

Memorandum of Understanding
Between
Minister of Finance
and
Chair of the Liquor Control Board of Ontario

June 30, 2021

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The parties to this Memorandum of Understanding agree to the following:

1. PURPOSE

- a. The purpose of this Memorandum of Understanding (MOU) is to:
 - Establish the accountability relationships between the Minister and the Chair on behalf of the Liquor Control Board of Ontario;
 - Clarify the roles and responsibilities of the Minister, the Chair, the Deputy Minister, the CEO, and the LCBO's Board of Directors; and
 - Clarify the operational, administrative, financial, auditing and reporting arrangements between the LCBO and the Ministry of Finance.
- b. This MOU should be read together with the Liquor Control Act, R.S.O. 1990, c. L. 18, and the AAD. This MOU does not affect, modify or limit the LCBO's powers as set out under the Act, or interfere with the responsibilities of any of the parties as established by law. In case of a conflict between this MOU and any legislation or regulation, the legislation or regulation prevails.

2. DEFINITIONS

In this MOU:

- a. "AAD" means the Management Board of Cabinet Agencies and Appointments Directive or its replacement;
- b. "Act" means the Liquor Control Act, R.S.O. 1990, c. L. 18;
- c. "Annual Business Plan" means the annual business plan described under article 10.1 of this MOU;
- d. "Annual Report" means the annual report referred to in article 10.2 of this MOU;
- e. "Applicable Government Directives" means the Government directives, policies, standards and guidelines that apply to the LCBO, as may be amended or replaced from time to time;
- f. "Appointee" means a Member appointed to the LCBO by the Lieutenant Governor, but does not mean an individual employed or appointed by the LCBO as staff;
- g. "Board" means the Board of Directors of the LCBO;
- h. "CEO" refers to the President and Chief Executive Officer of the LCBO;
- i. "Chair" means the Chair of the LCBO;
- j. "Deputy Minister" means the Deputy Minister of the Ministry of Finance;
- k. "Executive Council Act" means the Executive Council Act, R.S.O. 1980, c.E.25, as

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amended;

- l. "FIPPA" means the Freedom of Information and Protection of Privacy Act, R.S.O. 1990, c. F.31, as amended;
- m. "Fiscal Year" means the period from April 1 in a year to March 31 of the following year;
- n. "Government" means the Government of Ontario;
- o. "LCBO" refers to the Liquor Control Board of Ontario, a corporation continued under section 2 of the Act;
- p. "MBC" means the Management Board of Cabinet;
- q. "Member" means a member of the LCBO;
- r. "Minister" means the Minister of Finance or such other person who may be designated from time to time as responsible Minister in relation to this MOU in accordance with the Executive Council Act, R.S.O. 1990, c.E.25, as amended;
- s. "Minister of Finance" means the Minister of Finance designated from time to time under the Executive Council Act;
- t. "Ministry" means the Ministry of Finance or any successor to the Ministry;
- u. "MOU" means this Memorandum of Understanding, signed by the Minister and the Chair;
- v. "PSC" means the Public Service Commission;
- w. "PSOA" means the Public Service of Ontario Act, 2006, S.O. 2006, c. 35, Sched. A, as amended;
- x. "Senior Employees" means "Designated Executives" as defined in section 4(1) of the *Broader Public Sector Executive Compensation Act, 2014*, S.O. 2014 c.13, Sched. 1; and includes those employees holding a title of vice president or above.
- y. "TB/MBC" means the Treasury Board/Management Board of Cabinet.

3. LCBO'S LEGAL AUTHORITY AND MANDATE

- a. The legal authority of the LCBO is set out in Part II of the Liquor Control Act, R.S.O. 1990, c. L. 18, and the regulations made under the Act.
- b. The LCBO's legislative mandate is set out in the Liquor Control Act, R.S.O. 1990, c. L. 18, which states that the LCBO's objects are to control the sale and distribution of beverage alcohol in Ontario, and promoting social responsibility in the sale and distribution of beverage alcohol. In pursuing this mandate, the LCBO will take into account the promotion of high professional standards, the enhancement of customer service and the broad policy directions of the Government.

- c. The LCBO shall carry out its activities in a manner consistent with the best practices and standards of the retail industry as applicable, and of comparable public and private entities, while pursuing opportunities to become more competitive and agile in the marketplace.

4. AGENCY TYPE AND PUBLIC BODY STATUS

- a. The LCBO is designated as a board governed provincial agency under the AAD.
- b. The LCBO is prescribed as a public body under PSOA.

5. CORPORATE STATUS AND CROWN AGENCY STATUS

- a. The LCBO is a Crown Agency within the meaning of the Crown Agency Act.
- b. The LCBO has the capacity, rights, power and privileges provided for in the Act and other related legislation.

6. GUIDING PRINCIPLES

The parties agree to the follow principles:

- a. The Minister recognizes that the LCBO exercises powers and performs duties in accordance with its legislative mandate under the Act.
- b. The Minister recognizes that the LCBO plays a meaningful role in the development of the policies and programs of the Government of Ontario, as well as in the implementation of those policies and delivery of programs.
- c. The Board acknowledges that it is accountable, through the Minister, to the Legislative Assembly in exercising its mandate. Accountability is a fundamental principle to be observed in the management, administration and operations of the LCBO. The Board acknowledges that it is accountable to the Minister, through the Chair, for governance and oversight of the LCBO.
- d. As an agency of the Government of Ontario, the LCBO conducts itself according to the management principles and policy priorities of the Government of Ontario. These principles include ethical behaviour; prudent, effective and lawful use of public resources; fairness; high quality service to the public; and openness and transparency to the extent allowed under the law.
- e. The Minister and the Board, through the Chair, are committed to a strong LCBO that is empowered to fulfill its statutory mandate efficiently and effectively. They share the goal of establishing and maintaining a co-operative relationship that facilitates the efficient administration of the LCBO and fulfillment of its statutory responsibilities.
- f. The LCBO and the Ministry agree to avoid duplication of services wherever possible.
- g. The LCBO and the Ministry will work together in a mutually respectful manner.
- h. The LCBO shall conduct its affairs and operations with a focus on ensuring the best interest

of Ontario taxpayers and citizens are considered, including giving consideration to providing choice and convenience for Ontario consumers.

- i. The LCBO shall conduct its affairs with a focus on ensuring red tape burden reduction is a priority for all internal and external processes.

7. ACCOUNTABILITY RELATIONSHIPS

7.1 MINISTER

The Minister is accountable:

to the Legislative Assembly for the LCBO's fulfillment of its mandate in accordance with Applicable Government Directives and policies and for reporting to the Legislature on the LCBO's affairs.

7.2 CHAIR

The Chair, acting on behalf of the Board of Directors, is accountable:

to the Minister for the performance of the LCBO in fulfilling its mandate, for fulfilling the roles and responsibilities assigned pursuant to the Act and other applicable legislation, this MOU, Applicable Government Directives, and for overseeing the management of the LCBO's affairs.

7.3 BOARD OF DIRECTORS / COMMISSION

The Board is accountable, through the Chair, to the Minister for the oversight and governance of the LCBO; setting goals, objectives and strategic direction for the LCBO within its mandate; and for carrying out the roles and responsibilities assigned to it by the Act and other applicable legislation, this MOU, and Applicable Government Directives.

7.4 DEPUTY MINISTER

The Deputy Minister is accountable to the Secretary of the Cabinet and the Minister for the performance of the Ministry in providing administrative and organizational support to the LCBO and for carrying out the roles and responsibilities assigned by the Minister, the Act and other applicable legislation, and Applicable Government Directives.

The Deputy Minister is also accountable for attesting to TB/MBC on the LCBO's compliance with Applicable TB/MBC Directives.

7.5 CHIEF EXECUTIVE OFFICER

The CEO is accountable to the Board for the management and administration of the LCBO, the supervision of LCBO staff, and carrying out the roles and responsibilities assigned by the Board, the Act and other applicable legislation, this MOU and Applicable Government Directives. The CEO works under the direction of the Chair to implement policy and operational decisions. The CEO reports the LCBO's performance results to the Board, through the Chair.

8. ROLES AND RESPONSIBILITIES

8.1 MINISTER

The Minister is responsible for:

- a. Reporting and responding to the Legislative Assembly on the affairs of the LCBO.
- b. Reporting and responding to TB/MBC on the LCBO's performance and compliance with Applicable Government Directives and policies.
- c. Recommending to TB/MBC, where required, the merger, any change to the mandate, or dissolution of the LCBO.
- d. Recommending to TB/MBC the powers to be given to, or revoked from, the LCBO when a change to the LCBO's mandate is being proposed.
- e. Meeting with the Chair to discuss issues relating to the fulfilment of the LCBO's mandate.
- f. Working with the Chair to develop appropriate measures and mechanisms related to the performance of the LCBO.
- g. Review the advice or recommendation of the Chair on candidates for appointment or re-appointment to the board.
- h. Making recommendations to Cabinet and the Lieutenant Governor in Council for appointments and reappointments to the LCBO, pursuant to the process for LCBO appointments established by legislation and/or by MBC through the AAD.
- i. Determining at any time the need for a review or audit of the LCBO, directing the Chair to undertake reviews of the LCBO on a periodic basis, and recommending to TB/MBC any change(s) to the governance or administration of the LCBO resulting from any such review or audit.
- j. When appropriate or necessary, taking action or directing that the LCBO take corrective action with respect to the LCBO's administration or operations.
- k. Receiving and approving the LCBO's Annual Report and ensuring that the Annual Report is made available to the public after it has been tabled and within 30 days of tabling it in the Legislative Assembly.
- l. Approving the Annual Report of the LCBO within 60 days of receiving the Annual Report from the LCBO.
- m. Informing the Chair of the Government's priorities and broad policy directions for the LCBO.
- n. Consulting, as appropriate, with the Chair (and others) on significant new directions or when the Government is considering regulatory or legislative changes for the LCBO.
- o. Developing the LCBO's MOU with the Chair, as well as any amendments to it, and signing

the MOU into effect after it has been signed by the Chair.

- p. Reviewing and approving the LCBO's Annual Business Plan.
- q. Outlining the high-level expectations, key commitments and performance priorities for the LCBO at the beginning of the annual business planning cycle through the LCBO mandate letter.
- r. Approving the job categories, salary ranges and conditions of employment of officers, inspectors and employees of the LCBO appointed by the Board who are not members of a bargaining unit, as defined in the *Labour Relations Act, 1995* S.O. 1995 c.1, Sched. A.
- s. Approving the remuneration for Senior Employees which includes approval of the base salary bands, and target pay for performance bands and benefits applicable to the position of President/CEO, Executive Vice President, Chief Operating Officer, and Senior Vice President and Vice President, subject to the requirements of *Broader Public Sector Executive Compensation Act, 2014*, S.O. 2014 c.13, Sched. 1.
- t. Approving international travel for the Chair as part of the LCBO's Special Status under the Travel, Meal and Hospitality Expenses Directive.

8.2 CHAIR

The Chair is responsible for:

- a. Providing leadership to the LCBO by working with the Board to set the goals, objectives and strategic directions within its mandate.
- b. Providing leadership to the Board and ensuring that the Board carries out its responsibilities for decisions regarding the LCBO
- c. Chairing Board meetings, including the management of the Board's agenda.
- d. Reviewing and approving claims for per diems and travel expenses for Appointees to the Board.
- e. Seeking strategic policy direction for the LCBO from the Minister.
- f. Ensuring timely communications with the Minister regarding any issues or events that can reasonably be expected to concern the Minister in the exercise of his/her responsibilities relating to the LCBO.
- g. Consulting with the Minister in advance regarding any activity which may have an impact on the government and ministry's policies, directives or procedures, or on the LCBO's mandate, powers or responsibilities as set out in the LCBO's constituting instrument.
- h. Reporting to the Minister as requested on the LCBO's activities within agreed upon timelines, including an annual letter confirming the LCBO's compliance with all applicable legislation, directives, and accounting and financial policies.

- i. Ensuring that public funds are used for the purpose intended with integrity and honesty.
- j. Developing the LCBO's MOU with the Minister and signing it on behalf of the board.
- k. Submitting the LCBO's Annual Business Plan, budget, Annual Report and financial reports, on behalf of the Board, to the Minister in accordance with the timelines specified in the applicable TB/MBC and government directives, and Appendix 1 of this MOU.
- l. Providing both the Minister and the Deputy Minister of Finance and President of Treasury Board with a copy of every Office of the Auditor General and Ontario Internal Audit Division audit report, a copy of the LCBO's response to each report, and any recommendation in the report; and any other audit report upon request.
- m. Ensuring that members are informed of their responsibilities under the PSOA with regard to the rules of ethical conduct, including the political activity rules.
- n. Cooperating with any review or audit of the LCBO directed by the Minister or TB/MBC.
- o. Fulfilling the role of ethics executive for public servants who are government Appointees to the LCBO promoting ethical conduct and ensuring that all Members are familiar with the ethical requirements of the PSOA, and the regulations and the directives made under that Act, including in respect of conflict of interest, political activity and the protected disclosure of wrongdoing.
- p. Reviewing and approving claims for per diem and expenses of all Members.
- q. Signing the MOU for the LCBO as authorized by the Board
- r. Keeping the Minister informed of upcoming appointment vacancies and providing recommendations for appointments or re-appointments
- s. Ensuring compliance with legislative and TB/MBC policy obligations.
- t. Consulting with the Deputy Minister in the evaluation of the performance of the CEO and pursuant to the performance criteria established by the Deputy Minister and the Board of Directors through the Chair.
- u. Approving international travel for agency appointees except for the Chair's own travel, and delegating approval authority to the Chief Executive Officer (CEO) for staff, with no further delegation permitted, as part of the LCBO's Special Status under the Travel, Meal and Hospitality Expenses Directive.

8.3 BOARD OF DIRECTORS

The Board of Directors is responsible for:

- a. Establishing the goals, objectives, and strategic directions for the LCBO within its mandate as defined by the Act, Government policies as appropriate and this MOU.

- b. Governing the affairs of the LCBO within its mandate as set out in the Act, its Annual Business Plan as described in section 10.1 of this MOU, and the policy parameters established and communicated in writing by the Minister.
- c. Directing the development of and approving the LCBO's Annual Business Plan for submission to the Minister within the timelines agreed upon with the Ministry or this MOU.
- d. Directing the preparation of and approving the LCBO's Annual Report for submission to the Minister for tabling in the Legislative Assembly within the timelines established by the Act or the AAD as applicable.
- e. Making decisions consistent with the Annual Business Plan.
- f. Ensuring that the LCBO uses public funds with integrity and honesty, and only for the business of the LCBO based on the principle of value for money, and in compliance with applicable legislation and Applicable Government Directives.
- g. Ensuring that the LCBO is governed in an effective and efficient manner according to accepted business and financial practices, and in accordance with Applicable Government Directives.
- h. Establishing such board committees or oversight mechanisms as may be required to advise the Board on effective management, governance or accountability procedures for the LCBO.
- i. Approving the MOU, and any amendments to the MOU, in a timely manner and authorizing the Chair to sign the MOU, or any amendments to the MOU, on behalf of the LCBO.
- j. Approving the LCBO's reports and reviews that may be requested by the Minister from time to time for submissions to the Minister within agreed upon timelines.
- k. Directing the development of an appropriate risk management framework and a risk management plan and arranging for risk-based reviews and audits of the LCBO as needed.
- l. Where applicable, ensuring that conflict of interest rules that the LCBO is required to follow, as set out in Ontario Regulation 381/07 under the PSOA (or as have been approved and published by the Conflict of Interest Commissioner on the Commissioner's website) are in place for the Members and employees of the LCBO.
- m. Establishing performance measures, targets and management systems for monitoring and assessing the LCBO's performance.
- n. Directing corrective action on the functioning or operations of the LCBO, if needed.
- o. Cooperating with any risk-based or periodic review directed by the Minister or TB/MBC.
- p. Consulting, as appropriate, with stakeholders on the LCBO's goals, objectives and strategic directions.
- q. Providing advice to the Government, through the Minister, on issues within or affecting the LCBO's mandate and operations.

- r. Setting and reporting on the strategic direction for the LCBO according to the Minister's LCBO mandate letter, LCBO's Annual Business Plan, and the LCBO's Annual Report.
- s. Appointing a CEO and setting performance objectives and remuneration terms linked to these objectives for the CEO which give due weight to the proper management and use of public resources.
- t. Establishing by-laws governing the operations of the LCBO.
- u. Approving corporate policies and strategies, including those that would have a significant impact on the LCBO's operations or that relate to the LCBO's regulatory role, taking into consideration Government priorities and broad policy direction communicated by the Minister.
- v. Considering any policy, directives or guidelines established by the Minister when setting mark-up levels, fees, licence structures, profit targets, and policies for managing foreign exchange transactions.

8.4 DEPUTY MINISTER

The Deputy Minister is responsible for:

- a. Advising and assisting the Minister regarding the Minister's responsibilities for the LCBO, including informing the Minister of policy direction, policies and priorities of relevance to the LCBO's mandate.
- b. Advising the Minister on the requirements of the AAD, and other Applicable Government Directives.
- c. Recommending to the Minister, as may be necessary, the evaluation or review, including a risk-based review, of the LCBO or any of its programs, or changes to the management framework or operations of the LCBO.
- d. Facilitating regular briefings and consultations between the Chair and the Minister, and between the Ministry staff and the LCBO staff as needed.
- e. Attesting to TB/MBC on the LCBO's compliance with the mandatory accountability requirements set out in the AAD and other Applicable Government Directives, the Government's operational policies and policy directions based on the annual letter of compliance from the LCBO Chair to the Minister.
- f. Ensuring that the Ministry and the LCBO have the capacity and systems in place for on-going risk-based management, including appropriate oversight of the LCBO.
- g. Ensuring that the LCBO has an appropriate risk management framework and a risk management plan in place for managing risks that the LCBO may encounter in meeting its program or service delivery objectives.
- h. Undertaking timely risk-based reviews of the LCBO, its management or operations, as may be directed by the Minister or TB/MBC.

- i. Establishing a framework for reviewing and assessing the LCBO's Annual Business Plan and other reports.
- j. Supporting the Minister in reviewing the performance targets, measures and results of the LCBO.
- k. Advising the Minister on documents submitted by the LCBO to the Minister for review or approval, or both.
- l. Submitting to the Minister, as part of the annual planning process, a risk assessment and management plan for each risk category.
- m. Undertaking reviews of the LCBO as may be directed by the Minister.
- n. Cooperating with any review of the LCBO as directed by the Minister or TB/MBC.
- o. Monitoring the LCBO on behalf of the Minister while respecting the LCBO's authority, identifying needs for corrective action where warranted, and recommending to the Minister ways of resolving any issues that might arise from time to time.
- p. Negotiating a draft MOU with the Chair of the LCBO, as well as any amendments to the MOU, as directed by the Minister.
- q. Consulting with the LCBO's CEO, as needed, on matters of mutual importance including services provided by the Ministry and compliance with Applicable Government Directives and Ministry policies.
- r. Meeting with the CEO as needed or as directed by the Minister, or on the request of the CEO.
- s. Arranging for administrative, financial and other support to the LCBO, as specified in this MOU.
- t. Informing the CEO, in writing, of new Government directives and any exceptions to, or exemptions in whole or in part from Applicable Government Directives, or Government policies.
- u. When required, submitting a report to TB/MBC on the wind-down of the LCBO, following the disposition of any assets, completion of any outstanding responsibilities by the LCBO, and the termination of any appointments.
- v. Consult with the Chair on the performance evaluation of the CEO.

8.5 CHIEF EXECUTIVE OFFICER (CEO)

The CEO is responsible for:

- a. Managing the day-to-day financial, analytical, operational, and administrative affairs of the LCBO in accordance with the mandate of the LCBO, Applicable Government Directives, accepted business and financial practices, and this MOU.

- b. Advising the Chair on the requirements of and the LCBO's compliance with the AAD, as well as other Applicable Government Directives and policies, and LCBO by-laws and policies, including annually attesting to the Chair on the LCBO's compliance with mandatory requirements.
- c. Applying policies and procedures so that public funds are used with integrity and honesty.
- d. Carrying out effective public communications and relations for the LCBO as its chief spokesperson.
- e. Ensuring appropriate management systems are in place (financial, information technology, human resources) for the effective administration of the LCBO.
- f. Providing leadership and management to the LCBO staff, including human and financial resources management, in accordance with the Annual Business Plan, accepted business and financial practices and standards, the Act and other applicable legislation and Applicable Government Directives.
- g. Establishing and applying a financial management framework for the LCBO in accordance with Applicable Government directives, policies and guidelines.
- h. Translating the goals, objectives and strategic directions of the Board into operational plans and activities in accordance with the LCBO's Annual Business Plan.
- i. Ensuring that the LCBO has the oversight capacity and an effective oversight framework in place for monitoring its management and operations.
- j. Keeping the Board, through the Chair, informed with respect to implementation of policy and the operations of the LCBO.
- k. Establishing and applying systems to ensure that the LCBO operates within its Annual Business Plan.
- l. Establishing and applying the LCBO's risk management framework and risk management plan in place as directed by the Board.
- m. Supporting the Board in meeting its responsibilities, including compliance with all applicable Government Directives.
- n. Carrying out in-year monitoring of the LCBO's performance and reporting on results to the Board through the Chair.
- o. Keeping the Ministry and the Chair advised on issues or events that may concern the Minister, the Deputy Minister and the Chair in the exercise of their responsibilities.
- p. Seeking support and advice from the Ministry, as appropriate, on LCBO management issues.
- q. Establishing and applying a system for the retention of LCBO documents and for making such documents publicly available when appropriate, for complying with the FIPPA and the

Archives and Recordkeeping Act, 2006, c.34 Sched. A and RSO 1990 c.F.31 where applicable.

- r. Undertaking timely risk-based reviews of the LCBO's management and operations.
- s. Consulting with the Deputy Minister as needed, on matters of mutual importance, including services provided by the Ministry, and on Applicable Government Directives and policies.
- t. Cooperating with a periodic review directed by the Minister or TB/MBC.
- u. Fulfilling the role of ethics executive for public servants, other than Government Appointees, who work in the LCBO. Promoting ethical conduct and ensuring that all members of the LCBO are familiar with the ethical requirements of the PSOA and the regulations and directives made under that Act, including in respect of conflict of interest, political activity, and the protected disclosure of wrongdoing.
- v. Keeping the Board, through the Chair, informed about operational matters.
- w. Preparing the LCBO's Annual Reports and Annual Business Plans as directed by the Board.
- x. Preparing financial reports for approval by the Board.
- y. Preparing for approval by the Board, a performance review system for staff, which sets performance objectives and remuneration terms linked to these objectives and implementing the system. The performance review system shall give due weight to the proper management and use of public resources.
- z. Attesting to the compliance of the LCBO to Applicable Government Directives and policies and support the Board of Directors to provide the stating of compliance of the LCBO.

9. ETHICAL FRAMEWORK

The members of the Board who are appointed by the Lieutenant Governor in Council are subject to the conflict of interest provisions of the AAD and the conflict of interest provisions of the PSOA and its regulations.

Board members shall not use any information gained as a result of their appointment to or membership on the Board for personal gain or benefit. A member who has reasonable grounds to believe that he or she has a conflict of interest in a matter before the Board, or a committee of the Board, shall disclose the nature of the conflict to the Chair at the first opportunity and shall refrain from further participation in the consideration of the matter. The Chair shall cause to be recorded in the minutes of the meeting of the Board any declared conflicts of interest.

The Chair, as the Ethics Executive for Appointees and the CEO, as the Ethics Executive of employees of the LCBO, are responsible for ensuring that Appointees and staff of the LCBO are informed of the ethical rules to which they are subject, including the rules on conflict of interest, political activity and protected disclosure of wrongdoing that apply to the LCBO.

10. REPORTING REQUIREMENTS

10.1 BUSINESS PLAN

- a. The Chair will ensure that the Minister is provided annually with the LCBO's Annual Business Plan covering a minimum of three (3) years from the current Fiscal Year, which includes a financial budget and a risk assessment and management plan, for approval by the Minister. The Annual Business Plan shall be in accordance with the requirements set out in the AAD.
- b. The Annual Business Plan is to be submitted to the Ministry's Chief Administrative Officer or designated equivalent no later than three months prior to the LCBO's Fiscal Year-end. The Annual Business Plan is to be submitted to the Minister for approval no later than one month before the start of the LCBO's fiscal year.
- c. The Chair will ensure that the Annual Business Plan includes a strategic plan to grow its revenues and find efficiencies in its internal operations to deliver greater value to Ontario taxpayers.
- d. The Chair is responsible for ensuring that the LCBO's Annual Business Plan includes a system of performance measures and reporting on the achievement of the objectives set out in the Annual Business Plan. The system must include performance goals, how they will be achieved, and targeted results and timeframes.
- e. The Chair will ensure that the Annual Business Plan includes a risk assessment and risk management plan to assist the Ministry in developing its risk assessment and risk management plan information in accordance with the requirements of the AAD to assess risks, develop and maintain necessary records, and report to TB/MBC.
- f. The Chair will ensure that publicly posted Annual Business Plans do not disclose: personal information, sensitive employment and labour relations information, solicitor-client privileged information, Cabinet confidential information, trade secrets, information that would prejudice the financial or commercial interests of the LCBO in the marketplace, and information that would otherwise pose a risk to the security of the facilities and/or operations of the LCBO.
- g. The Minister will review the LCBO's Annual Business Plan and will promptly advise the Chair whether or not he/she concurs with the directions proposed by the LCBO. The Minister may advise the Chair where and in what manner the LCBO's plan varies from Government policy or priorities as may be required, and the Chair, on behalf of the Board, will revise the LCBO's plan accordingly. Annual Business plans are valid only once the Minister has approved the plan in writing.
- h. In addition, TB/MBC may require the Minister to submit the LCBO's Annual Business Plan to TB/MBC for review at any time.
- i. The Chair, through the CEO, will ensure that its Minister approved Annual Business Plan is made available to the public in an accessible format, in both official languages, on the LCBO website within 30 days of Minister's approval of the plan.

10.2 ANNUAL REPORTS

- a. The Chair is responsible for ensuring that the LCBO's Annual Report is prepared and submitted to the minister for approval within 90 calendar days of the Auditor General completing the financial audit. The Annual Report shall be in accordance with the requirements set out in the AAD.
- b. The Chair, through the CEO, will ensure that the Annual Report is prepared as a text document, without images or graphics, with the exception of the provincial and LCBO logos on the front page.
- c. The Chair will ensure that publicly posted Annual Reports do not disclose: personal information, sensitive employment and labour relations information, solicitor-client privileged information, Cabinet confidential information, trade secrets, information that would prejudice the financial or commercial interests of the LCBO in the marketplace, or information that would otherwise pose a risk to the security of the facilities and/or operations of the LCBO.
- d. The Minister will receive and review the LCBO's Annual Report and will approve the report within 60 calendar days after the day of receipt.
- e. The Minister will, within 30 calendar days of approval, table the report in the Legislative Assembly.
- f. The Chair, through the CEO, will ensure that its Annual Report is publicly posted in an accessible format, in both official languages, on the LCBO website after the report has been tabled in the Legislature and within 30 calendar days of the Minister's approval.
- g. When distributing Annual Reports, digital formats and channels for distribution must be used unless otherwise required (e.g. by directive, legislation).

10.3 OTHER REPORTS

The Chair is responsible on behalf of the Board for:

- a. Ensuring that the reports and documents set out in Appendix 1 to this MOU are submitted for review and approval by the Minister in accordance with the prescribed timelines.
- b. Supplying specific data and other information, at the request of the Minister or the Deputy Minister, that may be required from time-to-time for the purpose of the Ministry's administration.
- c. Ensuring that reports and documents associated with the LCBO's Special Status for international travel under the Travel, Meal and Hospitality Expenses Directive, are submitted to the Ministry in accordance within the prescribed timelines.

11. PUBLIC POSTING REQUIREMENTS

- a. The LCBO, through the Chair on behalf of the Board, will ensure that the following approved governance documents are posted in an accessible format, in both official languages, on the LCBO website within the specified timelines:

- Memorandum of Understanding and any Letter of Affirmation – within 30 days of signing by both parties
 - LCBO Mandate Letter – no later than the corresponding annual business plan
 - LCBO Annual Business Plan – within 30 calendar days of Minister’s approval
 - LCBO Annual Report – 30 calendar days of Minister’s approval (the report must first be tabled in the Legislature).
- b. Posted governance documents should not disclose: personal information, sensitive employment and labour relations information, solicitor-client privileged information, Cabinet confidential information, trade secrets or scientific information, information that would prejudice the financial or commercial interests of the LCBO in the marketplace, or information that would otherwise pose a risk to the security of the facilities and/or operations of the LCBO.
- c. The LCBO, through the Chair on behalf of the Board, will ensure that the expense information for appointees and senior management staff are posted on the LCBO or Ministry website, in accordance with the requirements of the MBC Travel, Meal and Hospitality Expenses Directive.
- d. The LCBO, through the Chair on behalf of the Board, will ensure that any other applicable public posting requirements are met.

12. COMMUNICATIONS AND ISSUES MANAGEMENT

The parties to this MOU recognize that the timely exchange of information on the operations and administration of the LCBO is essential for the Minister to meet his/her responsibilities for reporting and responding to the Legislative Assembly on the affairs of the LCBO. The parties also recognize that it is essential for the Chair on behalf of the Board to be kept informed of the Government initiatives and broad policy directions that may affect the LCBO’s mandate and functions.

The Minister and the Chair on behalf of the Board of Directors, have the following responsibilities in respect of Communications and Issues Management:

- a. The Chair will keep the Minister advised, in a timely manner, of all planned events or issues, including contentious matters, that concern or can be reasonably expected to concern the Minister in the exercise of his/her responsibilities.
- b. The Minister will consult with the Chair in a timely manner, as appropriate, on broad Government policy initiatives or legislation being considered by the Government that may impact on the LCBO’s mandate or functions, or which otherwise will have a significant impact on the LCBO.
- c. The Minister and the Chair will consult with each other on public communication strategies and publications where appropriate. They will keep each other informed of the results of stakeholder and other public consultations and discussions.
- d. The Minister and the Chair will meet at least annually, or as requested by either party, to discuss issues relating to the fulfillment of the LCBO’s mandate, management and

operations.

- e. The Deputy Minister and the CEO will meet at least quarterly, or as requested by either party, to discuss issues relating to the delivery of the Board's mandate and the efficient operation of the LCBO. The Deputy Minister and the CEO shall provide timely information and advice to each other concerning significant matters affecting the LCBO's management or operations.

13. ADMINISTRATIVE ARRANGEMENTS

13.1 APPLICABLE GOVERNMENT DIRECTIVES

- a. The Chair, on behalf of the Board, is responsible for ensuring that the LCBO operates in accordance with all Applicable Government Directives, as well as applicable Ministry financial and administrative policies and procedures. Appendix 2 to this MOU provides a list of Applicable Government Directives and policies.
- b. The Ministry will inform the LCBO of amendments or additions to Applicable Government Directives; however, the LCBO is responsible for complying with Applicable Government Directives.
- c. In addition to complying with the MBC Realty Directive, the LCBO shall comply with the Ministry of Infrastructure Realty Policy including any appendices to this policy when acquiring space for accommodation and program purposes. The Ministry will ensure that the LCBO is provided with any updates to this policy.
- d. The LCBO is considered an 'Other Included Entity' under the Procurement Directive and will comply with sections 3 and 8 of the Procurement Directive.

13.2 ADMINISTRATIVE AND ORGANIZATIONAL SUPPORT SERVICES

- a. The Board has the authority and responsibility for its administrative services and is accountable to the Minister for those services.

13.3 AGREEMENTS WITH THIRD PARTIES

- a. Upon request, and to the extent permitted by law, the LCBO shall provide the Minister with information about any agreement, memorandum of understanding or arrangement between the LCBO and a third party, as soon as practicable.

13.4 LEGAL SERVICES

- a. LCBO retains its own in-house legal counsel.
- b. LCBO may retain outside legal services.

13.5 CREATION, COLLECTION, MAINTENANCE AND DISPOSITION OF RECORDS

- a. The Chair, on behalf of the Board, is responsible for ensuring that a system is in place for the creation, collection, maintenance and disposal of records.
- b. The Board, through the Chair, is responsible for ensuring that the LCBO complies with all legislation, and Applicable Government Directives related to information and records

management.

- c. The CEO, the Chair and the Board shall protect the legal, fiscal and other interests of the LCBO by implementing reasonable measures to ensure the ongoing viability, integrity, preservation and security of all official records created, commissioned or acquired by the LCBO. This includes, but is not limited to, all electronic records, such as emails, information posted on the LCBO's website(s), database data sets, and all records stored on personal computers and shared drives.
- d. The Chair, on behalf of the Board, is responsible for ensuring measures are implemented requiring the LCBO's employees to create full, accurate and reliable records that document and support significant business transactions, decisions, events, policies and programs.

13.6 INTELLECTUAL PROPERTY

- a. The Chair, on behalf of the Board, is responsible for ensuring that the legal, financial and other interests of the Government related to intellectual property are protected in any contract that the LCBO may enter into with a third party that involves the creation of intellectual property.

13.7 FREEDOM OF INFORMATION AND PROTECTION OF PRIVACY

- a. The Chair and the Minister acknowledge that the LCBO is bound to follow the requirements set out in *Freedom of Information and Protection of Privacy Act*, R.S.O. 1990, c. F.31 (FIPPA) in relation to the collection, retention, security, use, distribution and disposal of records.
- b. The Chair is the institution head for the purposes of the FIPPA.

13.8 SERVICE STANDARDS

- a. The LCBO shall establish customer service and quality standards that are consistent with the appropriate standards of the Government, the Ministry and the Ontario Public Service.
- b. The LCBO shall have in place a formal process for responding to complaints about the quality of services received by customers of the LCBO consistent with the Government's service quality standards.
- c. The LCBO's Annual Business Plan will include performance measures and targets for customer service and the LCBO's response to complaints.
- d. The LCBO shall comply with the *Accessibility for Ontarians with Disabilities Act, 2005*, S.O. 2005, c. 11.

14. FINANCIAL ARRANGEMENTS

14.1 GENERAL

- a. All financial procedures for the LCBO shall be in accordance with Applicable Government Directives.
- b. When ordered to do so by the Minister of Finance and/or the President of the Treasury

Board, pursuant to Section 16.4 of the Financial Administration Act, R.S.O. 1990, c. F.12, the LCBO shall pay into the CRF any money that the Minister of Finance and/or the President of the Treasury Board determines is surplus to its requirements.

- c. Pursuant to Section 28 of the *Financial Administration Act*, R.S.O. 1990, c. F.12, the LCBO shall not enter into any financial arrangement or commitment, guarantee, indemnity or similar transaction that may increase, directly or indirectly, the indebtedness or contingent liabilities of the Government of Ontario without the written approval of the Minister of Finance and/or the President of the Treasury Board. The Minister's approval is required before seeking statutory approval from the Minister of Finance.
- d. The LCBO will report to the Minister items, including major capital expenditures, as defined in the Act that could have a significant effect on the LCBO's forecasted transfer to the CRF.

14.2 FUNDING

- a. The LCBO is responsible for managing its own financial affairs pursuant to the Act.

14.3 FINANCIAL REPORTS

- a. The Chair, on behalf of the Board, will provide to the Minister audited annual financial statements, and will include them as part of the LCBO's Annual Report. The statements will be provided in a format that is in accordance with the province's stated accounting policies issued by the Office of the Provincial Controller Division.
- b. The LCBO will submit its salary information to the Minister of Finance and/or the President of the Treasury Board, through the Ministry, in accordance with the *Public Sector Salary Disclosure Act, 1996*, S.O. 1996, c. 1, Sched. A
- c. The Chair shall provide, on instruction from the Minister of Finance, the LCBO's financial information for consolidation into the Public Accounts.

14.4 TAXATION STATUS: HARMONIZED SALES TAX (HST)

- a. The LCBO is responsible for complying with its obligations as a supplier under the federal *Excise Tax Act*, R.S.C., 1985, c. E-15, to collect and remit HST in respect of any taxable supplies made by it.
- b. The LCBO is responsible for paying HST where applicable, in accordance with the federal *Excise Tax Act*, R.S.C., 1985, c. E-15. The LCBO is expected to claim any refunds, input tax credits or other rebates under the federal Excise Tax Act for which it is eligible.

15. AUDIT AND REVIEW ARRANGEMENTS

15.1 AUDITS

- a. The LCBO is subject to periodic review and value-for-money audit by the Auditor General of Ontario under the *Auditor General Act*, R.S.O. 1990, c. A.35, or by the Ontario Internal Audit Division of Treasury Board Secretariat.
- b. The Ontario Internal Audit Division may also carry out an internal audit, if approved to do so

by the Ministry's Audit Committee or by the Corporate Audit Committee.

- c. Regardless of any previous or annual external audit, the Minister may direct that the LCBO be audited at any time.
- d. The LCBO will promptly provide a copy of every report from any value for money audits to the Minister and the Minister of Finance/President of Treasury Board. The LCBO will also provide a copy of its response to the audit report and any recommendations therein. The LCBO will advise the Minister annually on any outstanding audit recommendations.
- e. The Chair, on behalf of the Board, may request an external audit of the financial transactions or management controls of the LCBO, at the LCBO's expense.

15.2 OTHER REVIEWS

- a. The LCBO is subject to periodic review initiated at the discretion and direction of TB/MBC or the Minister. The review may cover such matters relating to the LCBO that are determined by TB/MBC or the Minister, and may include the mandate, powers, governance structure and/or operations of the LCBO.
- b. In requiring a periodic review, the Minister or TB/MBC shall determine the timing and responsibility for conducting the review, the roles of the Chair, the Board, and the Minister, and how any other parties are involved.
- c. A mandate review of the LCBO will be conducted at least once every seven years. The date of the next review will be 2021-22.
- d. The Minister will consult the Chair, on behalf of the Board, as appropriate during any such review.
- e. The Chair, CEO and Board will cooperate in any review.
- f. In the event of a review initiated at the direction of the Minister, the Minister shall submit any recommendations for change that are developed from the results of the review regarding the LCBO to TB/MBC for consideration.

16. STAFFING AND APPOINTMENTS

16.1 STAFFING REQUIREMENTS

- a. LCBO employees are public servants under PSOA and are employed under the Act.
- b. Job categories, salary ranges and conditions of employment of officers, inspectors and employees of the LCBO are to be approved by the Lieutenant Governor in Council pursuant to the Act.
- c. Job categories, salary ranges and conditions of employment of officers, inspectors and employees of the LCBO who are not members of a bargaining unit, as defined in the *Labour Relations Act, 1995*, S.O. 1995, c. 1, Sched. A, are to be approved by the Minister pursuant to the Act.

16.2 APPOINTMENTS

- a. The Chair is appointed by the Lieutenant Governor in Council pursuant to the Act for a term of up to (5) five years.
- b. A Vice-Chair may be appointed by the Lieutenant Governor in Council pursuant to the Act for a term of up to (5) five years.
- c. The members of the LCBO are appointed by the Lieutenant Governor in Council pursuant to section 2 of the Act for a term of up to 5 (five) years.
- d. The maximum number of board members is 11, as set out in the Act.

16.3 REMUNERATION

- a. Remuneration for board members is set by the Lieutenant Governor in Council.
- b. Travel expenses of board members must comply with the MBC Travel, Meal and Hospitality Expenses Directives. Reasonable expenses shall be reimbursed.
- c. Board members are remunerated according to Schedule A, Level 2 of the Agencies and Appointments Directive.

17. RISK MANAGEMENT, LIABILITY PROTECTION AND INSURANCE

17.1 RISK MANAGEMENT

- a. The Chair, on behalf of the Board, is responsible for ensuring that a risk management strategy is developed for the LCBO, in accordance with the OPS Risk Management process.
- b. The LCBO shall ensure that the risks it faces are deal with in an appropriate manner.

17.2 LIABILITY PROTECTION AND INSURANCE

- a. The LCBO shall obtain and maintain insurance in such amounts and against such risks as are customarily maintained by prudent entities engaged in the same or similar businesses operating in the same or similar locations.

18. EFFECTIVE DATE, DURATION AND PERIODIC REVIEW OF THE MOU

- a. This MOU shall be effective on the date on which it is signed by both parties.
- b. This MOU will remain in effect until amended or until such time as a new MOU comes into effect.
- c. The Minister or Chair may at any time initiate a full review of this MOU or a process to amend this MOU, by written notice to the other.
- d. An original copy of every current signed MOU shall be filed with the legal services branch of the Ministry and with the legal services branch of the LCBO.
- e. A copy of the letter of affirmation, or a new MOU between the Minister and the Chair must

be provided to the Secretary, TB/MBC within six months of the new party or parties commencement.

- f. Upon a change in the Minister or Chair, both parties must affirm by letter that this MOU will continue in force without a review (and attach a letter to the signed MOU); or alternatively, they may agree to revise it and sign a new MOU within six (6) months of the change.
- g. If either of the parties deems it expedient to amend this MOU, they may only do so in writing. Any amendment shall only be effective after approval by the parties.
- h. A full review and replacement of this MOU will be conducted immediately in the event of a significant change to the LCBO's mandate, powers or governance structure as a result of an amendment to the Act.
- i. At a minimum, this MOU will be reviewed at least once every 5 years to ensure it is current and consistent with Government expectations.

SIGNATURES

(Original Signed by Carmine Nigro, Chair, LCBO and Peter Bethlenfalvy, Minister of Finance)

Chair
Liquor Control Board of Ontario

Date

Minister
Ministry of Finance

Date

APPENDIX 1: SUMMARY OF LCBO'S REPORTING REQUIREMENTS

DUE DATE	REPORT / DOCUMENT	NAMES OF RESPONSIBLE OFFICIALS
Submitted annually, a draft no later than three (3) months before the start of the fiscal year to the CAO or executive lead for provincial agencies and a final no later than one (1) month before the start of the fiscal year to the Minister.	<u>Annual Business Plan</u> Prepares Approves Provides to Minister	CEO/Chair/Board
Submitted annually within 90 days of the Auditor General completing the financial audit.	<u>Annual Report</u> Prepares Approves Provides to Minister	CEO/Chair/Board
As requested	Auditing	CEO or alternate as required
Annually	Audited Financial Statements Financial Reports	CEO
Reviewed at least once every 5 years	Memorandum of Understanding	Chair
Annually, timeline to be specified	Compliance Attestation	Chair
As requested	Risk Assessment Evaluation and Reporting	Enterprise Risk Management at LCBO
Annual Forecast and regular reports detailing planned and actual expenses and details (e.g., purpose, travelers, location) for international travel	Special Status – Travel, Meal and Hospitality Expenses Directive (International Travel)	CEO
As requested	Procurement Directive – Interim Measures Reporting	CEO or alternate as required

As requested	<u>Trade Agreement Reporting</u> Canadian Free Trade Agreement Canada-European Union Comprehensive and Economic Trade Agreement	CEO or alternate as required
As requested	Realty Directive	CEO or alternate as required
As requested	Executive Compensation	CEO or alternate as required
As required by the LCBO or the Ministry	<i>Financial Administration Act</i> s.28 – Increase Indebtedness or Contingent Liabilities	CEO
As specified	In-year financial/operational performance/other reporting – quarterly/monthly/etc. Quarterly financial reporting should include: revenue, expenses, net income, full-time equivalents	CEO

APPENDIX 2: APPLICABLE GOVERNMENT OF ONTARIO DIRECTIVES

1. The following TB/MBC and Government directives, guidelines and policies apply to the LCBO:
 - Agencies and Appointments Directive
 - Accountability Directive
 - Advertising Content Directive
 - Cash Management Directive
 - Communications in French Guidelines
 - Data Integrity Policy
 - Delegation of Authority Directive
 - Digital and Data Directive
 - Disclosure of Wrongdoing Directive
 - Financial Record Retention Policy
 - Governance and Management of Information Technology Directive
 - Governance and Management of Information and Data Directive
 - Internal Audit Directive
 - Internal Controls Management Directive
 - Ontario Public Services Procurement Directive (Sections 3 & 8)
 - Open Data Directive
 - Perquisites Directive
 - Realty Directive
 - Relocation Expenses Directive
 - Standards and Guidelines for Conservation of Provincial Heritage Properties
 - Travel, Meal and Hospitality Expenses Directive
 - Visual Identity Directive
2. The LCBO is responsible for complying with all directives, policies and guidelines to which it is subject, irrespective of whether it is included in the list above.
3. The Ministry will inform the LCBO of amendments or additions to directives, policies and guidelines that apply to the LCBO.