



2021–2024 Business Plan

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Executive Summary

Three years into cannabis legalization, the Ontario Cannabis Store (“OCS”) has made incredible strides. Ontario now has more than 350 authorized retail stores across every corner of the province the broadest product catalogue in Canada and prices that rival those in the illegal market.

Having adapted seamlessly in a global pandemic, the OCS is now in the position to expand considerably. The goals for the years ahead are ambitious and reflect the immense opportunities the cannabis industry presents and the OCS’s vision to grow Canada’s largest and most vibrant cannabis marketplace.

As a government agency, one of the OCS’s goals is to deliver on its financial commitments to the government. The OCS has turned a profit within just two years of inception and is expected to contribute \$170 million in 2021–2022, \$198 million in 2022–2023 and \$209 million in 2023–2024 to support government programs and priorities.

The OCS’s second goal is to establish itself as not only the country’s biggest recreational cannabis wholesaler but also a key facilitator in the industry that helps licensed producers and authorized retailers thrive. The OCS will accomplish this by rapidly growing the store network across Ontario, implementing a robust distribution infrastructure, expanding its data and insight capabilities, enhancing the product categories cementing its relationships with wholesale partners and improving the reliability of the supply chain.

The new distribution centre in Guelph will be fully automated by spring 2021, and plans are well under way to support over 1,000 retail stores by fall 2021. With retail points across Ontario, the OCS aims to increase legal market capture to 60% by 2022.

The OCS will grow rapidly, but in a responsible way, with a strong focus on consumer education and social responsibility at every step. Decisions will be driven by sustainability, diversity and inclusion, and the pursuit to advance cannabis knowledge.

Finally, the OCS is only as strong as its people, and its third goal is to become one of the best agencies to work for in Ontario. The OCS aims to achieve a 75% employee satisfaction and a 100% employee participation in the annual goal setting by 2022.

There is lots to do, but the OCS has proven itself to be highly adaptable and resilient. It will continue to navigate the various environmental factors at play and respond accordingly. Despite the uncertainties posed by a nascent industry and the current economy, the OCS is well positioned to achieve the goals set out in this Business Plan.

It will be an exciting journey ahead as the OCS continues to transform into an influential leader in the global cannabis industry.

Mandate

The OCS was established as a government agency through the Ontario Cannabis Retail Corporation Act, 2017 (the “Act”). As articulated in the Act, the mandate of the OCS is to buy, possess and sell cannabis and related products, and promote social responsibility in connection with cannabis.

The OCS is committed to fulfilling the provincial government’s objectives in relation to recreational cannabis. These objectives include growing the number of cannabis retail access points responsibly, in conjunction with the Alcohol and Gaming Commission of Ontario (“AGCO”); combatting the illegal cannabis marketplace; and advancing social responsibility to keep children, youth and communities safe, while building trust with Ontarians.

The OCS supports these objectives by:

- Providing adult Ontarians age 19 and over with convenient, private and secure access to recreational cannabis and related products through an e-commerce platform, OCS.ca;
- Safely sourcing and distributing highly regulated cannabis products and accessories to AGCO-authorized retail stores;
- Providing consumers with evidence-informed education and information on responsible cannabis consumption; and
- Working with the industry to advance social responsibility efforts that demonstrate the province is taking a responsible approach to roll out cannabis retail.

To fulfill the objectives above and achieve the annual goals set out in the mandate letter by the Minister of Finance, the OCS has developed a comprehensive three-year Business Plan (“the Plan”).

Vision, Mission and Values

The OCS's vision, mission and values set out a high-level framework to help guide the agency's decision making as it relates to growing Ontario's network of retail stores, growing its partnerships with licensed producers and authorized retailers, and serving its customers. The organization's vision, mission and values also set out how the organization conducts itself, and they put a focus on the work OCS employees undertake every day. The OCS is committed to delivering on its vision, mission and values as we move the organization forward in the years to come.

Vision

To grow Canada's largest and most vibrant cannabis marketplace.

Mission

Continually creating great customer experiences through quality, selection and service.

Values

At the OCS, our values reflect who we are, what we do and what we strive for as an organization.

Integrity

We stand by our word, upholding the highest standards in our thoughts and deeds.

Responsibility

We support socially responsible consumption and focus on fiscal responsibility with taxpayers' money.

Customer Centricity

We foster relationships that make a positive difference in our customers' lives.

Adaptability

We exhibit a resiliency and the will to win through legal, safe and fair practices.

Collaboration

We communicate openly and challenge ideas constructively while ensuring everyone feels heard and valued.

Inclusion

We are better together through the inclusion of diverse people and perspectives that reflect the province we serve.

Environmental Scan

This section outlines the key external and internal factors that influence the agency's decision making and the activities referred to in this Business Plan.

External

Federal Legislative, Regulatory and Policy Environment

The Government of Canada legalized recreational cannabis in October 2018 through the enactment of the Cannabis Act. The Cannabis Act sets out the parameters regarding the production, distribution, sale, import, export and possession of recreational cannabis in Canada. Since the legalization of recreational cannabis over two years ago, Health Canada has sought to work collaboratively with provinces and territories on matters of importance to the industry, such as product availability, quality, and rollout.

In the next year, Health Canada will initiate a comprehensive legislative review of the *Cannabis Act* and its regulations. The OCS views this legislative review as an opportunity to collaborate with its federal, provincial and territorial counterparts, and its commercial partners, to identify opportunities to strengthen the regulatory framework to achieve the federal and provincial policy objectives of combatting the illegal market and promoting public health and safety.

Provincial Legislative, Regulatory and Policy Environment

Increased Licensing of Cannabis Stores

At the time of the writing of this Business Plan, there are more than 350 stores open and the AGCO is issuing 20 retail store authorizations per week. The OCS will continue to work closely with the AGCO to support the open allocation of retail store authorizations and ensure the safe, secure and efficient distribution of cannabis products to authorized retailers.

Farmgate Retail Outlets

In December 2019, the Government of Ontario passed regulatory amendments to allow licensed producers to open a retail store at a production facility, often referred to as a farmgate store. Like other authorized retailers in Ontario, farmgate stores are required to receive all applicable AGCO-issued licences before they can be authorized to operate a legal farmgate store in Ontario. The OCS continues to engage with licensed producers interested in this retail opportunity and is ready to support farmgate stores in the same manner as other retailers are supported.

An Evolving Industry

Public Attitudes Toward Cannabis

Since the legalization of cannabis, there has been a growing acceptance for legal cannabis among Canadians. Data from Health Canada indicates that attitudes toward cannabis consumption among Canadians are changing. Health Canada’s 2019 Canadian Cannabis Survey indicates that 42% to 44% of Canadians believe regular use of cannabis is socially acceptable – an increase from 2017, when only 28% of respondents believed cannabis consumption was socially acceptable.

Further, data suggests cannabis is becoming more widely accepted globally. At the time of the writing of this report, there are 70 jurisdictions internationally that have legalized cannabis in some form. In the United States, despite having a fragmented state-by-state legislative approach to cannabis reform, there is wide support for national decriminalization. The long-term growth of the international legal cannabis market is poised to have significant impacts on the industry in Canada and Ontario, as a global supply chain is expected to eventually emerge.

In time as international markets legalize, Canada and Ontario may be competing for supply with these markets. Although the impacts remain unknown at this time, it is a possibility that licensed producers may divert their resources outside Canada to service international markets, impacting domestic cannabis supply in outyears. This poses interesting opportunities to the OCS, in both the medium and the long term, as the OCS continues to refine its product assortment to best convert consumers to the legal marketplace. The OCS will continue to evaluate this emerging trend and consult with provincial and federal governments, where appropriate.

Stabilizing Supply

With over two years having passed since legalization, the ability for the OCS to access adequate supply to meet its assortment needs has dramatically shifted. Historic challenges with the depth and breadth of supply have largely dissipated across all cannabis product categories. A growth in the product capabilities of existing licensed producers, as well as continuous licensing of new producers by Health Canada, has meant that the OCS is now in a position to secure the necessary supply needed to work with the AGCO to grow Ontario’s retail footprint beyond the anticipated 1,000 retail stores. However, more traditional category management efforts will be required by the OCS to work with licensed producers and retail stores to source the specific products consumers are demanding. As international markets continue to open up, the OCS will continue to work closely with its licensed producer partners across Canada to ensure Ontario’s growing marketplace is prioritized and a consistent and reliable supply of products remains.

Educating Consumers

The OCS will continue to play a role in providing evidence-informed education to consumers to support informed and responsible decisions about cannabis use. This includes providing

Ontarians with product information on OCS.ca so that it is an education-first platform. As acceptance of cannabis, knowledge and research continue to advance, the OCS will also continue to promote social responsibility by enhancing existing educational resources, particularly regarding responsible consumption on OCS Learn (OCS.ca). With a growing network of retail stores partners, the OCS will ensure it is collaborating with retailers to provide evidence-informed education to consumers in all parts of the province.

Fiscal Environment and Economic Outlook

The OCS is projecting positive fiscal trends in its economic outlook, given the expansion of the authorized retail store network. Throughout 2021 and in the coming years, the OCS expects access points to authorized cannabis retailers to increase, which should in turn decrease the prevalence of the illegal market in Ontario that will result in increased OCS revenues, which can be delivered to the province in support of critical public services.

Further, the financial impacts of the COVID-19 pandemic on the cannabis industry are not yet fully realized at the time of the writing of this Business Plan. The OCS will continue to work with the government to support authorized cannabis retailers and the industry in navigating the remainder of the pandemic.

Internal

An Evolving Agency

The OCS continues to refine its internal processes and procedures as it continues to transition from a start-up organization to a mature government commercial agency. The OCS must continue to enhance its enterprise risk management strategies, build out internal governance processes and procedures, and transition from manual to more automated systems. The OCS will also move toward incorporating social responsibility into many aspects of its operational business. This will be critical to ensure stable operations to support an expanded retail network in the future.

Refining the OCS's Approach to Product Listing

The OCS product catalogue has grown considerably to respond to the changing cannabis marketplace. Since legalization, the OCS has focused on bringing new and innovative products to market and ensuring consumers have a wide selection of quality products. As more time passes, there is more data available from consumers that will be used to better inform the OCS's product catalogue. Over the next year, the OCS will review its product offerings to continue to provide Ontarians with a variety of options while also streamlining its catalogue to better align to market demand.

OCS Distribution Centre Supporting the Increase in the Retailer Network

As the exclusive distributor of cannabis products in Ontario, the OCS entered into a tri-party lease with its third-party distribution partner for a new distribution centre in Guelph. As a result, the OCS is implementing a renewed supply chain approach that will continue to drive efficiencies for the industry. As the authorized retail store network continues to expand in

2021, the new distribution centre will enable the OCS to support the on-boarding of more stores. In addition, it will create greater capacity to serve an expanded, mature retail cannabis market effectively and consistently in the long term.

Strategic Direction

To deliver on its legislative, government and operational mandate over the next year, the OCS will be guided by the strategic direction outlined below. The OCS will:

- Continue to work with the government, the AGCO and authorized cannabis retailers to support access to legal cannabis throughout the pandemic, aligned with the provincial COVID-19 responses and restrictions, and applicable safety protocols recommended by public health officials;
- Work with the AGCO to expand access to cannabis retail stores in communities across Ontario;
- Enable Ontario's private retail store network to drive sustainable economic growth across the province. This will be achieved through a strategic engagement approach by the OCS's Store Partnerships team to support retailers based on their size, location and retail experience;
- Work with federally licensed producers in Ontario and across Canada to bring new product innovations to market;
- Continue to collaborate with licensed producers to roll out a vendor management program in 2021–2022, focused on ensuring new product innovations continue to be brought to market and are in line with consumer insights derived from the OCS's data program;
- Position the OCS, as the Ontario industry leader in market data and consumer insights, inform future government policy decisions in order to capture market share from the illegal market;
- Work to inform Ontario's submission to the federal government's review of the Cannabis Act;
- Work with government to continue to build partnerships with First Nations communities interested in enabling on-reserve retailing;
- Work with the industry to advance social responsibility efforts that demonstrate the province is taking a responsible approach to rolling out cannabis retail – in early 2021, the OCS released its first Social Responsibility Strategy, which focuses on

developing the foundational infrastructure at the OCS to successfully deliver on social responsibility activities over the next three years;

- Manage the operational, strategic and financial risks encountered by the OCS, to help ensure the OCS and government meet financial and social objectives;
- Continue to roll out its commercial strategy, focusing on strategic activities that will help build consumer awareness, refine product pricing and product assortment, and develop strategic partnerships;
- Build upon existing Human Resource practices to support the long-term success of OCS employees, including launching the OCS’s employee engagement survey, building up its diversity and inclusion strategy, and implementing its succession plan; and
- Enhance internal financial planning to reduce any financial risks to the organization. As part of the growth and maturation of the agency, the OCS will be implementing a number of automated functions to ensure the continued rigour of its financial management.

Overview of Programs and Activities

The OCS will focus on the following priority activities to effectively deliver on its government mandate:

1. Retail Store Expansion
2. Robust Distribution Infrastructure
3. Expanded Data and Insights
4. Enhanced Product Category Management
5. Reliable and Consistent Supply
6. Retail Store Partnerships
7. Education and Social Responsibility
8. Technology Enhancements

1. Retail Store Expansion

As the exclusive wholesale distributor of recreational cannabis in Ontario, the OCS will be focusing most of its efforts over the next year on continuing to build out the authorized retail network, with the goal of having more than 1,000 authorized stores open by September 2021.

To achieve this, the OCS will focus on working collaboratively with the AGCO to ensure more authorized retailers are able to open across the province, where permitted, to provide

a greater number of retail access points for consumers across Ontario. OCS will also be speaking to municipal councils who have opted out of cannabis retail to discuss legal cannabis and benefits of allowing cannabis retail in their communities.

2. Robust Distribution Infrastructure

Over the next three years, the OCS will work with its third-party logistics provider to ensure Ontario's distribution network is efficient and meets the needs of authorized retailers and OCS.ca customers. Core activities include optimized order management, express e-commerce delivery to more communities and enhanced inventory management on in-demand products. These operational enhancements will help synchronize end-to-end operations and planning, delivering great quality, selection and service to customers.

3. Expanded Data and Insights

Data and insights remain a critical need for the OCS and the entire legal cannabis marketplace as it moves quickly to respond to consumer feedback and effectively compete with a historical and entrenched illegal market. The OCS data and consumer insight programs have evolved since legalization to ensure the OCS is effectively sharing critical information with licensed producers and retailers that helps them evolve and strengthen their focus on consumers. In the year ahead, the OCS intends to continue to take a step forward with these programs.

More broadly, the OCS began releasing annual and quarterly public Data Review publications in 2020. The OCS remains committed to continuing these efforts in the year ahead, as it aims to transparently report to the industry and general public on the advances within the cannabis industry and the OCS working toward achieving its provincial mandate. Key information on products, sales, retail access and consumer metrics are at the centre of this publication, as the OCS aims to inspire further innovations and improvements across the marketplace.

4. Enhanced Product Category Management

With the increase in federally licensed producers and overall product supply levels in 2020, the OCS is now in a position to embrace and implement stronger category management practices, akin to other retail sectors. Moving forward, the OCS will take a stronger role in working with retail stores and licensed producers to ensure products entering the Ontario market are driven by consumer demand. Leveraging data and consumer feedback, the OCS will also increase its efforts to remove products from its catalogue that are not resonating with consumers.

Together, improved product on- and off-boarding processes will ensure the Ontario legal cannabis marketplace prioritizes continuous improvement and an unwavering focus on consumers. These efforts are also expected to ensure a strong assortment of legal cannabis products that make a compelling case for consumers to transition away from the illegal market and drive profitability across Ontario's retail network.

5. Reliable and Consistent Supply

At legalization, there was an inconsistent alignment between consumer demand and supply. Over the past two years, the OCS and licensed producers have worked closely to ensure better alignment on supply. This includes strategic vendor management and joint business planning with licensed producers to ensure authorized retailers have the right products to meet consumer demand while also continuing to ensure product safety, quality and compliance.

6. Retail Store Partnerships

The OCS works closely with the province’s regulator, the AGCO, to on-board authorized retailers. The legal cannabis retail network continues to be a core focus for the OCS to expand access to legal cannabis across the province to support economic growth. This will be enhanced over the coming years, as the OCS works with retailers to support responsible retail expansion. The OCS will also continue to work with interested First Nations communities to enable on-reserve retailing, where desired.

The OCS Store Partnership team will work with authorized retailers to build their businesses to support their long-term success. This includes helping authorized retailers with personalized services to support product selection based on their store size, geographic region and retail experience. Leveraging enhanced provincial retail data, including POS data, the OCS Store Partnerships team will provide responsive sales insights to help retailers grow their businesses.

7. Education and Social Responsibility

As part of the OCS’s purpose-driven mandate to promote social responsibility in connection with cannabis, the OCS is determined to show Ontarians the positive impact legalization can have on society. The OCS launched its social responsibility framework in early 2021. This is a mandated responsibility the OCS takes seriously. The OCS’s purpose-driven values will guide in delivering on this strategy over the next three years to align with this Business Plan. Keeping the best interest of Ontarians in mind, the OCS has three focus areas for 2021–2024:

1. Establishing a foundation for sustainability: The cannabis industry has significantly contributed to plastic manufacturing, consumption and waste. These are unintended consequences of legalization and of serious concern among the people of Ontario and the industry. As a socially responsible driven company, the OCS will begin measuring and educating consumers on how to reduce waste at the OCS and in the marketplace, with a goal of establishing a foundation for a future sustainable industry.
2. Creating a vibrant and inclusive industry: The cannabis industry was born out of grassroots movements where cultivation and consumption practices were often driven by social and environmental intent. This history also included the harmful treatment of marginalized communities. The OCS will work internally and with the industry to strengthen diversity and inclusion.

3. Advancing cannabis knowledge: Education is a core responsibility that plays a prominent role in the OCS’s daily business. The OCS has a duty to strengthen and disseminate evidence-informed cannabis education among Ontarians – particularly in terms of responsible consumption.

8. Technology Enhancements

The activities listed above will require a substantial focus on technology. In 2021–2022, the OCS will be prioritizing technology enhancements that are critical to increasing business efficiency, further supporting its retailer partners and driving sales. More information on the technological priorities can be found on page 15.

Implementation Plan

1. Aligning to Objectives and Goals

To ensure the OCS remains focused on delivering projects that help advance the government’s mandate and the OCS’s vision, mission and values, the OCS has identified the following objectives and goals. These goals and objectives were developed based on assumptions about the state of the industry and the agency at the time of the preparation of this report. Due to the consistent evolution of the industry, the 2022–2023 and 2023–2024 goals and objectives are subject to change annually, and amendments will be identified through future business plans.

2021 Ontario Government Mandate							
OCS Vision, Mission and Values							
3-Year Priorities: Programs and Activities							
Retail Store Expansion	Robust Distribution Infrastructure	Expanded Data and Insights	Enhanced Category Management	Reliable and Consistent Supply	Retail Store Partnerships	Education and Social Responsibility	Technology Enhancements
3-Year Objectives and Goals							
2021–2022		2022–2023 (DRAFT)			2023–2024 (DRAFT)		
<ul style="list-style-type: none"> Deliver on financial commitments Revenue: \$1.36B SG&A: 8.4% Net income: \$170M 		<ul style="list-style-type: none"> Deliver on financial commitments Revenue: \$1.49B SG&A: 7.7% Net income: \$198M 			<ul style="list-style-type: none"> Deliver on financial commitments Revenue: \$1.56B SG&A: 7.5% Net income: \$209M 		
<ul style="list-style-type: none"> Rapidly accelerate the growth of our store network 1,000 stores ordering by Sept. 1, 2021 Be the best government agency to work for in Ontario 		<ul style="list-style-type: none"> Improve omni-channel customer experience Drive consumer acceptance of legal cannabis Strengthen consumer education 			<ul style="list-style-type: none"> Transition to a global supply chain while supporting economic development Implement a global sourcing strategy and refine our domestic sourcing strategy 		

2. Performance Measures and Targets

To ensure the OCS measures and tracks its performance against its objectives and goals, it has developed Key Performance Indicators (“KPIs”). All goals and objectives are aligned to the applicable programs and activities outlined in this Business Plan.

2021–2022 Performance Measurement				
Objective	Goals	Key Performance Indicators	Description	How We Get There (Applicable Programs and Activities)
Deliver on our financial commitments	Revenue: \$1.36B	107% sales growth over prior year (revenue)	Measures revenue performance against the previous fiscal year	Retail Store Expansion
	Net profit: \$170M	Decrease SG&A as a % of revenue from 11.6% to 8.4% (i.e., -3.2%) over prior year results	Measures OCS ability to control costs while growing revenue and net profit	Automating Core Financial Functions
	SG&A: 8.4%	Complete nine inventory turns annually	Measures how often inventory is depleted and restocked, supporting product quality assurance	Enhanced Category Management Robust Distribution Infrastructure
		0.25% of net profit committed annually to social responsibility activities	Ensures funding is dedicated to supporting the advancement of social responsibility activities	Education and Social Responsibility
Rapidly accelerate the growth of our store network	1,000 stores ordering by Sept. 1, 2021	1,000 stores ordering by Sept. 1, 2021	Quantifiable target to meet the government’s mandate to expand access to cannabis retail stores in communities	Retail Store Expansion Retail Store Partnerships
		Increase illegal market capture to 60% by the end of fiscal 2021–2022	Achieve its legislated mandate to further capture illegal market sales, year over year	Retail Store Expansion Reliable and Consistent Supply Expanded Data and Insights
Be the best government agency to work for in Ontario	Have an engaged, productive workforce	Achieve 75% employee satisfaction rate annually	Measures employee satisfaction as outlined in the annual employee engagement survey	Human Resource Priorities: Employee Engagement Survey

		Achieve 100% employee participation in annual goal setting	Measures participation of employees setting performance goals	Human Resource Priorities: Performance Management Program and Implementation
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The OCS is integrating performance measurement into its overall strategic business planning approach. Developing key metrics and performance indicators will enable the OCS to improve its operating effectiveness to achieve its mandate by targeting, monitoring and evaluating results on a consistent basis. The OCS measures and reports on its progress against its KPI targets on a regular basis to its senior leadership team and board of directors, and the government.

Resources Needed to Meet Goals and Objectives

For the OCS to be able to meet its goals and objectives over the coming years, the agency requires staffing, information technology infrastructure and financial resources to deliver on its strategic plan.

Human Resource Priorities

The OCS recognizes that recruiting and retaining a diverse, energized, engaged and inclusive workforce is key to the organization’s success. Over the coming year, the OCS will focus on the following elements to support the agency in delivering on its goals and objectives:

- Talent Acquisition;
- Performance Management Program and Implementation;
- Retention Strategy and Employee Recognition;
- Succession Planning;
- Compensation Strategy and Total Rewards;
- Diversity and Inclusion;
- Return-to-Work and Post-COVID-19 Workplace Planning;
- Launch Employee Engagement Survey; and
- Labour Relations.

Compensation

It is critical that the OCS attract, retain and develop executive talent to meet government objectives around the sale of cannabis and remain nimble to adapt as the recreational cannabis industry evolves. The organization's compensation philosophy has five key objectives:

- Ensure compensation levels that are responsible and in compliance with appropriate provincial requirements;
- Provide employee benefits that are benchmarked against other public sector bodies;
- Oversee compensation management program that focuses on employees achieving and exceeding the OCS's business objectives and goals;
- Attract and retain of qualified employees to maintain its leadership in a highly competitive talent marketplace; and
- Be equitable and adhere to public sector compensation directives.

The OCS has adopted a responsible approach to overall compensation and adheres to the government's directives and policies. Base and performance-related pay are the only forms of compensation, outside of regular employee benefits, that will be offered to OCS staff, management and executives.

Technology Infrastructure

To bolster the expansion of authorized retail stores across the province, the OCS is working toward several technology solutions to best support its business partners in the years ahead.

To ensure the successful delivery of OCS objectives and goals, the Information Technology team will be delivering on the following functions.

Automating Core Financial Functions

As the OCS continues to evolve as an agency, its internal systems and processes must evolve as well. To support the agency in delivering on its financial commitments, implementing financial governance controls is critical. The Information Technology team will be implementing a number of financial planning programs and automating core financial functions to support the integrity of the OCS's financial systems.

Enhancing Distribution Capabilities

To ensure the OCS's third-party logistics partner has an efficient distribution network to support the rapid growth of its retailer network, a number of automated processes will be implemented. The Information Technology team will work with the third-party logistics provider to support the automation of processes at the distribution centre to ensure authorized retailers and consumers get their products faster.

Supporting Authorized Retail Partners

To support the growth in the retail store network, the OCS will continue to roll out its online business-to-business portal throughout 2021. The launch of this portal centralizes key information for authorized retailer and licensed producer partners. The portal also includes improvements to wholesale ordering, allowing for greater efficiencies.

Further, through its continued partnership with AGCO, the OCS will work with retailers to streamline the data-sharing process and share more robust point-of-sale data. This enhanced program will provide more timely aggregated sales and inventory data, including insights across all categories of merchandise. This data will be integral to retailers in building their businesses for long-term success.

Financial Budget and Staffing

Financial Budget

Based on recent financial planning completed by the OCS, a three-year budget projection has been established.

(in \$ Millions)	FY 2021–2022	FY 2022–2023	FY 2023–2024
REVENUE	\$1.36B	\$1.49B	\$1.56B
COST OF SALES	\$1.07B	\$1.18B	\$1.23B
GROSS MARGIN	\$286M	\$314M	\$328M
EXPENSES (SG&A)	\$113M	\$114M	\$117M
Finance Costs (Income) & (Other Income)	\$2M	\$2M	\$2M
NET INCOME	\$170M	\$198M	\$209M
Monies Dedicated to Social Responsibility Activities (Estimated)	\$0.2M	\$0.8M	\$1.8M

The OCS is projected to see a year-over-year revenue increase as a result of the anticipated growth in authorized retail storefronts and greater capture of the illegal cannabis market.

Staffing Numbers

	Current Year	Project Year-End 2021–2022
Permanent Full-Time	214	253
Permanent Part-Time	0	0
Fixed-Term Contract	26	31
Seconded*	-2	0
Contractors	14	17
Total	254	301

* OCS employees currently on temporary contract with another organization.

Realty

The OCS does not own any realty assets; however, it does hold a lease for its head office in North York. Additionally, the OCS entered into a tri-party agreement with its third-party distribution partner for its distribution centre in Guelph. The tri-party agreement was concluded following extensive consultations with industry and the government to confirm the need for OCS to operate a larger distribution centre to support the growth of Ontario’s cannabis retail market, as outlined on page 11.

Initiatives Involving Third Parties

Authorized Retailers

Over the next year, the OCS will work rapidly to grow the authorized retailer network across Ontario. In order to successfully achieve this objective, the OCS must work closely with the AGCO as it increases the licensing pace, with licensed producers to ensure adequate supply and with retailers to ensure they are able to build sustainable businesses. This strategy will involve more personalized support for retailers based on size, location and retail experience.

Licensed Producers

Informed by its commercial strategy, the OCS intends to continue to engage licensed producers through early 2021 to enhance existing processes and procedures. This includes enhancing the licensed producer–OCS relationship through an improved vendor management program, increasing adoption of category management best practices, supporting the on-boarding of licensed producer farmgate retail stores and maintaining a

product assortment strategy and pricing that support the OCS mandate of combatting the illegal cannabis market.

AGCO

To successfully support the responsible expansion of cannabis retail, the OCS works closely with the AGCO and the Government of Ontario to increase the number of cannabis Retail Store Authorizations (“RSAs”) issued each month. The OCS and the AGCO are committed to accelerating the growth of cannabis retailers in 2021 and beyond.

First Nations

The OCS supports First Nations participation in a regulated framework for cannabis retail on-reserve and further aims to ensure its business processes enable collaborative approaches with First Nations partners.

Partner Jurisdictions

As the cannabis industry continues to evolve, the OCS has been closely connected with its provincial and territorial cannabis retailer and wholesaler counterparts. This collective national perspective on the cannabis industry has been a critical forum for the industry to learn in a quickly evolving industry. In the near future, the OCS and its jurisdictional counterparts will work collaboratively to identify proposed changes to the Cannabis Act and regulations as part of the federal legislative review.

Health Canada

The federal government administers the Cannabis Act and Regulations, and authorizes and licenses indoor and outdoor cultivation, processing and sales. The OCS will continue to work with its federal partners regarding several matters. In 2021, the OCS will participate in the review of the federal Cannabis Act and address the specific focus areas of the review, including:

- The impact of the *Cannabis Act* on public health;
- Health and consumption habits of young persons with respect to cannabis use;
- The impact of cannabis on Indigenous peoples and communities; and
- The impact of the cultivation of cannabis plants in a dwelling-house.

Risk Identification, Assessment and Mitigation Strategies

The OCS works to proactively identify risks and uncertainties facing the agency. If left unaddressed, key risks could adversely affect the achievement of the OCS's strategic goals. The agency leverages sound risk-management methodologies through the continued use and enhancement of an enterprise risk management (ERM) framework. The ERM is a continuous, proactive and systematic process to understand, mitigate and communicate risk from an organization-wide perspective. It also assists management in making strategic decisions that contribute to the achievement of the OCS's corporate objectives.

The OCS has identified and ranked enterprise-wide risks that could negatively impact the OCS's performance in achieving its 2021 mandate. The OCS regularly tracks identified risks and the success of its mitigation strategies to ensure it can continue to deliver on its mandate. The OCS's risks and mitigation strategies are reported to the government on a quarterly basis. Set out below are the key risk categories and associated mitigation strategies.

Agency and Financial Accountability

As an agency of the Government of Ontario, the OCS must deliver on its agency accountability requirements to ensure government and public confidence in its operations.

Additionally, the OCS is required to deliver on its financial commitments to the government. As a result, foundational accounting and financial practices have been implemented to reduce any material financial risks to the agency.

Store Rollout and Commercial Interests

With its focus on supporting the growing authorized retailer network over the coming year, the OCS must ensure the growth of the industry is sustainable. The OCS works closely with licensed producer partners to ensure there is an adequate supply of cannabis available for an expanded retailer network. The OCS has also reorganized its internal teams to focus on supporting store development and ensuring all retailers are provided with the support they require to be successful over the long term. The new distribution centre also supports the OCS in enhancing its capacity to service retailers effectively.

To ensure continued capture of the illegal cannabis market, the OCS will continue to use market data to drive informed decision making on product investments from licensed producers, which will help ensure supply meets demand. Further, data collected by the OCS will be provided to authorized retailers and licensed producers to inform their business decisions which will better support customers and the industry at large.

Impacts of COVID-19

COVID-19 is a significant risk that is difficult to quantify at this time, due to a number of outstanding variables. Some of the identified risks to the OCS include challenges in aligning supply to meet the demand of existing and new retail stores; the potential for construction delays that can slow the speed of the expansion of the retail store network; and authorized retailers' ability to open for business, due to COVID-19 closures. All identified risks could have significant economic impacts.

The OCS has developed a series of mitigation strategies to address the above risks. These strategies include vendor management meetings with licensed producers to ensure consistent communication; regular updates on sales projections to ensure supply meets demand; and ongoing communication with government and the AGCO to assess any COVID-19-related operating impacts to retailers.

Communications Plan

The OCS is committed to timely and transparent internal and external communications with key stakeholders, including the public, customers, social responsibility groups, the media, licensed producers, authorized cannabis retailers, and the government and its employees. The OCS will enhance public awareness and perception of the OCS as Ontario's exclusive online retailer and wholesaler of recreational cannabis, while also promoting socially responsible content.

The OCS will support organizational priorities and position itself as a socially responsible retailer and wholesaler of recreational cannabis that educates consumers, protects youth, provides exceptional service and works to divert users from the illegal market. The communications strategy will be facilitated through various channels, including:

- Digital and Online Communications;
- Customer Service Line and Private Retailer Account Service Line;
- Business-to-Business Portal;
- Corporate Publications (e.g. Data Insights reports);
- Media Relations;
- Issues Management; and
- Social Media (e.g. Twitter, LinkedIn.).

The OCS will continue to work closely with the Government of Ontario to support its overall objectives and goals, and continually share updates on matters that impact the OCS.

A digital communications strategy has also been developed with the goal to build and strengthen relationships with stakeholders and internally among employees. The plan includes the use of educational videos and visual content that may be shared through [OCS.ca](https://www.ocs.ca), Doing Business (doingbusinesswithocs.ca) and OCS Wholesale (ocswholesale.ca), email and appropriate social media platforms (in compliance with federal law).

Communication Plan and Products

OCS Staff

An important element of the Business Plan is the objectives, goals and activities identified for the organization to accomplish over the next three years. To ensure successful achievement of these strategic initiatives, the OCS is planning a number of engagement activities with staff to ensure staff effort is aligned with the strategic objectives of the organization. This will include regular KPI progress reporting to senior leadership and integration with individual and team performance planning.

Public Posting

In addition to internal communication, the OCS is required to provide and committed to providing public information on its progress toward achieving its strategic objectives. The OCS will continue to communicate the achievement of its mandate through the public posting of its Annual Report and Business Plans, the quarterly publications of its Data Insights reports and the annual Social Responsibility scorecard.

All reports will be made available on [OCS.ca](https://www.ocs.ca).

OCS Wholesale and Store Partnerships

Since legal cannabis retail operations began in Ontario, the OCS has been building its relationships with AGCO-authorized retailers. The OCS developed a plan to on-board retailers and provide the information they need to do business with the OCS. As part of its on-boarding plan, the OCS launched OCS Wholesale (ocswholesale.ca), a website to house on-boarding and other information as a resource for current and future retailers. All on-boarding materials are aimed at ensuring retailers can easily access the information needed to do business with the OCS.

Media Relations

The OCS has cultivated strong relationships with the media to strengthen the brand of the OCS. The OCS often receives media inquiries requesting information on various operations, decisions and policies. The agency strives to respond in a timely and transparent way that is inclusive of all relevant partners. Media inquiries are handled through the Communications and Corporate Affairs teams in coordination with relevant business leads.

Social Media

The OCS aims to expand its presence on social media in sharing reliable information and resources, encouraging visits to OCS.ca, guiding consumers to the appropriate service channels and sharing OCS operational updates. The OCS uses its English and French Twitter accounts (@ONCannabisStore and @ONCannabisFR) to reply in a timely manner with helpful information and uses its social channels to gather feedback through social media monitoring.