



ONTARIO
CANNABIS
STORE

OCRC 2022-2025

Business Plan



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Executive Summary

In developing this 2022–25 Business Plan, the OCS reflected on its evolution to date and carefully considered its future role in helping to build Canada’s most vibrant cannabis industry. Over the past several months, the agency has set out to transition from its initial role in opening the legal marketplace to a new strategic direction that will further strengthen the agency’s delivery against its provincially legislated mandate. Outlined in this document is the OCS’s strategic direction for the next three years.

The OCS is proud of the part it has played in supporting Ontario’s emerging legal cannabis industry. Over the past few years, the OCS has focused on establishing the foundational infrastructure and capabilities to fulfill its mandate as the exclusive wholesaler and distributor of legal cannabis to Authorized Retailers in Ontario. In 2021, the OCS onboarded over 1,000 Retailers, with more than 1,350 now operating across the province. The OCS also worked with Licensed Producers to expand its product catalogue to more than 2,000 product SKUs through OCS.ca and its wholesale channel. Cannabis consumers now have more choice and better access to safe, legal cannabis than ever before. We are pleased to report that these efforts have contributed to 54% market capture from the illegal market as of the second quarter (Q2) of 2021–22.

However, we know there is more work to be done for the legal cannabis marketplace to achieve its full potential and continue to displace the illegal market. In pursuit of this goal, the OCS will leverage its unique role as Ontario’s exclusive wholesaler and distributor of legal recreational cannabis to enable a healthy cannabis market. Over the next three years, the OCS will:

- **Build Best-in-Class Wholesale Capabilities:** By strengthening wholesale and distribution processes and infrastructure to enhance market conditions for industry partners
- **Enable a Frictionless Customer Experience:** By ensuring wholesale policies are fair and transparent for all Retailers and Retailers have access to simplified self-serve tools that enable a seamless end-to-end customer journey
- **Champion a Socially Responsible Industry:** By providing Ontarians with information on the benefits of legal cannabis and being a leader in promoting responsible consumption

The growth of Ontario’s — and Canada’s — legal cannabis industry has been nothing short of extraordinary. According to [a recent report](#) by Deloitte, since legalization, Ontario’s legal cannabis industry has contributed an estimated \$13.3 billion to Ontario’s gross domestic product (GDP) and sustained over 31,000 annualized jobs. On a national level, this grows to an estimated \$43.5 billion in GDP and 15v1,000 jobs since legalization. By creating the conditions for the legal industry to compete more effectively with the illegal market, we can unlock the potential for even more economic growth across the province.

At the same time, a critical component of the OCS’s goal of enabling a healthy market is to promote social responsibility in connection with cannabis. Over the next three years, the OCS will increase its efforts to educate Ontarians on cannabis use and responsible consumption. It is paramount that Ontarians are equipped with the education and tools to make informed and responsible decisions if and when they choose to consume cannabis.

As we turn the page and enter a new chapter in the development of Ontario’s legal cannabis industry, the OCS looks forward to working with its partners across the industry to deliver on the objectives outlined in this Business Plan. Together, we can enable a healthy legal cannabis market that displaces the illegal market and creates opportunities for economic growth while ensuring Ontarians consume cannabis in a responsible manner.



Mandate

Legislative Mandate

The Ontario Cannabis Retail Corporation (OCRC), operating as the Ontario Cannabis Store (the OCS), is Ontario's exclusive wholesaler and distributor of legal recreational cannabis and the provincial retailer of legal recreational cannabis through its e-commerce platform, OCS.ca. The OCS is established as a government agency through the *Ontario Cannabis Retail Corporation Act, 2017* (the OCRC Act). As articulated in the OCRC Act, the OCS's mandate is to buy, possess and sell cannabis and related products, as well as promote social responsibility in connection with cannabis.

Government Mandate

The OCS is committed to supporting the Government of Ontario's objectives for the sale of recreational cannabis: enabling a retail system that will combat the illegal market,

keeping cannabis out of the hands of children and youth, and protecting communities. The OCS supports these provincial objectives by:

- Providing safe and reliable access to legal cannabis by sourcing and distributing highly regulated cannabis to Retailers, and to consumers across the province through OCS.ca
- Working with Licensed Producers to bring a broad assortment of products to market, increasing choice for consumers and enabling Retailer differentiation
- Providing consumers with information on safe and responsible consumption, and promoting social responsibility in connection with cannabis

To fulfill its objectives 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.

Vision, Mission and Values

To support the agency in successfully delivering its legislative and government mandates, the OCS developed a vision, mission and values to guide its operations.

OCS Vision

Canada's largest and most vibrant cannabis marketplace

OCS Mission

To enable a healthy marketplace through great customer experiences rooted in quality, selection and service.

OCS Values

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 resiliency and the will-to-win through legal, safe and fair practices.

Collaboration: We communicate 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 highlights the key internal and external factors that influenced the development of the OCS's 2022–25 Business Plan.

External Environment

Federal Legislative, Regulatory and Policy Environment

Recreational cannabis became legal in Canada following the enactment of the federal *Cannabis Act* on October 17, 2018. As the legal and regulatory framework for controlling the production, distribution, sale and possession of recreational cannabis in Canada, the *Cannabis Act* was put in place by the federal government with the purpose of keeping cannabis out of the hands of youth, reducing the production and sale of illegal cannabis and protecting public health and safety.

Three years following legalization, the federal government is in the process of initiating a review of the legal cannabis framework to determine if it is achieving its intended objectives and to identify opportunities for improvement. The review will result in a report that is anticipated to be tabled in Parliament in 2023. In collaboration with the Government of Ontario, the OCS welcomes the opportunity to participate in this review and to share its unique perspectives on ways 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

Since legalization, the provincial government has made several policy decisions aimed at supporting the legal cannabis industry in Ontario as it seeks to displace an entrenched illegal market.

Retail Network Growth

With the Alcohol and Gaming Commission of Ontario (AGCO) transitioning away from a lottery model and beginning to grant licences for the operation of retail stores in April 2020, the province has seen unprecedented growth in the number of Authorized Retailers. As of January 17, 2022, there were 1,335 stores open in 122 communities across Ontario. While the increased number of Retailers means more access points for consumers, which has contributed to significant illegal market capture, this rapid expansion has also led to growing concerns over retail store saturation in certain communities. Average quarterly sales per store declined from \$970,000 in Q2 of 2020–21 to \$363,000 in Q2 of 2021–22, largely due to greater Retailer competition.

COVID-19 Pandemic

Like all industries, the cannabis industry has been impacted by the COVID-19 pandemic. Over the past two years, the OCS has worked closely with Retailers, Licensed Producers and other key partners to navigate business disruptions as a result of necessary public health measures put in place by the government to manage the pandemic. Despite some setbacks, the industry has continued to grow significantly, with many Retailers rapidly pivoting to implement curbside pickup and delivery services while in-store shopping was restricted. The OCS will continue to work with its industry partners to navigate the pandemic in the years ahead.

Retailer Delivery Measures

To provide additional support to businesses during the COVID-19 pandemic, the Government of Ontario passed temporary measures permitting Retailers to offer curbside pickup and delivery services to customers. In December 2021, the Government of Ontario, with support from the OCS and the AGCO, passed the *Supporting People and Businesses Act, 2021*, which is a crucial step toward enabling these temporary measures on a permanent basis, starting in 2022. This important step the Government of Ontario has taken will support cannabis Retailers and strengthen the legal cannabis market in Ontario in the long run.

Farmgate Retail Outlets

In December 2019, the Government of Ontario passed regulatory amendments to allow Licensed Producers to open retail stores at production facilities, commonly referred to as “farmgate” stores. The OCS has developed an operating framework to support sales to farmgate stores and assists in onboarding Producers interested in opening these stores. At the time of preparing this report, three farmgate stores are open across the province, providing a unique experience for consumers, generating direct economic opportunities for Licensed Producers and supporting the tourism and hospitality sectors in their communities. The OCS expects more farmgate stores to open over the coming years as the province recovers from the pandemic and the market continues to evolve.

Environmental Scan

The Evolution of Legal Cannabis

Driving Economic Growth

In early 2022, Deloitte, in partnership with the OCS, released a report focusing on the economic and social contributions of Canada's and Ontario's legal cannabis industry. According to the report, Ontario's legal cannabis industry has contributed an estimated \$13.3 billion to Ontario's gross domestic product (GDP) since legalization. It is estimated that \$8 billion of this contribution can be attributed to labour income, which sustained an estimated 48,000 jobs in Ontario alone. This amounts to almost one-third of the estimated 151,000 jobs across Canada that were sustained over the same period by Canada's cannabis sector. Further, Ontario's cannabis industry generated \$100 million in direct taxes, \$1.2 billion in indirect taxes and \$700 million in induced taxes since legalization. In the 2020–21 fiscal year, the Ontario government received \$106 million for its share of the excise duty, and in 2021–22, over \$150 million in net profits were generated by the OCS. These returns to the government can be used to fund key provincial priorities and services for Ontarians.

These numbers reveal that the legal cannabis industry has surpassed many of the mainstays of the Canadian economy, including breweries, clothing manufacturing, wood product manufacturing and the media sector. The OCS is proud of the role it plays in supporting the legal cannabis industry and looks forward to supporting further economic growth opportunities in Ontario.

Public Attitudes Toward Cannabis

At the time of legalization, Canada was the second country in the world to legalize recreational cannabis use and the first in the western hemisphere. At the time of preparing this report, only six countries around the world have legalized cannabis for recreational use. However, change may be on the horizon. Following its election in November 2021, a new coalition government in Germany announced its intention to work toward the future legalization of the sale of recreational cannabis. In the United States, 30 states have now legalized medical cannabis, and 20 states plus Washington, D.C., have legalized recreational cannabis. As this trend continues, it is anticipated that broader normalization and acceptance will result in substantial growth of the global cannabis market.

In Canada, social acceptance of occasional cannabis consumption has increased slightly from 66.6% in 2020 to 67.4% in 2021, as identified in the Statistics Canada 2020 and 2021 Canadian Cannabis Survey (CCS). This increase can be attributed to several factors, including broader access to legal cannabis through a growing Authorized Retailer network, the perceived physical and mental health benefits of cannabis use and a regulatory framework that ensures the safety of cannabis products, including limiting access to youth.

Supply and Market Stability

Over the past three years, over 800 production-related licences have been issued across Canada, enhancing supply capacity and expanding product offerings. Supply is no longer constrained across any product category and is anticipated to further increase as Health Canada issues additional production-related licences in 2022–23. To capture market share, Licensed Producers are now shifting their efforts toward tailoring their product innovation and offerings to meet dynamic and evolving consumer preferences. With each year that passes since legalization, a slowly growing body of historical sales data and research on consumer insights is supporting changes across cannabis production platforms in Canada.

As more international jurisdictions legalize cannabis, the global supply chain may become more competitive. Although the impacts of increased international legalization remain unknown, Licensed Producers in Canada could divert their resources outside Canada to service international markets. This could result in temporary disruptions to domestic supply and introduce several new considerations for the OCS as it continues to expand its product assortment to convert consumers to the legal market. The OCS will continue to monitor global trends and work closely with provincial and federal governments, where appropriate, to mitigate impacts to Ontario's cannabis market.

A Pervasive Illegal Market

Despite the growth of the legal market, the illegal market is still a major part of Ontario's cannabis industry. As of Q2 2021–22, it is estimated that the legal market accounts for 54% of Ontario's cannabis industry. According to the 2021 CCS, those who purchased cannabis from the illegal market in the previous 12 months in Canada purchased through four main avenues: friends (58.8%), dealers (20.4%), mail order marijuana websites (20.2%) and illegal storefronts (10.5%). During the COVID-19 pandemic lockdowns, illegal cannabis continued to be available via these avenues despite public health restrictions, providing them with a competitive advantage over the legal market.

In addition, the illegal market continues to offer larger, more potent product formats and broader product categories (e.g., psilocybin and pet-related products) and employs enticing promotional tactics (e.g., loyalty incentive programs, flash sales and free gifts) that are currently prohibited under the legal federal regulatory framework. The OCS will continue to work with the government, industry and Retailer partners to pursue initiatives that will effectively and safely drive further conversion from the illegal market.

Environmental Scan

Internal Environment

Establishing Foundational Capabilities

In the three years since legalization, the OCS has focused on establishing the foundational capabilities to support the growth and rapid evolution of the industry. Key activities include investments in a new and more automated distribution centre to support the expansion of the Retailer network, as well as the development of a business-to-business (B2B) platform that allows for greater efficiencies in the Retailer product ordering cycle. Over the coming year, the OCS will continue to make investments in its operational capabilities to further enable a healthy legal cannabis market.

Social Responsibility and Education

The OCS has also focused on delivering on its commitment to promote social responsibility, with the launch of its three-year Social Responsibility Strategy in 2021. This strategy outlines three pillars: advancing cannabis knowledge, establishing a foundation for sustainability and supporting a diverse and inclusive industry.

In fall 2021, the OCS launched a successful Buy Legal campaign to educate consumers on the benefits of legal cannabis. Further, in early 2022, the OCS, in partnership with the Ontario Provincial Police and the National Research Council of Canada, released a report comparing illegal cannabis products with legal, regulated products. This report is intended to educate the public on the dangers of illegal-market products and to encourage purchasing from the legal market to promote safe and responsible consumption.

Office of the Auditor General of Ontario Audit Recommendations

In December 2021, Ontario's Auditor General released the results of her value-for-money audit of the OCS. The audit provided 16 recommendations outlining areas of improvement for the agency. The recommendations highlighted the need for the OCS to place a greater focus on promoting social responsibility and educating the public on responsible consumption, investing in customer service capacity and increasing transparency in the agency's wholesale activities. As with any new company in an emerging industry, the OCS acknowledges that the agency has room for improvement and welcomes the Auditor's recommendations, which dovetail with the strategic direction outlined in this Business Plan.

Supporting OCS Staff

Over the past three years, OCS staff have worked tirelessly to establish operations in accordance with the agency's legislated mandate. As the agency's workforce needs continue to evolve, the OCS is committed to maximizing staff retention through supporting its staff and ensuring the OCS is the best government agency to work for in Ontario. The agency will continue to promote a culture of diversity, equity and inclusion, build robust leadership development and succession planning programs, and encourage a healthy work-life balance. More details on these initiatives can be found in the Implementation Considerations section of this Business Plan.



Strategic Plan

2022-25

Strategic Direction

Over the coming years, the OCS's overarching objective is to help combat the illegal market by converting consumers to legal cannabis. In pursuit of this objective, the OCS will leverage its capabilities as Ontario's exclusive wholesaler and distributor of legal recreational cannabis to enable a healthy legal cannabis market that offers a compelling alternative to its illegal counterpart. This includes increasing its capacity to onboard new and innovative products, enhancing supply chain efficiencies, reducing burden for Retailers and promoting social responsibility in connection with cannabis.

Strategic Objectives

To deliver on the OCS's direction and mandate, the agency has established three strategic objectives that will guide the organization over the next three years.

- 1. Build Best-in-Class Wholesale Capabilities:** By strengthening wholesale and distribution infrastructure and processes to enhance market conditions for industry partners.
- 2. Enable a Frictionless Customer Experience:** By ensuring wholesale policies are fair and transparent for all Retailers and Retailers have access to simplified self-serve tools that enable a seamless end-to-end customer journey.
- 3. Champion a Socially Responsible Industry:** By providing Ontarians with information on the benefits of legal cannabis and being a leader in promoting responsible consumption.

Key Initiatives and Performance Indicators

To deliver on its strategic objectives, the OCS will implement several key initiatives over the next three years. Leveraging feedback from stakeholders, the OCS has established key performance indicators (KPIs) to measure success against its strategic objectives. The KPIs identified will remain consistent throughout the duration of the 2022–25 strategic plan, though targets will be updated annually. Progress toward achievement of these objectives will be tracked and reported to the OCRC Board of Directors and publicly through the OCS's annual reports and annual business plans.

The OCS will also be tracking its success in achieving the agency's enterprise-wide mission of enabling a healthy marketplace. Over the next three years, the OCS will track the following enterprise KPIs.

KPI	2022-23 Target	2023-24 Target	2024-25 Target
Illegal Market Capture	61%	64%	65%
Revenue	\$1,383 M	\$1,448 M	\$1,489 M
Expenses (SG&A)	\$116 M (8.4%)	\$117.6 M (8%)	\$119 M (8%)
Net Profit to the Province	\$180 M	\$193 M	\$199 M

Build Best-in-Class Wholesale Capabilities

Since early 2019, the OCS has put in place foundational infrastructure and technological capabilities to fulfill its mandate as the exclusive wholesaler and distributor of legal cannabis to Authorized Retailers in Ontario. Initial efforts prioritized establishing Canada’s most robust catalogue of legal cannabis products across all product categories and supporting the growth of the retail store network. These efforts have helped

Ontario achieve 54% market capture from the illegal market as of Q2 2021–22. To enable the legal cannabis marketplace to achieve its full potential, additional efforts are required from the OCS to build out more robust, best-in-class wholesale capabilities, including further growth in product offerings and enhanced quality-control processes.

Strategic Objective	Description	Key Outcomes	2022-23 Key Performance Indicators
Build Best-in-Class Wholesale Capabilities	By strengthening wholesale and distribution processes and infrastructure to enhance market conditions for industry partners.	<ul style="list-style-type: none"> • Our product assortment does not restrict what Producers want to sell or Retailers want to buy (subject to minimum baseline standards) • Our inventory investment, fulfillment and delivery service levels are driven by data on market demand • Higher baseline standards reduce product quality complaints • Our pricing supports illegal market capture with transparency and consistency 	<ul style="list-style-type: none"> • 50% growth in capacity to list SKUs (year-over-year) • Complete ten inventory turns annually • 3% reduction in complaints per million units sold (year-over-year)

Enable Product Assortment Expansion

As the legal cannabis market continues to grow, Retailers are demanding greater product choice to diversify their businesses while also having more consistent access to high-demand SKUs. To accomplish this, the OCS will work collaboratively with Licensed Producers to better forecast in-demand products while also expanding the products it offers through its wholesale channel. This will be accomplished through a suite of updates to existing internal processes and systems to transform the product lifecycle. Stabilizing and growing product selection for all consumer segments will strengthen the competitive advantage of legal cannabis over illegal alternatives.

Improve Demand-Based Inventory, Fulfillment and Delivery Service Levels

In parallel to expanding its product offering assortment, the OCS will continue to work with Licensed Producers to grow its secondary Flow-Through fulfillment model, initially launched through a pilot in December 2021. The OCS will increase the volume of SKUs added into its Flow-Through catalogue across a range of unique use cases. More broadly, investment into supply will evolve to maximize the value of each fulfillment model (stocked versus Flow-Through) to ensure the OCS is best meeting the demands of its customers.

Reduce Product Quality Complaints

The OCS commends Licensed Producers for their efforts to advance product development and execution and recognizes the significant improvements in product quality in the three years since legalization. That said, the large volume of consumer product complaints highlights the need for the OCS to take a stronger role in raising quality requirements for all products it lists.

The OCS will continue to work with Licensed Producers to bolster quality assurance processes to ensure consumers are only purchasing safe, reliable and high-quality legal cannabis products. This will be accomplished through continued investment in systems and processes, such as enhanced product listing requirements, random testing and a quality case management system.

Increase Transparency Around Pricing Policies

To date, the OCS has adopted a variable pricing approach that prioritizes providing a competitive product offering against the illegal market. The OCS recognizes that this approach is often difficult for Licensed Producers to navigate and will work to increase transparency into how pricing decisions are made to facilitate better market outcomes.

Enable a Frictionless Customer Experience

As Ontario’s exclusive wholesaler and distributor of legal recreational cannabis, the OCS has worked to provide its Retailer customers with the support they need to run their stores efficiently and effectively. Our goal is simple: Retailers should spend as little time as possible ordering, receiving and returning products so they can maximize the time they spend with their customers. In pursuit of this goal, in 2021 the OCS

implemented a B2B platform that created significant efficiencies in the product ordering cycle. Over the coming years, the OCS will continue to refine its internal tools and processes to deliver the best possible customer experience for Retailers. The OCS will focus on increasing the accuracy and transparency of product orders and improving its claims process to reduce burden for Retailers.

Strategic Objective	Description	Key Outcomes	2022-23 Key Performance Indicators
Enable a Frictionless Customer Experience	By ensuring wholesale policies are fair and transparent for all Retailers and Retailers have access to simplified self-serve tools that enable a seamless end-to-end customer journey.	<ul style="list-style-type: none"> Wholesale services are fair and transparent for all Retailers Retailers have access to simplified self-serve tools and a seamless end-to-end customer experience Retailers have convenient access to the aggregated data and insights needed to support their purchasing decisions 	<ul style="list-style-type: none"> Target 94% wholesale order fill rate Target 6/10 Retailer customer sentiment score

Fair and Transparent Policies

As the exclusive wholesaler of legal cannabis, it is the OCS’s responsibility to ensure it has fair and transparent policies that govern the relationship between the agency and its Retailer customers. While the OCS has worked hard to adhere to a high standard, room for improvement remains. Over the next three years, the OCS will update its policies and processes to address common friction points Retailers have identified. In particular, the OCS will focus on improving inventory management and ordering practices to improve the provision of accurate and up-to-date information and increase certainty in the product ordering cycle.

Convenient Access to Data

As Ontario’s cannabis market has evolved and consumer preferences have matured, Retailers increasingly desire clear, consistent, relevant and trusted data to support their purchasing decisions. The OCS will identify opportunities to close existing data gaps and refine its existing Retailer data platform to support purchasing decisions through quicker access to product inventory, pricing and sales trends.

Simplified Self-Serve Tools for Retailers

Over the next three years, the agency will focus on enhancing its self-serve tools, namely the B2B Portal, to better meet the needs of Retailers. When the B2B Portal was launched in 2021, it provided Retailers with an integrated wholesale ordering platform, eliminating a burdensome manual ordering process. In the coming year, B2B capabilities will be enhanced to help Retailers navigate an expanding wholesale assortment and make informed purchasing decisions. These improvements will include digital merchandising enhancements and improved product attribute information.

Champion a Socially Responsible Industry

As part of its legislated mandate and in alignment with the government’s policy objectives, the OCS is responsible for ensuring the agency operates within a framework of social responsibility (SR). Since 2020, the OCS has focused on developing a Social Responsibility Strategy that advances cannabis knowledge and promotes responsible consumption. Over the next three years, the OCS will deliver on its Social Responsibility Strategy by promoting greater education

and awareness, creating a foundation for environmental sustainability and supporting a more diverse and inclusive industry.

Overall, the OCS will focus its efforts on being a leader in promoting the benefits of legal cannabis and responsible consumption and building the OCS as a trusted brand and a valuable source of information for all Ontarians.

Strategic Objective	Description	Key Outcomes	2022-23 Key Performance Indicators
Champion a Socially Responsible Industry	By providing Ontarians with information on the benefits of legal cannabis and being a leader in promoting responsible consumption.	<ul style="list-style-type: none"> • Ontarians are well educated on the benefits of legal cannabis and how to access it • The OCS is a leader in promoting responsible consumption • The OCS brand is viewed as a trusted authority and an integral enabler of legal cannabis 	<ul style="list-style-type: none"> • 60% agreement among frequent consumers that legal purchasing is preferable to illegal purchasing • Target 10,000 views on OCS SR website

Educating Ontarians

To educate Ontarians on the benefits of legal cannabis and where it can be accessed, the OCS will expand its Buy Legal campaign in 2022–23. The next phase of the campaign will continue to focus on educating adult legacy consumers through increased advertising across more media (e.g., print media and social media), including promoting and leveraging our Retailer partners to reach as many illegal market consumers as possible. The OCS will also undertake further market and insights research to gain an in-depth understanding of illegal market consumers to convert them to the legal market.

In addition to education and awareness, the OCS will create a foundation for environmental sustainability by understanding, measuring and reporting on the agency’s carbon footprint, followed by implementing practices that lead to greater sustainability within the organization. For example, the OCS will aim to incorporate eco-friendly packaging requirements into its operations and through the product call process. The OCS plans to report annually on these activities and make improvements year-over-year.

Promoting Responsible Consumption

As part of its Social Responsibility Strategy, the OCS will launch an education hub on its website that will provide evidence-based scientific information and research for Ontarians. This will be done by leveraging resources from key stakeholders, such as the Canadian Centre on Substance Use and Addiction, the Centre for Addiction and Mental Health, and Health Canada. Topics will include choosing legal cannabis, responsible consumption, cannabis impacts on the brain, cannabis impacts on youth and cannabis addiction. The intent of the education hub is to ensure Ontarians, regardless of whether they are consumers, have the information they need to better understand cannabis and to make informed and responsible decisions about cannabis consumption.

The OCS is also committed to supporting the industry in advancing diversity, equity and inclusion (DE&I) to improve participation by under-represented groups within the industry. To do this, the OCS will measure DE&I within the industry and establish a scorecard to report annually on the progress of the OCS and the industry in achieving greater DE&I. To bring greater awareness and transparency, the OCS will lead forums to promote, elevate and support the growth of a more diverse industry. Additionally, the OCS will work with the government and its regulatory partners to identify barriers to participation in the industry, with the goal of improving overall policies and processes. A more vibrant cannabis marketplace is one that is more reflective of our diverse population in Ontario.

Strategic Plan 2022-25

The OCS as a Trusted Brand

As a government agency, the OCS is focused on ensuring the OCS brand is viewed as a trusted authority on legal cannabis. In pursuit of this goal, the OCS will provide desired product information and education resources on OCS.ca to appeal to existing illegal market consumers. More robust product information will also enable budtenders to better inform consumers, making it easier for consumers to navigate and purchase legal cannabis. The OCS will work with its jurisdictional counterparts, GS1 (an international organization developing and maintaining product standards) and the Licensed Producer community to align on desired product attributes to be made consistently available to consumers.



Implementation Considerations

To support the commitments outlined in this Business Plan, the agency has considered the broader human resources, financial and information technology implications of its proposed activities. These considerations are outlined in more detail below.

Human Resources

OCS staff play a critical role in delivering on the agency's strategic objectives. The OCS will continue to support the mental health and well-being of its staff, particularly as they continue to navigate the challenges posed by the COVID-19 pandemic. Throughout the next fiscal year, the OCS Human Resources department has prioritized the following activities to support staff and ensure the OCS remains an excellent place to work.

Performance Management and Compensation

In 2022–23, the OCS will strengthen its performance management framework for all employees within the organization to support training and growth. This framework will include processes and procedures for employee performance reviews, rating criteria and annual goal setting with performance measures that align with the strategic objectives outlined in this Business Plan. Further, the OCS will develop a standard compensation approach, benchmarked against other public sector bodies, for all employee levels, linked to this performance management framework.

Diversity, Equity and Inclusion

In alignment with its Social Responsibility Strategy, the OCS will also continue to develop its Diversity, Equity and Inclusion (DE&I) Strategy in 2022–23. To date, the OCS has partnered with organizations, including Career Edge, Our Children's Medicine and the CEE Centre for Young Black Professionals, to provide career opportunities to members of BIPOC and Indigenous communities. Promoting DE&I is a critical component of the OCS's core values and will ensure the OCS has an inclusive culture where diversity is celebrated and staff feel safe and supported.

Workplace Culture

COVID-19 has dramatically changed the way people work. At the OCS, the Human Resources team has reflected new ways of working in its policies and practices by adopting hybrid work standards, giving staff more flexibility and supporting staff in finding a healthy work-life balance. The OCS will continue to support these efforts with the development and adoption of a right to disconnect policy in 2022, in accordance with Bill 27, the *Working for Workers Act*.

Staffing

Following the development of the organization's strategic direction, the OCS conducted a resource assessment to ensure staffing across the organization supports the delivery of key business objectives.

Category	2021-22 Fiscal Year-End	Projected 2022-23 Fiscal Year-End
Employees	263	360
Contractors	13	18
Total	276	378

In May 2018, the OCRC recognized the Ontario Public Service Employees Union (OPSEU) as the bargaining agent for a future bargaining unit of OCRC employees. In late 2021, the OCRC and OPSEU commenced negotiations on an initial collective agreement, which is expected to be ratified and put in place in 2022–23.

Implementation Considerations

Financial Requirements

To achieve the objectives set out in this Business Plan, the OCS has established a three-year budget projection. Year-over-year revenue growth is expected to be generated from the wholesale channel, stemming from an expanded Retailer base. Further, impacts from the pandemic are expected to be reduced in fiscal year (FY) 2022–23 and in future years.

Realty

The OCS does not own any realty assets but holds two leases to facilitate its operations. The OCS holds a lease for its head office in North York, Ont., and has a tri-party agreement with Domain Logistics, the agency's distribution partner, for its distribution centre in Guelph, Ont.

Item	FY 2022–23 (\$)	FY 2023–24 (\$)	FY 2024–25 (\$)
Revenue	1,383,027,239	1,448,590,201	1,489,894,867
Cost of Sales	1,085,818,545	1,137,485,527	1,170,047,771
Gross Margin	297,208,693	311,104,674	319,847,096
Expenses (SG&A)	116,565,872	117,651,190	119,903,990
Finance Costs (Income and Other Income)	60,969	60,969	60,969
Net Income	180,581,853	193,392,516	199,882,138
Monies Dedicated to Social Responsibility Activities (Estimated)	451,454	483,481	499,705

Information Technology Plan

To deliver on the OCS's strategic objectives, the agency will invest in its information technology infrastructure as set out below.

Integrated Data Systems

Having access to reliable data is a cornerstone of making informed business and policy decisions. A key priority for 2022–23 is greater data integrity and integration across OCS information systems. To support this, the OCS will assess existing data programs across the organization to achieve greater efficiency and integration, and continue to work with the AGCO to integrate point-of-sale (POS) data into a centralized data platform. This data platform will consolidate information into one location and will be used to inform critical business decisions, including product forecasting and inventory management.

Automating Workflows

When the OCS commenced operations, many of its processes were manual. As the organization grows, these processes

will need to be automated to deliver on the agency's strategic objectives. To grow the number of products the OCS intakes from Licensed Producers in particular, the agency must enhance its item onboarding processes and technologies. This will be facilitated through the implementation of a product information management system over the next few years.

Enhancing Distribution Capabilities

As Ontario's exclusive distributor of legal cannabis, the OCS is committed to providing low-cost, efficient distribution of cannabis across the province. As part of this commitment, the OCS is working with its third-party logistics partner to continually refine and improve its distribution capabilities. Over the next year, a number of automated processes will be implemented, including enhanced transportation methods and mechanized order fulfillment, to ensure Retailers and consumers get the products they want faster and more seamlessly.

Implementation Considerations

Initiatives Involving Third Parties

The OCS works with many stakeholders to deliver on its strategic objectives and the government's policy priorities.

Authorized Retailers

The OCS will continue to work closely with the growing network of Authorized Retailers in Ontario to support their success. To do this, the OCS will expand the product assortment, enabling Retailers to differentiate their offerings and continue to diversify their businesses. Further, the OCS will enhance the B2B Portal to make the wholesale experience easier and more seamless for Retailers.

Licensed Producers

The OCS works closely with Licensed Producers across Canada to source and supply high-quality products to Retailers and consumers. Over the next three years, the OCS will continue to enhance its internal platforms to ensure a timely and efficient product onboarding process. As the industry continues to evolve, the OCS will engage with Licensed Producers on an ongoing basis to identify opportunities to refine and enhance its processes.

First Nations

The OCS will continue to work with First Nations communities interested in establishing on-reserve retailing while continuing to work with First Nations Licensed Producers to bring their products to the Ontario market. At the direction of the Ontario government, the OCS is currently providing a First Nations Wholesale Adjustment Rate on the purchase of cannabis products for all AGCO Authorized Retailers on-reserve. This adjustment supports First Nations communities and Retailers by ensuring consumer access to a safe supply of legal cannabis on reserves. The OCS will continue to work with First Nations, government and regulatory partners to identify and mitigate barriers to First Nations participation in the industry.

Alcohol and Gaming Commission of Ontario

The OCS will work closely with the Alcohol and Gaming Commission of Ontario (AGCO) as it continues to license Retailers in Ontario. The agencies will also continue to collaborate on the Retailer POS data integration project, which will reduce burden for Retailers and streamline regulatory reporting requirements. The OCS will also support the AGCO in the implementation of the new Retailer delivery framework, creating additional opportunities for Retailers to serve their customers.

Federal Government

The OCS works with several government partners at the federal level, including Health Canada and Statistics Canada, to deliver on legislated requirements and share relevant industry data. Over the next year, the OCS will continue to work collaboratively with these partners and will also participate in Health Canada's review of the Cannabis Act. In participating in this review, the OCS will leverage its position as a government agency and Canada's largest cannabis wholesaler

and distributor to provide advice to Health Canada that promotes the development of a healthy and sustainable cannabis marketplace while reinforcing the need to protect public health and safety in connection with cannabis.

Jurisdictional Partners

As Ontario is one of 13 provincial and territorial jurisdictions across Canada working to build a successful legal recreational cannabis industry, maintaining relationships with jurisdictional partners remains an important activity for the OCS. Through this relationship, formalized as the Canadian Cannabis Jurisdictional Leadership (CCJL), the OCS and its counterparts have had the opportunity to share important data and insights, identify opportunities for collaboration and strategically align on issues that require a more harmonized approach. To date, the CCJL has aligned and executed on a national approach to barcode standards and is in the process of working with GS1 and Licensed Producers to standardize product attributes across the country.

Risk Assessment

The OCS works proactively to address and mitigate risks facing the agency through an enterprise risk management (ERM) framework. ERM is a continuous, proactive and systematic process to identify, understand, mitigate and communicate risk from an organization-wide perspective. Using ERM, the OCS identifies risks that could negatively impact the agency's ability to deliver on its government mandate and Business Plan objectives. The OCS tracks risks and mitigation strategies, and reports to senior management, its Board of Directors and the Ontario government on a regular basis. Set out below are the key risk categories and associated mitigation strategies.

COVID-19 Impacts

Since March 2020, the OCS and its partners have been working together to adapt to evolving public health measures. Over the past two years, the industry has had to grapple with reduced store capacity and closures, which have deterred customers, as well as supply chain impacts that have limited access to product and created many other operational challenges. These measures have also impacted illegal market capture, as legal Retailers have been operating at a competitive disadvantage in comparison to their illegal counterparts, many of which remained open, contrary to public health restrictions.

Mitigation Strategy: In 2022, the OCS will support the Ontario government and the AGCO as they implement a permanent delivery framework for Retailers, enabling them to safely and securely provide legal cannabis to their customers remotely. The OCS will also continue to source product from a broad array of Licensed Producers to mitigate supply chain risk while maintaining strict COVID-19 protocols at the distribution centre to minimize any impacts to provincial distribution capabilities.

Implementation Considerations

Evolving Operating Environment

As identified in the Operating Environment section of this Business Plan, the OCS and its business partners continue to operate in a rapidly evolving business environment. Economic and marketplace risks may impact the OCS's ability to enable a healthy cannabis marketplace and combat an entrenched illegal market.

Mitigation Strategy: The OCS will make targeted investments in core infrastructure and self-serve tools that strengthen Ontario Retailers' ability to diversify their product offerings and attract consumers. The OCS will also continue to implement supply chain efficiencies that increase service levels and decrease the time it takes for products to get to stores.

Employee Retention

Many organizations, including the OCS, are currently experiencing impacts on employee retention due to greater competition in the job market, particularly for information technology professionals.

Mitigation Strategy: The OCS has identified a number of employee engagement and support options to continue to make the OCS an attractive place to work. This will include building out a flexible hybrid work model to support work-life balance and implementing a robust, modernized performance management system while also reviewing employee compensation to ensure market-competitive salaries are available to attract and retain talent. These activities will be done in tandem with the OCS's focus on creating an organizational culture where everyone feels healthy, safe, valued and respected.

Communications Plan

To deliver on its strategic objectives, the OCS must clearly and consistently communicate its goals and objectives to both internal and external stakeholders. To ensure transparency, the OCS must also provide regular updates on its progress toward achieving its objectives. An effective communications plan will ensure all stakeholders understand the role of the OCS in enabling a healthy legal cannabis market in Ontario. This will be accomplished through:

- Digital and online communications (OCS.ca, doingbusinesswithocs.ca, ocswholesale.ca)
- Corporate publications (data insights reports, annual reports)
- Media relations
- Social media (Twitter, LinkedIn)
- Business-to-business Portal communications

Communicating the Strategy to Internal Stakeholders

To achieve the OCS's strategic objectives, it is paramount that every OCS employee understands the agency's strategic direction and their role in supporting it. To facilitate this, the OCS has developed a phased approach to communicating the strategy to staff. This approach includes an official launch of the strategy to the organization before the beginning of the new fiscal year, as well as department-level engagement to ensure staff understand the strategy at a departmental and individual level. Employees will also be involved in quarterly tracking and reporting of performance metrics.

Communicating the Strategy to External Stakeholders

To ensure the OCS remains transparent, the agency will deliver clear, consistent communications to all external stakeholders. The OCS will continue to make relevant documents, including business plans and annual reports, publicly available on OCS.ca. Communications with business partners will continue to occur through the appropriate channels, including the B2B Portal and the agency's Doing Business with OCS website. The OCS will also continue to respond to media inquiries in a timely and transparent fashion and will drive engagement with the public through its social media platforms.

