

LCBO

LCBO STRATEGIC PLAN 2022 - 2025

Message from the President & CEO	1
About Us	
Our Mission	2
Our Vision	2
Our Brand	2
Our Core Values	3
Internal & External Assessment	
Assessment of Strategic Progress	4
Environmental Scan	6
Mandates	8
1 Promote Local & Help Shape a More Sustainable Ontario	9
2 Support the Modernization of the Beverage Alcohol Marketplace	13
3 Deliver Returns to the People of Ontario	14
Strategic Challenges and Opportunities	
An Evolving Marketplace	17
Changing Customer Expectations	17
COVID-19 Disruption and Impact	17
A Focused Approach	18
Corporate Objectives	19
Objective 1: Excellence in Customer Experience	21
Objective 2: Excellence in Operational Efficiency	23
Objective 3: Excellence in Employee Experience	25
Implementation Plan	
Operational Execution	27
Communications Plan	27
Enterprise Risk Management	29
Risk mitigation: Excellence in Customer Experience	30
Risk mitigation: Excellence in Operational Efficiency	31
Risk mitigation: Excellence in Employee Experience	31
Internal Resourcing and External Partnerships	
Impact of Strategic Plan on Human Resources	32
Partnerships	34

MESSAGE FROM THE PRESIDENT & CEO

It is my pleasure to share LCBO's 2022–2025 Strategic Plan, the roadmap that guides how we will fulfill our mandate to promote local and help shape a more sustainable Ontario, support the modernization of the beverage alcohol marketplace, and deliver returns to the people of Ontario

We are proud of our most recent accomplishments, in particular; transferring a Dividend of \$2.39 billion in the 2020-2021 Fiscal Year to the government to support critical services, the growth of eCommerce and convenient delivery and pick-up options, LCBO's showcasing of local producers in response to continued demand for local products and even more small businesses through our expanded LCBO Convenience Outlet (LCO) program, fundraising a record-breaking \$13 million through our social impact platform, *Spirit of Sustainability*, and, above all, maintaining a safe place to work and shop

As we look optimistically to the future, we know that the only thing that is constant is change. Our focus over the next three years will continue to be on wellness, excellence in customer service across all channels, responding to Ontarian's shopping preferences, and promoting our incredible local beverage alcohol industry

We remain focused on propelling LCBO's transformative journey forward through innovation and responsible investment in technology to support our modernization and operations, bringing our brand promise to life and expanding options for our customers, regardless of when, where, or how they shop with us. This commitment extends to our role as wholesaler, and we will continue to work alongside our partners to provide Ontarians with greater convenience and choice for beverage alcohol

Through *Spirit of Sustainability*, we are committed to driving meaningful and equitable change in our communities, lead the industry in sustainable practices and take better care of the planet – for the good of Ontario. Part of our ongoing efforts to build an inclusive business is also our commitment to stand against racism, injustice, and inequality, and we will continue to support and celebrate our BIPOC employees, customers, and partners

And, of course, the heart of our business is the 11,000 outstanding LCBO employees who care about their jobs, their stores, and the communities in which they live and work. An exceptional customer experience begins with an exceptional employee experience, and we will work to build a purpose-driven, inclusive, safe, healthy, and accountable culture where every employee feels valued, respected, and heard

I look toward the upcoming years with confidence and hope. I am confident that the LCBO will meet—and exceed—its ongoing commitment to support the province and its people

Sincerely,



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 brand promise:
Perfect Choices Made Easy. Moments Made Great;
and its brand personality:
Your friendly and helpful go-to expert.*

LCBO

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 & SOCIAL IMPACT

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 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 & WELLNESS

We value the holistic health, safety and wellness of our employees, customers, business partners and the communities in which we operate. Health, safety and wellness are integral parts of our daily workplace. We are a good neighbour. We look out for each other, adopting and practising 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.

INTERNAL & EXTERNAL ASSESSMENT

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.

Deliver Returns to the People of Ontario

	2020/21	2021/22 Forecast	Y/Y Change
Net Sales	\$7.18 billion	\$7.35 billion	2.4%
Net Income	\$2.54 billion	\$2.55 billion	0.5%

Help Shape a More Sustainable Ontario

	2020/21	2021/22 YTD
Challenges	13,051,208	7,462,486
Refusals	235,608	131,410
Total Charitable Fundraising	\$13.6 million	\$9 million

Promote Local Ontario Products

	2020/21	2021/22 Forecast	Y/Y Change
VQA Wine	\$184.3 million	\$176.4 million	-4.3%
Craft Beer	\$184.3 million	\$178.7 million	-3.0%
Craft Cider	\$23.4 million	\$17.5 million	-25.2%
Ontario Small Distillers	\$23.0 million	\$23.5 million	2.0%

INTERNAL & EXTERNAL ASSESSMENT

Excellence in Customer Experience

	2020/21	2021/22 Forecast	Y/Y Change
Brand Health: Customer Satisfaction*	83%	83%	-
Retail NPS**	79	87	+8pts
eCommerce NPS	20	25	+5pts

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

**Retail NPS tracking started on July 15, 2021

Excellence in Operational Efficiency

	2020/21	2021/22 Forecast	Y/Y Change
Inventory Turns	7.4	7.3	-1.3%
Total Expenses as % of Net Sales	15.8%	16.5%	0.6%

Excellence in Employee Experience

	2020/21	2021/22 Forecast	Y/Y Change
Positive movement of 'Ready Now/Ready in up to 2 years' managers	41%	50%	22%
Positive movement of 'Ready Now/Ready in up to 2 years' senior leaders	50%	50%	0%

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

BEVERAGE ALCOHOL MARKETPLACE

Prior to March 2020, Ontario's beverage alcohol marketplace was reasonably stable and predictable. The current pandemic and post-vaccine era bring with it uncertainty.

Between fiscal 2015-16 and 2019-20, overall per capita consumption in Ontario declined -0.3% as beer consumption decreased (-1.5%) and wine was flat (-0.2%) offset by faster growth of spirits (+2.4%) and ready-to-drink coolers and ciders (+11%). Over the same timeframe, Ontario experienced a significant growth in points of sale. Local craft breweries (+207) and distilleries (+37) blossomed. Following the steady rollout of the grocery channel selling beer and cider and many with wine that began in late 2015, announcements in mid-2019 culminated in the number of authorized grocers reaching 450 locations and the rebranding and doubling of the agency store network (now LCBO Convenience Outlets or 'LCOs') to 399 locations across the province selling all product types. Meanwhile, the Beer Store closed 17 locations from its long-time steady state of 450.

From a channel perspective by fiscal 2019-20, almost 85% of provincial volume sales were for off-premise consumption purchased at retail, grocery and agency/LCO locations while 15% was mainly on-premise consumption at licensed establishments such as bars, restaurants, hotels, and venues.

From March 2020 onward, the arrival of the COVID-19 pandemic has had a seismic impact on global and local conditions, households, businesses and industries, and the beverage alcohol marketplace. The LCBO, deemed an essential service, continued to operate and service our retail and wholesale customers effectively throughout the pandemic. In Ontario, the pandemic response drove licensee sales down to 4% volume share and curtailed travel and border crossings took duty free to zero. Meanwhile, with more time at home, off-premise consumption of beverage alcohol soared, with retail locations up to 81% sales share (including increased online ordering options including local direct-to-consumer) with grocery and LCOs each up to 7% share.

In the post-vaccine period through fiscal 2021-22, the marketplace has begun a gradual normalization of sales and behaviours. With provincial re-opening, the licensee channel has seen rapid rebound and though still trailing pre-pandemic levels, expect sales share to recover by the end of 2022-23. Measures introduced during the pandemic such as allowing the sale of alcohol with food takeout or delivery, will bolster and change the dynamic of the licensee channel ahead.

Travel restrictions and hesitation will be the other main factor that will determine the pace of normalization, as staycations during the pandemic and in the early post-vaccine period has underpinned sales performance. Even as on-premise sales returned beginning summer 2021, consumption at home continues to remain elevated over pre-pandemic levels. This will moderate as Ontarians return to more normal patterns of outbound travel.

INTERNAL & EXTERNAL ASSESSMENT

ECONOMIC FACTORS INFLUENCING THE LCBO

Like other jurisdictions, Ontario's economy felt the unprecedented impact of the COVID-19 pandemic in 2020 and has experienced a significant rebound in 2021 on the path to recovery. While largely positive, the pace of improvement remains uneven across households and industries. Further, pandemic adjacent impacts such as global supply chain disruptions, high price inflation and labour shortages have become critical medium-term concerns.

In calendar 2020, provincial real GDP declined -5.1% versus a ten-year average growth rate of 2.3% but bounced back to 4.3% in 2021. Over the next three years, real GDP is expected to average up to 3.0% as manufacturing and export activity picks up. While the Canadian dollar has crossed the 80 cents USD barrier and is currently forecast to remain near that level, however a less favourable CAD/USD rate would constrain real GDP performance. Tracking with economic growth, Ontario's labour market has also seen improvement from a lofty 9.6% unemployment rate in 2020 to 8.2% in 2021 and reaching a projected 6.1% by 2024 as employment increases 2.3% annually on average. Recent labour shortage issues are expected to alleviate as employee compensation and household income is projected to rise.

Rising economic conditions will boost business sentiment, consumer confidence and household consumption, supporting domestic demand and retail spending. Ontario will see increased inbound visits and a rebound in tourism beyond 2023 as outbound travel gains momentum more quickly amongst Ontarians.

Overall conditions ahead will be supportive to LCBO sales and performance. While pandemic conditions have progressed favourably, COVID-19 and variants remain a significant risk along with supply chain challenges and inflation.

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

PROMOTE LOCAL & HELP SHAPE A MORE SUSTAINABLE ONTARIO

- Promote local Ontario products through collaborative marketing and merchandising efforts both in-store and online
- Support the recovery efforts from COVID-19 with consumers, employees, trade partners, and businesses
- Engage with partners to support social responsibility and industry diversity

2

SUPPORT THE MODERNIZATION OF THE BEVERAGE ALCOHOL MARKETPLACE

- Support the ongoing Beverage Alcohol Review including any changes informed by this review
- Review opportunities for red tape reduction

3

DELIVER RETURNS TO THE PEOPLE OF ONTARIO

- Identify and pursue opportunities for revenue generation, innovative practices, and/or improved program sustainability
- Modernize and find efficiencies and savings
- Implement a new eCommerce platform that responds to business and consumer needs and drives revenues



PROMOTE LOCAL & HELP SHAPE A MORE SUSTAINABLE ONTARIO

HIGHLIGHT LOCAL ONTARIO PRODUCTS

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

ONTARIO WINE

The LCBO highlights Ontario wineries through a broad set of marketing programs and merchandising opportunities including shelf signage, in-store location, merchandising programs and displays. Ontario Wine Country Boutiques are in 20 select LCBO stores and feature an elevated experience and extensive assortment of Ontario VQA wines including store-exclusive products, niche, and seasonal items. Ontario is also the only wine region with a dedicated annual promotion which runs from mid-September to mid-October in all LCBO stores and is supported through several marketing activities driving customers to discover Ontario wines both in-store and online. The LCBO further promotes 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 also has hundreds of specially trained staff who are designated as "Ontario Wine Country Ambassadors" and who share their passion, product knowledge and love for local VQA wine with both staff and customers alike.

ONTARIO CRAFT BEER

Ontario craft beer sales at the LCBO has resumed modest growth since the early stages of the pandemic last year and is outpacing total LCBO Retail beer sales. The number of local breweries and products represented at the LCBO continues to expand at a greater rate than any other beer category. 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.

MANDATES

ONTARIO CRAFT CIDER

Sales of Ontario craft cider have slowed because of increased competition. The assortment, however, is the largest in terms of total products and makes up most of the innovation each year, including both traditional cider offerings and 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 partnership opportunities, such as an Ontario craft cider mini-thematic and plans for Retail staff training.

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. 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 and a new merchandising test section is used to help customers further identify local options. A curated assortment of these products is also included on the LCBO's eCommerce platform.

ONTARIO PRODUCTS SALES TARGETS

\$ 000,000s	2020/21 Actual	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast
Ontario VQA*	184.3	176.4	180.5	183.6	187.0
<i>Y/Y % Change</i>	8.9%	-4.3%	2.3%	1.7%	1.9%
Ontario Craft Beer	184.3	178.7	185.8	197.3	204.5
<i>Y/Y % Change</i>	8.5%	-3.0%	4.0%	6.2%	3.7%
Ontario Craft Cider	23.4	17.5	17.9	18.6	18.9
<i>Y/Y % Change</i>	23.7%	-25.2%	2.6%	3.6%	1.8%
Ontario Small Distillers	23.0	23.5	24.8	25.4	26.3
<i>Y/Y % Change</i>	13.3%	2.0%	5.6%	2.3%	3.5%

*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. It's our bold commitment to our customers, employees and partners to hold ourselves to a higher standard. And it's a shift in our attitude to improve the way we do business.

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:

- Moderation Mandate
 - Providing products, information, and the responsible services Ontarians need to make positive drinking choices that support a healthy lifestyle
- Thriving communities
 - Communities where all individuals have equitable access to the essential resources needed to live happy and healthy lives, regardless of gender, 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

MANDATES

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



SUPPORT THE MODERNIZATION OF THE BEVERAGE ALCOHOL MARKETPLACE

SUPPORT 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 the 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.

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

As 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. On November 29, 2021, new modernized legislation for beverage alcohol came into force and featured a new governing statute for LCBO, the Liquor Control Board of Ontario Act, 2019. This change will transition LCBO away from regulatory responsibilities and allow it to focus on its core mandates as a retailer, wholesaler and importer. LCBO supported the implementation of this new framework by introducing flexibility in sales reporting for wineries and small distillers, working with AGCO to transfer oversight responsibility related to distribution and warehousing, and updating relevant forms and manuals.

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.

3 DELIVER 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 (\$ 000,000s)					Total Rolling 3-Year Forecast 2022/23 to 2024/25
	2020/21 Actual	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast	
Net Sales	7,180	7,352	7,553	7,719	7,912	23,184
<i>YY % Increase</i>	6.2%	2.4%	2.7%	2.2%	2.5%	
COGS	3,530	3,626	3,761	3,843	3,944	11,548
<i>YY % Increase</i>	5.6%	2.7%	3.7%	2.2%	2.6%	
Gross Margin	3,650	3,727	3,792	3,877	3,968	11,636
<i>YY % Increase</i>	6.7%	2.1%	1.7%	2.2%	2.4%	
<i>GM %</i>	50.8%	50.7%	50.2%	50.2%	50.2%	
Total Expenses	1,137	1,210	1,248	1,295	1,323	3,866
<i>YY % Increase</i>	7.8%	6.4%	3.1%	3.8%	2.1%	
<i>as % of Net Sales</i>	15.8%	16.5%	16.5%	16.8%	16.7%	
Operating Income	2,513	2,516	2,544	2,581	2,645	7,770
<i>YY % Increase</i>	6.3%	0.2%	1.1%	1.5%	2.5%	
Other Income	26	34	39	40	41	119
<i>YY % Increase</i>	(30.6%)	33.7%	12.1%	3.0%	2.0%	
Net Income	2,538	2,551	2,582	2,621	2,686	7,889
<i>YY % Increase</i>	5.7%	0.5%	1.2%	1.5%	2.5%	
<i>as % of Net Sales</i>	35.4%	34.7%	34.2%	34.0%	33.9%	
Capital Expenditures	59	103	93	85	85	263

MANDATES

SALES TARGETS BY CATEGORY

\$ 000,000s	2020/21 Actual	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast
Spirits	2,543	2,648	2,699	2,747	2,829
<i>Y/Y % Change</i>	10 0%	4 1%	1 9%	1 8%	3 0%
Wine	1,682	1,617	1,621	1,651	1,685
<i>Y/Y % Change</i>	5 2%	-3 9%	0 2%	1 9%	2 1%
Beer & Cider	1,565	1,477	1,508	1,504	1,515
<i>Y/Y % Change</i>	1 6%	-5 6%	2 1%	-0 2%	0 8%
RTD	545	633	699	741	790
<i>Y/Y % Change</i>	48 7%	16 1%	10 5%	6 0%	6 7%
Vintages	680	734	753	765	772
<i>Y/Y % Change</i>	7 2%	7 9%	2 6%	1 6%	0 9%
Duty Free, Specialty Services	166	244	274	311	319
<i>Y/Y % Change</i>	-46 9%	46 8%	12 3%	13 8%	2 6%
Total Corporate	7,180	7,352	7,553	7,719	7,912
<i>Y/Y % Change</i>	6 2%	2 4%	2 7%	2 2%	2 5%

SALES TARGETS BY CHANNEL

\$ 000,000s	2020/21 Actual	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast
Retail	5,997	6,151	6,273	6,381	6,536
<i>Y/Y % Change</i>	7 5%	2 6%	2 0%	1 7%	2 4%
Wholesale*	1,175	1,186	1,264	1,321	1,359
<i>Y/Y % Change</i>	0 6%	0 9%	6 6%	4 5%	2 9%
Other**	8	15	16	17	17
<i>Y/Y % Change</i>	-49 7%	78 2%	7 7%	5 3%	3 6%
Total Corporate	7,180	7,352	7,553	7,719	7,912
<i>Y/Y % Change</i>	6 2%	2 4%	2 7%	2 2%	2 5%

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

**Other channel includes: Winery Direct, Distillery, Out-of-Province, Embassy and Trade Samples

MANDATES

SALES TARGET OF ECOMMERCE

\$ 000,000s	2020/21 Actual	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast
eCommerce B2C	143	140	160	200	240
<i>YY % Change</i>	249 2%	-2 1%	14 3%	25 0%	20 0%
eCommerce B2B	-	-	-	72	172
<i>YY % Change</i>	-	-	-	N/A	139 2%
Total eCommerce	143	140	160	272	412
<i>YY % Change</i>	249 2%	-2 1%	14 3%	69 9%	51 5%

STRATEGIC CHALLENGES AND OPPORTUNITIES

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 enhancing order management and B2B customer relationship and proactive holistic preparation for wholesale expansion are critical to ensure that as the number of private outlets in Ontario continue to increase, 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 changes in customer behaviour, many of which were accelerated as a result of the COVID-19 pandemic and which are expected to have lasting impacts.

During the peak of the pandemic, many customers gravitated to shopping online driving online sales growth by 350%. As restrictions eased and customers adjusted to a new normal, they continue to shop both in-store and online, enjoying the convenience of online shopping and the flexibility of in-store pick up and home delivery options. More than ever the online channel is where many customers start their shopping journey with the LCBO – to browse and to check inventory before heading to a store further underscoring their expectations of a seamless shopping experience.

Customer interest and purchasing behaviour also continues to grow 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.

COVID-19 DISRUPTION AND IMPACT

The global pandemic has posed many challenges and uncertainties for businesses around the world. Consumer behaviours are shaping how they want to be served, and companies are pivoting their operations to meet customer needs. Global Supply Chain disruption escalated the challenges we are facing. It is critical that the LCBO focuses on improving its efficiency, simplifying the processes, and optimizing its supply chain operations to minimize the impact.

COVID-19 has had a considerable impact on how people live and work. Organizations continue to grapple with Workforce Pandemic Fatigue. Support systems and structures that had been in place and traditionally supported people have been interrupted or changed. While we have implemented a variety of measures to support the well-being of our employees, we continue to adapt to our changing environment.

STRATEGIC CHALLENGES AND OPPORTUNITIES

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 and strengthen our foundation to enable future wholesale growth. Specifically, we will focus on:

- Rebuild and strengthen our foundations
- Elevate the wholesale business
- Reimagine the customer experience
- Build, expand and innovate our digital properties
- Enhance a purpose-driven, change-ready and inclusive corporate culture

CORPORATE 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 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

CORPORATE OBJECTIVES

Each of the strategic objectives above will be delivered through 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	Integrated Wholesale Customer Experience Enhance wholesale customer experience and prepare to scale through centralizing the wholesale services functions of account management	Engaging, Integrated Customer Experience Deepen customer engagement and loyalty through a modern, relevant and seamless customer shopping experience across all channels making perfect choices easy and moments great
		World-Class Product Assortment Deliver Ontarians a world-class selection of beverage alcohol products across various channels, 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 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	



OBJECTIVE 1: EXCELLENCE IN CUSTOMER EXPERIENCE

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

As customer expectations 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 focuses on providing an immersive physical and digital experience, retail store operational efficiency, and enhancing its digital platform to make perfect product choices more easily 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.

At the same time, the LCBO will integrate its systems and platforms for B2B customers, focusing on order and relationship management, to improve the B2B customer experience, making it easier and more seamless to do business with the LCBO.

KEY PERFORMANCE INDICATORS

Target B2C sales of \$6.28B in 2024/25 across retail and eCommerce.

Target eCommerce sales of \$412M in 2024/25 across B2C and B2B.

Target B2B sales of \$1.61B in 2024/25 across all channels.

SUPPORTING STRATEGIC INITIATIVES

CHANNEL	FOCUS AREA	SUPPORTING INITIATIVES (2022/23 through 2024/25)
B2B	INTEGRATED WHOLESALE CUSTOMER EXPERIENCE	<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 • Proactive and holistic preparation for wholesale expansion: Establish the business requirements and framework in preparation for and support of potential marketplace liberalization
B2C	ENGAGING INTEGRATED CUSTOMER EXPERIENCE	<ul style="list-style-type: none"> • Engaging and helpful in-store experience: The shopping experience in our stores becomes the perfect blend of physical and digital experiences - underpinned by our people, the storytelling of product and the design of the customer experience journey • Performance-driven retail culture and leadership: Ensuring our highest volume stores have the right structure and skillsets for the leaders to deliver an optimal customer experience • Seamless and convenient digital access: Deliver a seamless and convenient digital customer experience that enables exploration, discovery and purchase of all beverage alcohol products through online channels, and delivery through fulfilment options that are relevant and convenient • Optimal store formats in optimal locations: Evolve the store network and optimize market development by choosing when and where to renovate, relocate and expand to maximize their contribution to profit and return on investment • Fully integrated Omni customer experience: Innovate and integrate digital and physical channels to enable customers to discover and shop seamlessly from anywhere at any time • Own our brand promise: Deepen customer engagement and loyalty by bringing our brand promise to life at all touch points in an integrated and consistent way • Rewarding personalized experience: Deliver a rewarding, personalized customer experience that enhances their relationship with the LCBO, providing actionable business insights and value for trade partners
	WORLD-CLASS PRODUCT ASSORTMENT	<ul style="list-style-type: none"> • Best assortment of core and unique products: Implement a multi-year category strategy for optimized product assortment of vintages, core and unique products across all channels that captures 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. With the Head Office relocation projected to be completed in fiscal year 2022, over the next three years the LCBO will be modernizing 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 2024/25.

Target total expenses as 16.7% of net sales in 2024/25.

Target enterprise-wide fill rate of 92% in 2024/25.

Achieve a retail in-stock position of 95% in 2024/25.

SUPPORTING STRATEGIC INITIATIVES

FOCUS AREA	SUPPORTING INITIATIVES (2022/23 through 2024/25)
<p>SMOOTH AND SEAMLESS PROCESSES</p>	<ul style="list-style-type: none"> • Effective and optimized inventory planning: Enhance sales and customer experience by ensuring vendors fulfill orders and deliver them on time and implement Demand Planning and Fulfillment system for all business lines that support better In-Stocks and Improved Turns • Product quality and integrity assurance: Implement technology and process improvements that support the mandate of ensuring 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: Streamline the operational elements of managing a store to allow store managers more time to focus on the employee and customer experience • Effective and efficient project governance: Establish robust and efficient project governance principles and process to enhance focus, transparency and accountability in project delivery
<p>EFFECTIVE SUPPORT SERVICES</p>	<ul style="list-style-type: none"> • Flexible and efficient supply chain: Provide an optimized distribution and logistics network delivering on increased flexibility and scalability, improved product and information flow, improved customer service, reduced risk, reduced costs, and improved efficiencies within our supply chain • IT capability and maturity: The onset of a renewed IT delivery and operating environment based on a complete renewal of our core systems and capabilities - improve maturity and capabilities to support evolution of the LCBO business model • Leading-practice financial processes and controls: Empower enhanced data analysis, financial planning, and financial reporting through integrating financial systems with the new ERP and support the future state modernization roadmap • Leadership in sustainability and social responsibility: Amplify and grow LCBO's social impact through new strategic external partnerships and engaging public, employees and stakeholders to broaden awareness



OBJECTIVE 3: EXCELLENCE IN EMPLOYEE EXPERIENCE

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 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. By raising the bar on leadership, talent is grown from within, and employees will be kept engaged and feel valued for their contributions.

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

KEY PERFORMANCE INDICATORS

Target an above 0% employee net promoter score by 2024/2025.

Target 50% positive movement of managers and senior leaders identified as “ready now” or “ready in up to 2 years” by 2024/2025.

Target 50% of senior leader roles filled by internal identified talent by 2024/2025.

Target employee and workplace safety measured through lost time frequency rate of 2.29 and lost time severity rate of 34.25 by 2024/2025.

Target Excellence Canada Mental Health Bronze certification by 2024/2025.

SUPPORTING STRATEGIC INITIATIVES

FOCUS AREA	SUPPORTING INITIATIVES (2022/23 through 2024/25)
GOOD PLACE TO WORK	<ul style="list-style-type: none">• Attract, Grow and Engage Purpose-Driven Talent: Support and enable the business to deliver on strategies by attracting, growing and engaging purpose-driven talent, raising the bar on leadership and cultivating a compelling employee value proposition• Foster a Healthy, Safe and Inclusive Culture: Foster and strengthen 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• 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

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 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 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, and the provincial government. Among the LCBO's annual corporate priorities is 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

IMPLEMENTATION PLAN

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 our Strategic Plan. This includes championing employee ambassadors to share the strategy with colleagues via town halls and small-group presentations, clearly communicating the expectations of employees through in-person and digital channels, making the plan and resources easily accessible to all staff, and tying the Strategic Plan into all related internal planning processes to reinforce how it guides decision-making.

SHARING THE PLAN WITH EXTERNAL STAKEHOLDERS

To support external engagement with industry partners and charity partners, communications related to all corporate priorities include a link back to the Strategic Plan so that intended audiences understand the purpose behind the LCBO's actions. Ever-advancing technology and its impact on the accessibility of news and information will continue to influence LCBO Communications. Utilizing new 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

Enterprise Risk Management (ERM) is a continuous enterprise-wide process that enables the LCBO to pursue its strategic objectives while identifying, controlling and mitigating risks. The LCBO is committed to embedding risk management into its core business processes to effectively achieve its strategic business and operating objectives, and performance goals.

ERM is closely aligned with the Strategic Planning. Throughout the process of building the LCBO's Strategic Plan, ERM is engaged to ensure that the Strategic Plan identifies:

- Threats and opportunities to our business model;
- Known material risks that may impact the successful execution of the Strategic Plan; and
- Potential new risks that strategic initiatives may introduce



The LCBO's ERM program leverages an established framework and methodology, in accordance with best practices and standards, and is focused on:

- Supporting a culture of risk awareness where employees understand and consider risk in decision making;
- Integrating risk management into Strategic Planning to increase the likelihood of reaching expected results;
- Driving value from the LCBO's assets and other business opportunities through proactive risk assessment;
- Providing a structured methodology to identify, assess, manage and monitor organizational risks; and
- Anticipating and responding to changing social, financial, economic, environmental and legislative conditions

Risks identified through the ERM program have been considered across our three corporate objectives and supporting strategic initiatives, as follows:

RISK MITIGATION: EXCELLENCE IN CUSTOMER EXPERIENCE

There are increasing economic, marketplace and customer-related risks that may potentially impact the LCBO's ability to deliver a strong customer value proposition across both of its B2B and B2C channels. As the LCBO continues to see shifts and evolutions within our customer expectations and shopping behaviours, responding to risks relating to increased Competition, Customer Engagement and customer supporting technology will ensure that the LCBO is well positioned to adapt to the demands of these changing preferences.

Within the B2B Channel, the LCBO is implementing several initiatives in preparation for expected shifts in the marketplace and to improve its ability to expand its wholesale business with agility, including:

- Building IT systems and operational capabilities to deliver on customer expectations for this evolving channel
- Proactive preparation and development of strategies for potential marketplace expansion
- Driving efficiencies in order fulfillment to ensure our customers have the right product when they need it, focussed on achieving or exceeding industry-standard service levels
- Improving the customer experience through the rebranding of the B2B channel, collaborative partnerships, and centralized functionality and account management

Within the B2C channel, the LCBO is implementing new initiatives to respond to increasing competition from existing and new retail competitors, evolving customer preferences and shifting demographics in existing customer bases:

- Delivering digital integration of all customer facing platforms onto a single site that enables exploration, discovery, purchase and product delivery through convenient fulfillment strategies
- Providing customers with an integrated and personalized experience both in store and online, with a seamless experience across all customer touchpoints within a platform where products are tailored to each customer's need and are universally accessible
- Maximizing the value of our new loyalty program with program enhancements to grow our membership and allow for personalization across all customer touchpoints
- Continually renewing our product assortment with products from Ontario and around the world to provide Ontarians with a unique product assortment across all channels that captures evolving customer preferences
- Investing in our front line with technology-enabled tools to support our leaders and retail staff in delivering an optimal store experience, including electronic bin tags, great customer service and responsible retailing to deliver on the LCBO's brand promise: Perfect Choices Made Easy, Moments Made Great
- Evolve the 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

Similar to other large retail and wholesale businesses operating in our current environment, the LCBO faces a variety of challenges and opportunities arising from the complexity of its operations. As a result, a number of risks are being monitored to ensure continued operational efficiency. These risks relate to Business Continuity, IT System and Technology Limitations, IT Security, increasing reliance on Third-Party partners, and Supply Chain Disruption. A few of the key initiatives within the Strategic Plan to address these operational risks include:

- Optimize inventory and vendor management with the implementation of a Vendor Compliance Program and a Demand Planning and Fulfillment system for all business lines to deliver improved efficiencies and inventory planning
- Initiate our future state modernization of technology systems to improve maturity and support our evolving business and operating requirements
- Continue to grow the LCBO's social impact platform to ensure that we are holistically driving impact across the business, engaging the public, employees & stakeholders to recognize and support LCBO's mandates of our social impact and sustainability strategy
- Enhanced project management processes and capabilities with strengthened project governance, thorough in-take assessment and robust corporate reporting
- Implement testing process improvements that support our 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 people strategy, risks related to pandemic fatigue, employee health, safety and wellness, and attracting, retaining and engaging 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, total rewards and embedding the employee value proposition program, 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
- Support the enterprise with consistent change tools, develop change-ready employees and employ an agile workforce model
- Continuously enhance the 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 dedicated project Change Management resources for large-scale initiatives, as well as 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

	2020/21 Plan	2021/22 Plan	2022/23 Plan
TOTAL STAFF <i>(Full time equivalents)</i>			
Retail	5,649	5,987	6,272
<i>YY Change</i>	+28	+338	+285
Supply Chain	1,011	1,035	1,052
<i>YY Change</i>	+18	+24	+17
Administration & Other	836	881	896
<i>YY Change</i>	+58	+45	+15
Total Full Time Equivalents	7,496	7,903	8,220
<i>YY Change</i>	+104	+407	+317
TYPE OF POSITIONS			
Management/excluded	1,088	1,112	1,195
Unionized	6,386	6,766	7,010
Contract staff	22	26	16

*Please note that staffing numbers beyond for 2022/2023 cannot be projected at this time, as they are dependent on government direction.

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 implemented 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 expired March 31, 2021 after which the moderation period commenced. The moderation period for the management/excluded staff mirrored 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.

A comprehensive benchmarking exercise commenced 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.

INTERNAL RESOURCING AND EXTERNAL PARTNERSHIPS

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 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, the Ontario Wine Appellation Authority, Wine Growers of Ontario, Ontario Craft Distillers, Ontario Craft Cider Association and many others. The LCBO maintains strong relationships with trade and industry groups to support 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 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.

LCBO helped to put over \$13 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
- CEE Centre for Young Black Professionals
- Food Relief Charities
- Bartender Benevolent Fund

BUSINESS DELIVERY PARTNERS

LCBO's strategic initiatives require key business delivery partners to support our success:

- **DHL** is LCBO's strategic partner at the Trillium facility. DHL delivers a number of key benefits including mitigation of business risk and leveraging their proven track record to achieve industry leading service levels through a flexible, efficient and scalable supply chain.
- **Adobe Inc.** is supporting the eCommerce platform renewal for the LCBO. The new platform will offer enhanced features and functionalities to provide a seamless and integrated customer online shopping experience.
- **Aeroplan** is partnering with LCBO to provide a new loyalty program for LCBO customers. The program provides rewarding and personalized offerings to LCBO customers to enhance their experience.
- **Workday Inc.** provides the LCBO a cloud-based Human Capital Management System to support the entire employee lifecycle. With Workday, the employee experience is simple, modern and more accessible, allowing LCBO to achieve efficiency in Human Capital management.

LCBO

LCBO.com | VINTAGES.com