Ontario Craft Cider | 18.9 | 22.9 | 24.6 | 26.0 | 27.1 |
| <i>Yr/Yr % Change</i> | | 20.9% | 7.6% | 5.6% | 4.4% |
| Ontario Small Distillers | 20.3 | 23.4 | 25.8 | 27.0 | 28.5 |
| <i>Yr/Yr % Change</i> | | 15.2% | 10.0% | 4.9% | 5.4% |

*VQA: Vintners Quality Alliance

SPIRIT OF SUSTAINABILITY: FOR THE GOOD OF ONTARIO

LCBO SPIRIT OF SUSTAINABILITY

Our government mandate has evolved to help shape a more sustainable Ontario, establishing sustainability as a strategic priority for the organization.

Spirit of Sustainability is our response – an integrated social impact platform designed to create positive social value for communities, customers, and employees. We believe it is the LCBO's responsibility to lead by example and action by integrating sustainability into our business and prioritizing working with partners who do the same.

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

PILLAR 1 – GOOD PEOPLE

The LCBO is committed to improving the well-being of customers, employees and communities across Ontario.

COMMITMENTS:

- Safe and informed consumption
 - Responsible retailing practices that protect public safety and empower individuals to make positive drinking choices for their health and well-being
- Thriving communities
 - Communities where all individuals have equitable access to the essential resources needed to live happy and healthy lives, regardless of age, sex, race, class, religion, ethnicity, ability, language, sexual orientation, or gender identity
- Engaged employees
 - An energized and mobilized employee population who feels connected to the mission and values of their employer, is physically and mentally supported, takes pride in their work, and is empowered to achieve and exceed their goals

PILLAR 2 – GOOD PLANET

The LCBO is committed to minimizing its impact on the environment.

COMMITMENTS:

- Waste & Energy Reduction
 - Advance practices that reduce the energy used and waste generated by business operations and product offerings.
- Responsible Supply Chain
 - Innovate to establish environmentally conscious standards across the production, transportation and distribution of products

PILLAR 3 – GOOD PARTNERSHIPS

The LCBO is committed to improving the sustainability of the industry through leadership and partnerships.

COMMITMENTS:

- Influence Industry Standards
 - Empower industry to promote inclusive social and environmental practices and share knowledge to advance sustainability
- Recognize Good Partners
 - Champion diverse suppliers, partners and products who are making strides in sustainability
- Enhance Industry Diversity
 - Utilize resources to increase opportunities for diversity in the industry

STRATEGIC CHALLENGES AND OPPORTUNITIES

HEAD OFFICE AND FACILITY RELOCATION

The LCBO is currently undergoing a significant physical and operational transformation as it relocates its Head Office, Toronto Retail Service Centre, quality assurance laboratory and Queens Quay flagship store into new facilities that will better serve the future needs of the business. This relocation is required due to the sale of the current Head Office facilities, and represents an exciting opportunity for the LCBO to modernize the way it functions internally and externally through upgrades to its IT systems, physical facilities and work processes. The LCBO has also reduced its overall footprint and agility ratio as a result of this transformation.

The relocation is being conducted over several ongoing and future phases, requiring significant time, effort and resources to plan and execute successfully. At the same time, the LCBO continues making meaningful improvements to its home consumer and wholesale customer experiences, as well as modernizing the workplace and improving our employee experience. By 2022, the LCBO will be an even more dynamic, future-focused organization that is well-positioned to serve the needs of Ontarians for years to come.

The LCBO will successfully navigate this transformation through continued careful planning and prioritization, transparent communications, flexibility, and a focus on strong execution. Implementation of a robust business continuity management program, IT systems support, change management programs and stakeholder communications will further minimize any disruption to customers and suppliers and maximize the value of the relocation.

AN EVOLVING MARKETPLACE

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. A keen focus on strong execution, flexibility and scalability are critical to ensure that as the number of private outlets in Ontario increases, the LCBO is ready and able to serve them as a trusted wholesale partner.

At the same time, the LCBO must optimize the financial and operational performance of its home consumer business to stay competitive. A clearly-differentiated value proposition delivered through a customer-centric in-store and online experience, as well as a flexible approach, will be critical to the ongoing success of the business-to-consumer (B2C) channel.

CHANGING CUSTOMER EXPECTATIONS

The LCBO continues to see shifts in customer trends and shopping behaviours that will require ongoing evolution, including channel mix, assortment, and shopping options. Millennials are now the largest customer segment in Canada (28% by population), and although they will not outspend Baby Boomers for many more years, they are driving the transformation of retail.

Millennial customers are less brand loyal than previous generations, but they value meaningful experiences, uniqueness, and social status and will favour brands that deliver more than just products. In order to serve this increasingly critical customer group, the LCBO must cater to them through a more relevant product mix, with events and digital assets that educate and encourage their appreciation of a wide range of beverage alcohol.

Both Millennials and GenX consumers are tech-savvy and expect shopping experiences to be seamless across digital and physical channels. Convenience is paramount: seamless, digital-enabled and fast are the new standard for retail. In addition, GenZ customers are reaching legal drinking age, and represent a future opportunity for engagement at the LCBO.

We have seen an accelerated adoption of online shopping across all customer segments as a result of the COVID-19 pandemic. Prior to the pandemic, approximately 1% of customers were shopping in-store and online at the LCBO; midway through 2020, that number grew to 30%. Additionally, there has been tremendous growth in browsing online prior to an in-store visit to make the in-store shopping experience more efficient. We do expect some of these behaviours to continue post-pandemic even if the extent is unknown at this time.

A FOCUSED APPROACH

In direct response to the LCBO's mandates, identified challenges and opportunities, the primary focus for the three-year strategy continues to be increasing value to Ontarians through improving convenience and choice through both wholesale and retail channels:

| WHOLESALE (B2B) | RETAIL (B2C) |
|--|--|
| Support Expansion of Private Outlets | Enhance LCBO's Integrated Customer Experience |
| Support any further expansion of the sale of beer, wine and cider by more private outlets in our capacity as wholesaler. | Continue modernizing the LCBO's digital and physical channels for faster, easier and more seamless access to its world-class product assortment. |

To successfully balance the continued evolution of the business with the significant physical transformation ahead, the LCBO will:

- Focus on *simplification* of its business processes and practices to be nimbler and more responsive
- Exercise *pragmatism*, ensuring successful execution of its priority projects
- Keep pace with evolving customer expectations through *competitiveness* in its consumer channels
- Promote and celebrate *resiliency* in our people as they respond to rapidly changing market dynamics
- Establish diversity and *inclusion* for a good place to work; and
- Reinforce *accountability* across the organization to drive results

STRATEGIC OBJECTIVES

The LCBO aims for excellence across three major areas to achieve our vision:

1

**OBJECTIVE 1:
EXCELLENCE IN CUSTOMER EXPERIENCE**

Amplify a customer-first offering by increasing access, convenience and choice for Ontarians, and delivering exceptional service and product selection in-store and online.

2

**OBJECTIVE 2:
EXCELLENCE IN OPERATIONAL EFFICIENCY**

Constantly strive to increase efficiency by focusing on ways to simplify and streamline business practices.

3

**OBJECTIVE 3:
EXCELLENCE IN EMPLOYEE EXPERIENCE**

Build an 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.

Each of the Strategic Priorities includes specific initiatives that define how the LCBO will bring the strategies to life across its entire business, including its customer value proposition in both B2B and B2C channels, its internal processes, its support services including operational and administrative functions, and its talent and organization:

| | B2B | B2C |
|--|--|--|
| 1 EXCELLENCE IN CUSTOMER EXPERIENCE | Solid Preparation and Execution Provide channel-specific services that improve efficiency and smooth operations for our B2B customers, making it as easy as possible to grow their business with the LCBO | Engaging, Integrated Customer Experience Deepen customer engagement through a modern, relevant and seamless customer shopping experience across all channels |
| | | World-Class Product Assortment Deliver Ontarians a world-class selection of local and international beverage alcohol products, featuring a wide range of trusted favourites and new, exciting products to discover |
| 2 EXCELLENCE IN OPERATIONAL EFFICIENCY | Smooth and Seamless Processes Drive operational and cost efficiencies across the business by streamlining our processes through use of best practices, innovation and continuous improvement | |
| | Effective Support Services Enable the LCBO to achieve its strategic and financial objectives by supporting it with a strong foundation of technical, operational, administrative and executive functions | |
| 3 EXCELLENCE IN EMPLOYEE EXPERIENCE | Good Place to Work Build an 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 | |



OBJECTIVE 1: EXCELLENCE IN CUSTOMER EXPERIENCE

Amplify a customer-first offering by increasing access, convenience and choice for Ontarians, and delivering exceptional service and product selection in-store and online.

As customer expectations for retail experiences evolve, the LCBO is modernizing its offering both in store and online, acknowledging that the lines are increasingly blurring between the digital and physical. As part of this evolution, the LCBO is also reimagining its unique role in the marketplace, focusing on how it can help customers make perfect product choices more easily for any occasion. In the next three years, the LCBO will continue its investment in three major areas to deliver a modern, relevant and best-in-class experience for consumers:

1. Digital experience – Enhance web and mobile e-commerce channels with an integrated, easy-to-shop, personalized, and more convenient experience including more delivery options and seamless integration with the retail store environment. Provide store staff with helpful digital content and tools that enable them to serve customers with rich information and advice.
2. Marketing and virtual events – Building on strong brand and important assets such as *Food & Drink* magazine, deliver even more inspiring and relevant content for customers across print, digital, social media and in-store channels to help customers learn and appreciate the world of beverage alcohol. Given the current conditions with the COVID-19 pandemic, engage new and existing customers with virtual events that excite and educate.
3. In-store experience – Continue to modernize the store network through sophisticated design, easy-to-shop environments, convenient locations and adhere to public health guidance regarding customer interactions. Tailor experiences to the local community and the customer's shopping needs through best-in-class, engaging and helpful service with knowledgeable and approachable staff.
4. Customer insights and loyalty – implement a new customer loyalty program that provides rewarding and personalized offerings and experiences to loyal customers. Deepen understanding of customers' shopping needs and preferences with an insight-driven data analytics approach.

KEY PERFORMANCE INDICATORS

Target B2C sales of \$5.76B in 2023/24 across retail and e-commerce.

Target e-commerce sales of \$200M in 2023/24.

Target B2B sales of \$1.61B in 2023/24 across all channels.

SUPPORTING STRATEGIC INITIATIVES

| CHANNEL | FOCUS AREA | SUPPORTING INITIATIVES (2021/22 through 2023/24) |
|---------|--|--|
| B2B | SOLID PREPARATION AND EXECUTION | <ul style="list-style-type: none"> • Enhanced order and customer relationship management: Optimize the sales potential of our B2B customers, deliver best value to all stakeholders, and deliver on customer expectations for this evolving channel • Efficient and scalable fulfillment: Enable efficient fulfillment of B2B orders. Build flexibility and scalability for this evolving and growing channel |
| B2C | ENGAGING INTEGRATED CUSTOMER EXPERIENCE | <ul style="list-style-type: none"> • Engaging and helpful in-store experience: Exceed customer expectations across our retail network by enhancing front-line active customer engagement skills, and enriching our position as the friendly and helpful go-to experts in the marketplace • Performance-driven retail culture and leadership: Embed a performance culture in retail leadership and front-line employees with clear roles and accountabilities and performance measures; take a data-driven approach to operational execution, sales enablement and profitability. • Seamless and convenient digital access: Continue to accelerate the growth of the ecommerce channel to meet evolving customer preferences, bringing the brand promise to life online • Right store formats, right locations: Develop clear strategy on target markets to right-size new growth and/or relocation of existing stores in all markets across the Province to align with the LCBO's world class product assortment and revenue targets • Powerful customer promotions: Deliver a simplified, omni-channel promotional plan and process to increase customer, employee and trade engagement, delivering higher sales, trade revenue and efficiency. • Modernized, adaptable stores and offerings: Build adaptability in the retail environment to provide customers a seamless omni shopping experience. Continue to innovate with store layouts and product methodologies. Enhance gift card offerings in digital channels and continue to integrate celebrations into all customer touchpoints • Own our brand promise: Make LCBO the destination of choice both in-store and online by delivering on the brand promise. This includes rebranding store staff, redefining Vintages, reinventing events, and ensuring product information is engaging & effective at all relevant customer touchpoints • Rewarding personalized experience: Deliver a rewarding personalized experience to customers that enhances their relationship with the LCBO. Contribute to sales, insights and customer lifetime value. Launch a new loyalty program and CRM platform, effectively driving customer insights and engaging trade partners |
| | WORLD-CLASS PRODUCT ASSORTMENT | <ul style="list-style-type: none"> • Best assortment of core and unique products: Develop an integrated strategy roadmap for optimized product assortment of Vintages, core and unique products across all channels that delivers on evolving customer preferences |



OBJECTIVE 2: EXCELLENCE IN OPERATIONAL EFFICIENCY

Constantly strive to increase efficiency by focusing on ways to simplify and streamline business practices.

Across all its operational and business processes, the LCBO is continually improving its practices to increase efficiency, reduce costs and maximize effectiveness. This includes making significant ongoing investments in its supply chain and regional service centres, undergoing regular process reviews and redesigns, and upgrading IT systems to improve functionality and service levels. Over the next three years the LCBO will be modernizing many of its facilities, including its new Head Office and Toronto Retail Service Centre, critical IT systems and end-to-end processes to deliver better service for its wholesale and retail customers.

KEY PERFORMANCE INDICATORS

Target inventory turns of 7.6 in 2023/24.

Target total expenses as a % of net sales of 16.6% in 2023/24.

Target enterprise-wide fill rate of 92% in 2023/24.

Achieve a retail in-stock position of 95% in 2023/24.

SUPPORTING STRATEGIC INITIATIVES

FOCUS AREA SUPPORTING INITIATIVES (2021/22 through 2023/24)

SMOOTH AND SEAMLESS PROCESSES

- **Industry-standard on-time and fill rate performance:** Enhance sales and customer experience by ensuring vendors fulfill orders and deliver them on time and enabling the organization to manage vendor performance. Improve turns and effectively manage demand by implementing a new Forecasting and Replenishment system with a centralized push system for all business units (retail, e-commerce and wholesale).
- **Product quality and integrity assurance:** Implement testing process improvements that support the mandate to ensure all beverage alcohol products offered for sale by the LCBO are authentic, safe for consumption, of sound quality and compliant with regulations.
- **Stellar store standards and service:** Drive consistency and efficiency across the retail network and organization through standardization, aligned organizational structure and streamlined processes. This includes reviews/updates to policies and procedures, improving merchandising communications and developing virtual solutions for retail colleague training.

EFFECTIVE SUPPORT SERVICES

- **Flexible and efficient supply chain:** Provide an optimized and reliable fulfillment and transportation network, delivering improved efficiencies along with improved service, supply chain flexibility, and reduced risk.
- **Strong stakeholder relationships:** Strengthen engagement and relationships across all stakeholder groups (government, employees, trade, customers) to ensure the LCBO is positioned as a proactive partner in the evolution of the marketplace in Ontario.
- **Optimal IT systems and infrastructure:** A substantially renewed IT delivery and operating environment based on industry standard best practices running up-to-date SaaS and cloud-deployed solutions covering all key business & IT capabilities.
- **Leading-practice financial processes and controls:** Enhance General Ledger and financial reporting and data to replace existing applications at end of life as part of the foundational technology roadmap.
- **Effective Legal, Corporate Affairs and Governance:** Provide strategic and operational support on the LCBO's business, regulatory and external relationship requirements. Provide policy and legal analysis in order to meet the corporate objectives of the LCBO. Act as trusted strategic advisors protecting the organization's brand and reputation.
- **Future-focused strategic planning and program management:** Implement a collaborative, integrated strategic planning process that enables the translation of ambitious strategy into action, driving accountability throughout the organization. Implementation of major innovation initiatives as proof points of strategy and embedded closed-loop strategic and program management competencies throughout the organization.
- **Intelligent data management and analytics:** Foster an enterprise-wide data-driven approach to manage the business, based on a strong foundation of clean data, excellent analytical tools and technical capabilities. Recognition of data as an asset that can be leveraged to improve performance and provide valuable insights to internal and external stakeholders
- **Leadership in sustainability and social responsibility:** Continued integration and implementation of the LCBO's social impact platform to ensure we are holistically driving impact across the business, enabling the public, employees & stakeholders to recognize and support the LCBO's balanced mandates of social impact, customer service excellence and maximizing government revenues.



OBJECTIVE 3: EXCELLENCE IN EMPLOYEE EXPERIENCE

Build an 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 over the past three years and has already seen the positive results of improvements in its organizational structure, work processes and culture. The LCBO continues to attract and grow talent as a “Good Place to Work”, and is committed to implementing a more modernized recruitment process and an employee value proposition program. By focusing on growing talent from within as well as enabling employees with coaching plus preparation for future leadership roles, employees will be kept engaged and feeling valued for their contributions.

Working towards more self-serve options for employees will allow more efficient access to information, improving the employee experience. The LCBO will also continue to leverage HR data analytics to build simple and pragmatic solutions for employees.

Finally, 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 on stigma reduction and access to meaningful resources. By implementing a Diversity and Inclusion Strategy, a culture of belongingness, equity, and respect will ensure a more safe and inclusive work environment for all employees.

KEY PERFORMANCE INDICATORS

Target 50% positive movement of managers and senior leaders identified as “ready now” or “ready in up to 2 years” by 2022/2023

Target employee and workplace safety measured through lost time frequency rate of 2.29 and lost time severity rate of 34.25 by 2021/2022

Target employee health and wellness through mental health training with 100% of executives and 25% directors and managers completing this training by 2021/2022

SUPPORTING STRATEGIC INITIATIVES

| FOCUS AREA | SUPPORTING INITIATIVES (2021/22 through 2023/24) |
|---|--|
| STRONG TALENT AND ORGANIZATION | <ul style="list-style-type: none">• Attract, Grow and Engage Talent: Support and enable the business to deliver on strategies by attracting, growing and engaging talent as a result of modernized recruitment, total rewards and employee value proposition program, a renewed Collective Agreement within mandate and raising the bar on leadership.• Healthy, Safe and Inclusive Culture: Create a culture where everyone feels healthy, safe, valued and respected so that everyone brings their best selves to work, is productive and ensures the LCBO mandates are achieved.• New Ways of Working: Improve employee experience by leveraging data analytics and voice of the client to build simple and pragmatic solutions that are consistently applied and adopted. |

IMPLEMENTATION PLAN

OPERATIONAL EXECUTION

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 our strategic *objectives*;
- 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*;
- Ongoing prioritization reviews to ensure the appropriate commitment of resources to our most critical *activities*;
- Regular, clear and transparent communication to key stakeholders as progress is made.

COMMUNICATIONS PLAN

The LCBO is committed to timely, effective and transparent communications with all stakeholders including employees, customers, the media, industry and charity partners, as well as the provincial government. Among the LCBO's annual corporate priorities are successfully developing and implementing communication strategies and tactics to support engagement in the LCBO's three-year Strategic Plan.

The ways in which information is shared about LCBO's Strategic Plan – goals and what is done to achieve them – is critical to success, maintenance of a strong corporate brand, and how value is continually delivered to the people of Ontario. LCBO divisions collaborate on an integrated communication plan to support Strategic Plan priorities, generate internal and external awareness, and foster employee engagement to bring the strategy to life.

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 aligned to Strategic Plan priorities.

Sharing the Plan with Internal Teams

The LCBO follows a multi-phased approach to ensure all LCBO employees across head office, supply chain and retail store locations are aware of and understand the plan and their role in supporting it. This includes championing employee ambassadors to share the strategy with colleagues via town halls and small-group presentations, clearly communicating the expectations of our employees through in-person and digital channels, making the plan and resources easily accessible to all staff at their place of work, 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 our Strategic Plan so that intended audiences understand the purpose behind the LCBO's actions. Ever-advancing technology and its impact on the accessibility of news and information will continue to influence LCBO Communications, which is becoming more nimble and responsive in realtime. *Utilizing communications* channels, platforms and tools, with a continued shift to digital communications and a focus on consistently demonstrating ROI, will enable more effective audience engagement.

ENTERPRISE RISK MANAGEMENT

The LCBO is committed to managing risk in support of achieving its strategic business and operating objectives and goals, in accordance with Enterprise Risk Management (ERM) best practices and standards. The LCBO continues to mature its ERM program over time to further evolve its framework and methodology.

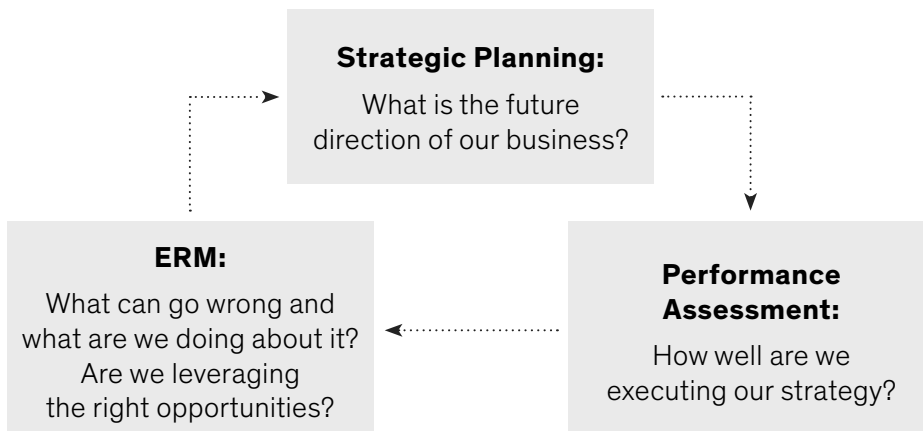
The primary objectives of the ERM program are:

- To establish a culture where risk management is linked to strategy setting and considered in all business *decision-making*;
- To create value from our assets and other business *opportunities*;
- To provide a consistent and systematic approach to risk management that identifies, assesses, manages and monitors major risks *effectively*;
- To anticipate and respond to changing social, environmental and legislative conditions.

Throughout the process of building the LCBO's strategic plan, the ERM program continues to ask the right questions to evaluate that the strategic plan addresses:

- Known material *risks*;
- Risks that may impact the successful execution of the strategic plan; and
- potential risks that the strategic plan may introduce.

Significant risks identified through the ERM program have been incorporated into the 3-year strategic plan across all three strategic priorities and supporting initiatives, as follows:



RISK MITIGATION: EXCELLENCE IN CUSTOMER EXPERIENCE

There are economic, marketplace and customer-related risks that can potentially impact the LCBO's ability to continually deliver a strong customer value proposition across both its wholesale and consumer channels.

Within the wholesale business, the LCBO is pursuing several initiatives intended to proactively adapt to expected shifts in the marketplace and improve its ability to expand its wholesale business with agility, including:

- Investing in and optimizing our IT systems and operational capabilities to continue to build the B2B channel and deliver on customer expectations for this evolving channel.
- Driving efficiencies in order fulfillment to ensure our customers have the right product when they need it, with a keen focus on achieving or exceeding industry-standard service levels.
- Building a scalable model that is flexible and can adapt quickly to an expansion of this growing channel.
- Improving B2B customer experience through enhanced customer relationship management, seamless transaction processing and collaborative partnerships.

Within the consumer business, the LCBO is incorporating new initiatives to respond to increasing competition from existing and new retail competitors, softening consumer-spending growth, evolving customer preferences and shifting demographics in existing customer bases:

- Seamless digital integration between online and retail channels to enhance the customer experience and make the LCBO a more convenient, accessible and engaging place to shop in-store, online and via mobile.
- Continually renewing its product assortment with products from Ontario and around the world to provide Ontarians with deep and broad product assortment that captures evolving customer preferences.
- Investing in technology-enabled frontline staff tools and training programs including product expertise, customer service, and responsible retailing to deliver on the LCBO's brand promise to help customers make the perfect choice every time.
- Streamline promotional programs to maximize customer, employee and trade engagement by introducing new content to help Ontarians learn about the LCBO's products and how they can responsibly enjoy them.
- Develop a clear and adaptable store network strategy to optimize the retail store network ensuring stores are the right size, the right format and in the right locations in all markets to support relevant localized product assortment.

RISK MITIGATION: EXCELLENCE IN OPERATIONAL EFFICIENCY

The LCBO is no different than any other large retail and wholesaling business in terms of the number of challenges it faces and new opportunities arising from the complexity of its operations. These include such risks as enabling IT systems, privacy compliance, IT security, employee engagement, reliance on third-party partners, and product quality and safety controls. Some of the key initiatives within the Strategic Plan to address these operational risks while leveraging opportunities are:

- Provide an optimized and reliable fulfillment and transportation network, delivering improved efficiencies along with improved service, supply chain flexibility, and reduced risk.
- Manage a network of third-party relationships and performance to ensure that vendors deliver on their obligations.
- Optimal IT systems and infrastructure to provide a substantially renewed IT delivery and operating environment based on industry-standard best practices, running up-to-date Software as a Service and cloud-deployed solutions covering all key business and IT capabilities.
- Strengthen engagement and relationships across all stakeholder groups (government, employees, trade, customers) to ensure the LCBO is positioned as a proactive partner in the evolution of the marketplace in Ontario.
- Continued integration and implementation of LCBO's social impact platform to ensure we are holistically driving impact across the business, enabling the public, employees & stakeholders to recognize and support LCBO's balanced mandates of social impact, customer service excellence and maximizing government revenues.
- Foster an enterprise-wide data-driven approach to managing the business, based on a strong foundation of clean data, excellent analytical tools and technical capability.
- Implement testing process improvements that support the mandate to ensure all beverage alcohol products offered for sale by the LCBO are authentic, safe for consumption, of sound quality and compliant with regulations.

RISK MITIGATION: EXCELLENCE IN EMPLOYEE EXPERIENCE

Critical to the LCBO's success is its people. As the LCBO continues its multi-year cultural and organizational transformation, risks related to employee health and safety, employee engagement, and quality of talent are continually assessed, monitored, and proactively mitigated. Some of the key initiatives underway include:

- Support and enable the business to deliver on strategies by attracting, growing and engaging talent as a result of modernized recruitment, total rewards and employee value proposition program, a renewed Collective Agreement within mandate and raising the bar on leadership.
- Create a culture where everyone feels healthy, safe, valued and respected so that everyone brings their best selves to work, is productive and ensures the LCBO mandates are achieved.
- Improve employee experience by leveraging data analytics and voice of the client to build simple and pragmatic solutions that are consistently applied and adopted.

INTERNAL RESOURCING AND EXTERNAL PARTNERSHIPS

IMPACT OF STRATEGIC PLAN ON HUMAN RESOURCES

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. Working closely with business leaders, the Human Resources group supports all organizational design, organizational effectiveness and integrated talent management to ensure the business has the right talent and structure to execute efficiently and effectively.

In certain cases, the LCBO will engage outside contractors or service firms to supplement its own teams, such as for one-time projects that do not merit additional permanent hires, or in instances when highly specialized expertise is required.

The Human Resources team also works closely with the Internal Communications team to support any significant organizational or work process changes through established change management practices including communications rollouts and training as appropriate. Summary of staff numbers described below:

SUMMARY OF STAFF NUMBERS

| | 2019/20 Plan | 2020/21 Plan | 2021/22 Plan |
|------------------------------------|-----------------|-----------------|-----------------|
| TOTAL STAFF | | | |
| <i>(Full time equivalents)</i> | | | |
| Retail | 5,569 | 5,623 | 5,969 |
| <i>Yr/Yr Change</i> | (125) | +54 | +346 |
| Supply Chain | 993 | 1,011 | 1,035 |
| <i>Yr/Yr Change</i> | (6) | +18 | +24 |
| Administration & Other | 830 | 862 | 900 |
| <i>Yr/Yr Change</i> | +13 | +32 | +38 |
| Total Full Time Equivalents | 7,392 | 7,496 | 7,903 |
| <i>Yr/Yr Change</i> | (118) | +104 | +407 |
| TYPE OF POSITIONS | | | |
| Management/excluded | 1,181 | 1,088 | 1,112 |
| Unionized | 6,145 | 6,386 | 6,766 |
| Contract staff | 66 | 22 | 26 |

* Please note that staffing numbers beyond for 2021/2022 cannot be projected at this time, as they are dependent on government direction and the outcomes of the upcoming new Collective Agreement in March 2021.

COMPENSATION BENCHMARKING

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 development of the framework employed a robust process of identifying the designated positions, evaluating roles based on the Hay methodology, a benchmarking exercise comparing our positions against same or similar positions in other broader public sector organizations, and establishing compensation levels for those executive positions. The LCBO received government approval of this framework February of 2019 after a public consultation process. During August 2019, the Government introduced the “New Framework” which saw executive compensation frozen. 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 is preparing to implement the three-year moderation period on April 1, 2021 for both the 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 expires March 31, 2021 after which the moderation period will commence. The moderation period for the management/excluded staff will mirror that of the bargaining unit.

Eligible management/excluded and executive staff participate in a performance-based pay program. This comprehensive program aligns organizational success with individual accomplishment and is an important tool for driving LCBO results. This program measures organizational outcomes and individual performance. Management/excluded staff can progress through the salary ranges and/or receive lump sum payments based on all of the performance measures. Eligible executive staff are only eligible to receive lump sum payments based on their performance and in compliance with legislation.

In the coming year a comprehensive benchmarking exercise will be undertaken for the management/excluded compensation and benefits programs. The intent is to evaluate the ongoing viability of the programs with an eye to ensuring the maximum return on this investment is being realized.

In addition to its compensation programs, the LCBO provides a traditional suite of benefits to its full-time employees and to casual (part-time) employees that meet specific thresholds. These benefits are 100% employer-paid. Additionally, employees are eligible to participate in a suite of optional benefits at their own expense. The LCBO also offers programs for short- and long-term disability as well as a comprehensive Employee & Family Assistance Program.

INITIATIVES WITH THIRD PARTIES

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 objectives.

Industry Associations

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, Vintners Quality Alliance Ontario (VQAO), Winery 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 the ongoing health of the beverage alcohol industry.

Sustainability Impact Partners

The LCBO has a deep commitment to building thriving communities - communities where all individuals have equitable access to essential resources needed to live happy, healthy lives, regardless of gender, age, sex, race, class, religion, ethnicity, ability, language, sexual orientation, or gender identity.

As such, we strategically partner to fundraise for charitable organizations with strong track record of driving meaningful community impact across the Ontario's diverse communities.

In 2019, the LCBO helped to put \$12.7 million back into communities through the following charitable partners:

- **MADD Canada**
- **Women's College Hospital Foundation**
- **United Way**
- Ontario Children's Hospital foundations through the annual holiday campaign including **Sick Kids, Children's Hospital of Eastern Ontario (CHEO), McMaster Children's Hospital** and the **Children's Health Foundation**

To ensure we respond to the most urgent needs of Ontarians, SoS works hard to pivot where needed, identifying new partners that help to alleviate unprecedented hardships faced in our province. In 2020, this included partnerships with:

- **CEE Centre for Young Black Professionals:** Partnership to help provide education, skills training, and employment opportunities at the LCBO. We also made a \$100,000 charitable donation to address economic and social barriers affecting Black youth in the province.
- **Food Relief Charities:** Raised \$3.3 million in just 21 days to support and sustain food relief programs across Ontario.
- **Bartender Benevolent Fund:** We made a \$30,000 donation to the groups COVID-19 Support Fund to help offset some of the financial hardship experienced by those in the hospitality industry.

KEY PROJECT DELIVERY PARTNERS

Several of the LCBO's major strategic initiatives require significant capital, technological and/or process improvements. The LCBO has contracted the following third parties to support the successful execution of its strategic projects:

- **Accenture Inc.** is supporting the move and testing of the Toronto Retail Service Centre focused on the technology integration of the 3PL with LCBO's legacy applications.
- **IBM** has been one of the key partners to enable the LCBO e-commerce platform with omnichannel order fulfillment capabilities. The LCBO is continuing to roll out the same day store pickup program by leveraging the IBM Sterling Order Management System (OMS). The OMS platform will also be the central hub to orchestrate cross-channel fulfillment across the supply chain.
- **ServiceNow** provides the LCBO with an integrated cloud solution that transforms manual ways of working into modern digital workflows to deliver greater employee experiences and unlock productivity. The capabilities enabled through ServiceNow include IT Service Management and HR Service Delivery. The LCBO will continue to leverage this intelligent platform to enable Contract Management Lifecycle and other workflow business applications.
- **MicroStrategy** provides the LCBO with an enterprise business intelligence (BI) platform to deliver trusted insights. The LCBO is moving enterprise BI to the cloud to keep its technology evergreen and accessible. The recent upgrade to MicroStrategy 2019 will enable the business to leverage the HyperIntelligence feature to overlay and dynamically surface relevant insights within existing applications, such as browser-based applications.

- **Apple & Compugen** provide Apple hardware and related software as part of the LCBO's in-store device modernization initiative, which provides store staff with enhanced-capability tools and resources to serve customers more efficiently and effectively. Compugen is also implementing the Commvault enterprise data backup solution, which is foundational work for the LCBO's ongoing compliance with regulations and data retention best practices, as well as an enabling project for the data centre migration.
- **Microsoft Canada Inc.** is supporting the implementation of Office 365 as part of the LCBO's ongoing upgrade of its end-user computing tools. It is also supporting some components of the data centre migration.
- **Stratejm** is LCBO's information security partner, leveraging their Cloud-based Security-as-a-Service (SECaaS) to give us holistic, 360-degree visibility across IT networks, systems and applications whether on-prem or in the Cloud. Approximately 80% of LCBO information security operations are being managed by this strategic partner.
- **MGCS (Ministry of Government and Consumer Services)** provides the Data Centre co-location facilities for all of our technology hardware and applications.

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