



OCRC 2023–2026
Business Plan



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Executive Summary

The 2023–26 Business Plan outlines the Ontario Cannabis Store's (OCS's) plans to continue to focus on enabling Canada's largest and most vibrant cannabis marketplace. Over the past several months, the agency has refined and focused its strategic direction to better enable the market in Ontario. The OCS is the largest wholesaler and distributor of cannabis in the country. On average, the agency distributes over 1,100 kilograms of cannabis each day across its network of 1,600 Authorized Cannabis Stores in Ontario. The OCS also offers an extensive e-commerce experience through OCS.ca, which provides province-wide age-gated access to purchase recreational cannabis, alongside factual, non-biased and evidence-based educational resources through [Cannabis Made Clear](#). As the second Business Plan under the agency's multi-year Corporate Strategy, this plan continues to focus on an ambitious transformation agenda aligned to three strategic pillars.

- **Building Best-in-Class Wholesale Capabilities:** The OCS is proud of the role it has played in supporting Ontario's legal cannabis industry. Since legalization, the OCS has made continual investments in its wholesale infrastructure to source more than 6,000 SKUs (stock-keeping units) from over 200 federally Licensed Producers, with over 3,000 SKUs currently active in its catalogue. Over the past year, the OCS has listed over 600 new SKUs each quarter and facilitated the introduction of many new and innovative products. Increasing product diversification across the retail network provides competitive advantages for the legal marketplace over illegal alternatives. As consumers continue to transition from illegal to legal sources, the OCS will make additional wholesale infrastructure investments to move greater volumes of products through its distribution pipeline.
- **Enabling a Frictionless Customer Experience through Digital Enablement:** Over the past four years, the OCS has scaled up to support a network of Authorized Cannabis Stores that grew from 24 to over 1,600 stores, with point-of-sale transactions approaching \$2 billion annually. The OCS continues to innovate and improve how it supports the Authorized Cannabis Store network to ensure it has the wholesale support necessary to adequately serve consumer demand. Process and technology improvements will continue to be made to enhance the experience for wholesale customers, including providing more self-service tools to minimize

time retailers spend navigating wholesale platforms so they can maximize time with consumers.

- **Championing the Legal Framework and a Socially Responsible Industry:** To help enable a vibrant marketplace, the OCS continues to advocate for the legal framework by increasing awareness among adult Ontarians of the benefits of buying legal while also promoting responsible consumption. The OCS will take more substantive steps in achieving its social responsibility objectives through growing its [Cannabis Made Clear](#) platform, launching a social impact fund to support third-party social responsibility initiatives and issuing its first social impact report.

The OCS, like other provincial bodies and private businesses across Ontario, is preparing to navigate a range of possible economic and market uncertainties in the year ahead. These challenges will be compounded by ongoing evolutions and industry consolidation within Canada's still nascent legal cannabis industry. However, the OCS remains well-positioned, with a clear mandate and the resources required, to deliver on the objectives set out in this Business Plan. The OCS looks forward to working with its partners across the industry to further displace the illegal cannabis market, while promoting social responsibility in connection with cannabis.



Mandate

Legislative Mandate

The Ontario Cannabis Retail Corporation (OCRC), operating as the Ontario Cannabis Store (OCS), is the government's exclusive wholesaler of recreational cannabis to private retail stores authorized by the Alcohol and Gaming Commission of Ontario (AGCO). The OCS also operates the provincial online store for recreational cannabis, which provides legal access to adults located across Ontario. The OCS was established as a government agency through the *Ontario Cannabis Retail Corporation Act, 2017* (the OCRC Act). As set out in the OCRC Act, the OCS is empowered to buy, possess and sell cannabis and related products, as well as promote social responsibility in connection with cannabis.

Government Mandate

The OCS supports the Government of Ontario's objectives for the sale of recreational cannabis, including 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:

- Sourcing and distributing quality-tested cannabis to Authorized Cannabis Stores
- Providing safe and reliable adult access to legal cannabis through OCS.ca
- Promoting social responsibility to facilitate a responsible approach to cannabis retail
- Providing consumers with information on safe and responsible consumption

To fulfil its objectives and achieve the annual goals set out in its mandate letter from the Minister of Finance, the OCS has developed a comprehensive three-year Business Plan.

Vision, Mission and Values

OCS Vision

Canada's largest and most vibrant cannabis marketplace.

OCS Mission

Enabling a vibrant marketplace through great customer experiences — rooted in selection, service and quality.

OCS Values

Customer Focus: We strive to provide outstanding service and support to all internal and external customers.

Forward Thinking: We challenge the status quo and embrace continuous innovation.

Pride in Service: We act with the utmost integrity as proud public sector employees.

Teamwork: We work together, and we win together — leveraging our diverse individual strengths.

Environmental Scan

This section outlines the key external and internal factors that influenced the development of the 2023–26 Business Plan.

External Environment

Federal Legislative, Regulatory and Policy Environment

The Government of Canada legalized recreational cannabis in October 2018 through the enactment of the *Cannabis Act*. The federal legal and regulatory framework set out parameters for the production, distribution, sale and possession of recreational cannabis in Canada. Key objectives of legalization include protecting public health and safety, keeping cannabis out of the hands of youth, and reducing the production and sale of illegal cannabis.

Federal Legislative Review

On Sept. 22, 2022, the federal government initiated a review of the federal legal cannabis framework and its administration and operation. An independent Expert Panel will be evaluating whether the framework is achieving its intended objectives, including the economic, social and environmental impacts of legalization, and identifying opportunities for improvement. In support of the review, the OCS developed and published a discussion paper – [Opportunities to Improve the Canadian Federal Cannabis Framework: Perspectives from the Ontario Cannabis Store](#) – outlining several challenges and opportunities Health Canada could consider as part of its evaluation. The OCS is committed to working alongside the Government of Ontario to provide advice to the Expert Panel as it works toward developing a report that will be tabled in the federal Parliament no later than 18 months after the start of the review.

In addition, the federal government, in its 2022 budget, committed to establishing a new cannabis strategy table to support an ongoing dialogue with businesses and stakeholders in the cannabis sector.

Evolving Regulatory Landscape

Nearly five years into legalization, the landscape for recreational cannabis continues to evolve. Health Canada continues to consult with industry and advance regulatory changes that support federal public policy objectives for legalization. On Dec. 2, 2022, Health Canada brought into force legal amendments that increased the public possession limits for cannabis beverages to a level that aligns with other forms of cannabis,

such as edible cannabis products (for example, gummies and chocolate). Adults can now possess up to 17.1 L of cannabis beverages (48 units of 355 ml), which is up from approximately 2.1 L under the previous rules (5 units of 355 ml). The OCS is working with Health Canada and the industry to support this policy. In addition to these changes, Health Canada introduced amendments that will increase access to cannabis testing materials and thereby support access to a quality-controlled supply of cannabis.

Supply and Market Stability

Canada's approach to legalization is to provide adult consumers with access to a wide range of quality-controlled cannabis products. Oversight of the cannabis supply chain is a shared responsibility between the federal government (which regulates production) and provincial governments (which regulate distribution and sale). The federal licensing system is designed to enable cultivation, processing, sale, analytical testing, and importing and exporting activities.

The legal cannabis industry has been successful in providing a consistent and reliable supply of cannabis products to adult consumers. This is mainly attributed to the growing number of products available to consumers, as well as the number of Licensed Producers and Authorized Cannabis Stores across Canada. According to Health Canada, as of July 31, 2022, there were 886 active federal licence holders, 38% of which were micro-licence holders (i.e., small-scale producers).

As the legal market begins to stabilize, it will be subject to market corrections, such as restructuring, consolidation or exits. According to Health Canada, a total of 95 cannabis federal licence holders exited the market between October 2018 and July 31, 2022 (representing just under 10% of licences issued during that period). The OCS is committed to working with Licensed Producers to ensure a stable supply of cannabis products for consumers to enable a vibrant cannabis marketplace.

Environmental Scan

Provincial Legislative, Regulatory and Policy Environment

Retail Network Changes

Since the AGCO transitioned to an open model for retail licensing in early 2020, Ontario has seen unprecedented growth in the number of private Authorized Cannabis Stores operating across the province. With over 1,600 stores open throughout the 348 communities that allow cannabis retail stores, the retail market has begun showing early signs of maturity. Although adult access to legal cannabis has increased significantly, many densely populated communities across Ontario are experiencing store saturation. Recently, these communities have experienced a significant slowdown in their rate of new store openings, while store closures are starting to accelerate. As of Jan. 31, 2023, there have been 134 store closures across Ontario.

Cannabis Inducements

The current regulatory framework for retail stores is designed to support a well-regulated and competitive cannabis market for the benefit of Ontarians. In early 2022, the [AGCO made updates](#) to its Registrar's Standards for Cannabis Retail Stores to provide Authorized Cannabis Stores with greater clarity on rules that prohibit them from accepting or requesting material inducements from Licensed Producers.

The Evolution of Legal Cannabis

Public Attitudes Toward Cannabis

In 2022, the Canadian Cannabis Survey reported a higher social acceptability rate among Canadians than in previous years. This is attributed to the evolving retail network of Authorized Cannabis Stores, along with the perceived physical and mental health benefits of cannabis use, as reported by a consumer equity study conducted by the Angus Reid Institute in October 2022. Other perceived impacts of cannabis legalization on Canadian society include increased economic benefits, such as job creation and generation of tax revenue that can be invested back into other public programs or government priorities.

Pervasive Illegal Market

Despite rapid growth of the legal market over the past several years, the illegal market continues to drive a substantial portion of sales. At the end of Q4 2021–22, for instance, the legal market represented approximately 57% of all sales, a figure that rose to nearly 60% by mid-2022. This means that nearly 40% of sales continue to occur illegally. According to the 2022 Canadian Cannabis Survey, illegal purchases are made through four main avenues: friends (52.5%), “mail-order-marijuana” websites (20.5%), dealers (19.2%) and illegal storefronts (15.2%). Nonetheless, Ontario continues to lead national recreational

sales, with 40% of the national market share at the end of the fiscal year 2021–22. The OCS will continue its work to increase legal market share and partner with the province, law enforcement and Health Canada to support legal industry efforts to eliminate the illegal market while protecting youth and communities.

Price Compression

Since legalization, the Canadian marketplace has faced a consistent downward compression of point-of-sale retail prices for consumers. This trend continued in 2022, as the legal marketplace grew increasingly competitive. As well, federal advertising, marketing and packaging restrictions challenge Licensed Producers and Authorized Cannabis Stores to establish brands that resonate with consumers. Without well-developed brand recognition, consumers are pushed to shop based on price and THC concentration — a threat to the social responsibility objectives of legalization.

Industry Mobilization and Advocacy

As the legal market continues to mature, several industry groups and associations have emerged to represent and advocate for Licensed Producers and Authorized Cannabis Stores operating across Canada. In addition, the industry has begun organizing conferences and trade shows to exchange ideas and to advance innovation across the sector. The OCS participates in many of these forums to advance its Social Responsibility Strategy and to maintain positive working relationships with the industry.

Internal Environment

Improving Foundational Infrastructure and Frictionless Customer Experience

Over the past year, the OCS has begun implementing the objectives outlined in its 2022–25 Business Plan, including ongoing enhancements to its business-to-business (B2B) platform. This included launching a pilot for a new ordering process and improving its Product Call process to create greater efficiencies for Licensed Producers when submitting new and innovative products for listing. Over the coming year, the OCS will continue to make investments in its operational capabilities to further enable a vibrant cannabis marketplace.

Increasing Transparency Around Wholesale Pricing

Over the past several years, the OCS leveraged a variable pricing approach that prioritized providing product offerings that are competitive with the illegal market. In its 2022–25 Business Plan, the OCS recognized that this approach was challenging for Licensed Producers to navigate. Complementing the objectives outlined in this Business Plan, the OCS will be transitioning to a fixed markup pricing structure while leveraging its scale to reduce its overall share of product

Environmental Scan

margins. This will enable a more vibrant and competitive cannabis marketplace while ensuring the OCS continues to fulfil its mandate and provide a meaningful return to the province.

Cyber Security and Distribution Challenges

Consistent and reliable service delivery to Authorized Cannabis Stores across Ontario remains the top priority for the OCS. In August 2022, the parent company of the OCS's third-party operated distribution centre, Domain Logistics, was targeted in a cyber incident. Out of an abundance of caution to protect the OCS and its customers, the decision was made to shut down Domain Logistics' operations until a full forensic investigation could be completed. Following a thorough investigation, Domain Logistics concluded that none of the OCS's systems or customers' information was compromised during the incident and service levels returned to normal as quickly as possible. The OCS is committed to delivering consistent and reliable services to the industry while making investments to increase its distribution capacity.

Social Responsibility and Education

Launched in 2021, the OCS's multi-year Social Responsibility Strategy outlines three pillars: advancing cannabis knowledge, establishing a foundation for sustainability and supporting a diverse and inclusive industry.

In the summer of 2022, the OCS introduced [Cannabis Made Clear](#) — an online educational platform to help consumers improve their understanding of cannabis by providing evidence-informed educational resources. The goal is to advance cannabis knowledge for all Ontarians and to promote responsible consumption. Over the next year, the OCS will continue to deliver against its Social Responsibility Strategy by rolling out new programs and initiatives.

Supporting OCS Employees

As the agency's workforce needs continue to evolve, the OCS is committed to maximizing employee retention. In June 2021, the OCS conducted its first Employee Engagement survey to identify key strengths and areas of opportunity. The OCS had an overall engagement rate of 82% and has worked to respond to areas of improvement through departmental and corporate action plans. The OCS followed up with an Employee Pulse survey in December 2022, which had an overall engagement rate of 78% and helped to provide further insight into key strengths and areas of opportunity for the OCS. The OCS is working to improve performance management, rolling out a

robust leadership training program and developing a diversity, equity and inclusion program, along with a number of other key initiatives, to ensure employee satisfaction is as high as possible.



Strategic Plan

2023–26

Strategic Direction

The OCS continues to focus its efforts on helping to combat the illegal market by converting consumers to legal cannabis. In pursuit of this overarching objective, the agency has refined the strategic goals outlined in its 2022–25 Business Plan to guide the delivery of its government mandate and continue efforts to enable a vibrant cannabis marketplace. This plan has been built from insight gained from four years of navigating an evolving cannabis marketplace and reflects feedback from industry stakeholders and government partners.

Strategic Objectives

To deliver on the OCS's direction and mandate, the agency will continue to prioritize three strategic objectives set out in its multi-year Corporate Strategy.

- 1. **Build Best-in-Class Wholesale Capabilities:** By expanding and increasing the reliability of wholesale distribution infrastructure and processes to support further growth of legal sales.
- 2. **Enable a Frictionless Customer Experience Through Digital Enablement:** By implementing a new customer experience model and investing in digital tools and features that minimize the friction retail customers face in achieving a satisfactory wholesale experience.

3. Champion the Legal Framework and a Socially

Responsible Industry: By providing cannabis consumers with the information they need to buy legal cannabis and make responsible decisions about purchases and consumption; and by ensuring Ontario benefits from an industry that promotes diversity and environmental sustainability.

Key Initiatives and Performance Indicators

To deliver on its strategic objectives, the OCS will implement several key initiatives over the next three years and will work toward achieving the enterprise-wide key performance indicator (KPI) targets as set out below. Progress toward achievement of these KPIs is tracked and reported to the OCRC Board of Directors on a quarterly basis and made available publicly through the OCS's annual reports and business plans.

Over the next three years, the OCS will report on the following enterprise KPIs.

KPI	2023–24 Target	2024–25 Target	2025–26 Target
Illegal Market Capture	63%	64%	65%
Revenue	\$1,573 M	\$1,639 M	\$1,703 M
Expenses (SG&A)	\$137 M (8.7%)	\$137 M (8.4%)	\$141 M (8.3%)
Net Profit to the Province	\$194 M	\$183 M	\$191 M

Build Best-in-Class Wholesale Capabilities

Since early 2019, the OCS has made continued investments to establish and improve its infrastructure and technological capabilities. For the legal cannabis marketplace to achieve its full potential, the OCS will further build out its wholesale capabilities, including more product offerings, subject to baseline regulatory quality performance criteria, and targeted improvements to its service delivery levels for Authorized Cannabis Stores.

Strategic Objective	Description	Key Outcomes	2023–24 Key Performance Indicators
Build Best-in-Class Wholesale Capabilities	By expanding and increasing the reliability of wholesale distribution infrastructure and processes to support further growth of legal sales	<ul style="list-style-type: none"> • Our capacity and capabilities do not restrict what Licensed Producers want to sell (subject to baseline regulatory, quality and performance criteria) • Our inventory availability, fulfilment and delivery service levels do not limit what Authorized Cannabis Stores want to buy 	<ul style="list-style-type: none"> • 30% growth in capacity to list SKUs (year-over-year) • Complete 10 inventory turns annually • 3% reduction in complaints per million units sold (year-over-year)

Build Capacity to Enable Product Assortment Innovation and Diversity

As the legal cannabis market continues to grow and mature, Authorized Cannabis Stores require greater product choice and consistent access to in-demand products to diversify their businesses and ensure products are readily available for a variety of consumer segments. At the same time, the robust manufacturing capabilities of the legal industry offer a unique value proposition to establish innovative products as a competitive advantage over illegal alternatives.

The OCS will continue to work collaboratively with Licensed Producers to achieve a reliable supply and the efficient movement of goods to retailers while also expanding its capacity to continually add new and innovative products to its wholesale network. Particular attention will be given to transforming the OCS’s existing infrastructure and processes that manage the product lifecycle.

delivery service levels for Authorized Cannabis Stores across the province. This includes continued expansion of its secondary Flow-Through fulfilment model.

Moving forward, investment in supply will evolve to maximize the value of each fulfilment model (general listing stocked and Flow-Through) to ensure the OCS is meeting the demands of its customers while continually improving its service levels. A substantial increase in the Flow-Through assortment is expected to support retailer differentiation and offer a path to market for new and innovative products.

Improve Demand-Based Inventory, Fulfilment and Delivery Service Levels

In parallel with expanding its capacity to increase its product assortment, the OCS will continue to work with Licensed Producers to improve inventory availability, fulfilment and

Enable a Frictionless Customer Experience Through Digital Enablement

As the exclusive wholesaler and distributor of recreational cannabis in Ontario, the OCS provides its retail partners with the support needed to run their stores efficiently and effectively. Over the coming years, the OCS will continue to refine its internal tools and processes to enable Authorized Cannabis Stores to maximize time spent with their customers

by minimizing time spent ordering, receiving and returning products. The OCS will focus on increasing the accuracy and transparency of its product ordering processes and improving the aggregated data and digital tools available to Authorized Cannabis Stores.

Strategic Objective	Description	Key Outcomes	2023–24 Key Performance Indicators
Enable a Frictionless Customer Experience Through Digital Enablement	By implementing a new customer experience model and investing in digital tools and features that minimize the friction retail customers face in achieving a satisfactory wholesale experience	<ul style="list-style-type: none"> • Retailers have access to simplified digital 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"> • 94% wholesale order fill rate • 6/10 retailer customer sentiment score

Simplified Digital Self-Serve Tools for Retailers

Over the next three years, the agency will focus on developing a customer-centric product management process and further enhancing its digital self-serve tools to better respond to retailer needs. Notably, this includes continued investments and improvements to the OCS B2B Portal, a platform that has created significant efficiencies to the product ordering cycle since its launch in 2021. The portal, which provides Authorized Cannabis Stores with an integrated wholesale ordering platform, will be enhanced to improve the product ordering experience, optimize customer claims processes and serve as a centralized information hub for retailers to better plan their assortment needs. The OCS will continue to engage with its retail partners as improvements to the OCS B2B Portal are made and simplified self-serve tools are introduced to ensure a frictionless customer experience.

Convenient Access to Data and Insights

As Ontario’s cannabis market has evolved and consumer preferences have matured, clear, consistent, relevant and trusted data and insights have become important tools to support Authorized Cannabis Stores as they make purchasing decisions. Through its retail data platform and data publications, the agency provides Authorized Cannabis Stores with access to product inventory, pricing and sales trends. Moving forward, the OCS will continue to identify opportunities to close existing data gaps, increase data relevance and usability, and strengthen the security of the data portal.

Champion the Legal Framework and a Socially Responsible Industry

Social responsibility is part of the OCS’s mandate and is fundamental to enabling a vibrant marketplace. In the past year, the OCS has made strides toward delivering a Social Responsibility Strategy to advance cannabis knowledge and promote responsible consumption. Over the next three years, the OCS will focus its efforts on being a leader in promoting the benefits of legal cannabis, supporting research and studies that

will benefit the future of the industry, and positioning the OCS as a trusted and valuable source of information on responsible consumption for all Ontarians.

Strategic Objective	Description	Key Outcomes	2023–24 Key Performance Indicators
Champion a Socially Responsible Industry	By providing cannabis consumers with the information they need to buy legal cannabis and make responsible decisions about purchases and consumption; and ensuring Ontario benefits from an industry that promotes diversity and environmental sustainability	<ul style="list-style-type: none"> • Consumers are well educated on the benefits of legal cannabis and how to access it • The OCS is a leader in promoting responsible consumption • Measurable progress is made toward promoting industry diversity and environmental sustainability 	<ul style="list-style-type: none"> • 60% agreement among frequent consumers that legal purchasing is preferable to illegal purchasing • 10,000 views on the OCS social responsibility website

Educating Ontarians

To educate Ontarians on the benefits of legal cannabis and how to access it, the OCS will continue to deliver its multi-phased Buy Legal advertising campaign in 2023–24. The next phase of the campaign will focus on broadening awareness of legal retail channels to help convert legacy consumers away from illegal sources. This will include posting messaging across social media platforms and making printable education materials available to Authorized Cannabis Stores, as well as providing dedicated resources on OCS.ca. The OCS will also undertake further market research to better understand how to convert illegal market consumers to the legal market.

2023, distribute in-store printable resources and engage with industry partners during trade shows, conferences and other cannabis-focused events.

The OCS will also conduct a baseline environmental assessment of its operations. This will include developing a lifecycle assessment of a standard 3.5-gram unit of dried cannabis from seed to sale. This will help determine the overall carbon footprint of the purchase and distribution of cannabis by the OCS from a Licensed Producer to a retail store. This work will inform the development of an emission reduction plan and provide insight into the effect the OCS has on the environment and where to make improvements.

Promoting Responsible Consumption

As part of its Social Responsibility Strategy, the OCS will continue to develop and expand its online educational hub, [Cannabis Made Clear](#). The platform provides consumers with up-to-date evidence-informed resources on legal cannabis. Topics featured on the platform include choosing legal cannabis, responsible consumption, cannabis impacts on the brain, cannabis impacts on youth and cannabis addiction. Cannabis Made Clear ensures Ontarians have the information they need to better understand cannabis and to make informed and responsible decisions about purchasing and consuming cannabis. To drive awareness to the platform and its resources, the OCS will launch a multi-channel advertising campaign in

Complementing its education and awareness efforts, the OCS will launch a social impact fund that will invite not-for-profits, charities and researchers to submit applications to fund community and research-driven initiatives. The funded programs, initiatives and research will create shared social value, promote diversity, equity and inclusion, and drive environmental sustainability across the legal cannabis sector.

The OCS remains committed to advancing diversity, equity and inclusion across the industry by increasing participation by

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under-represented groups. To do this, the OCS recently launched a retail diversity study. The study will help the OCS develop social impact initiatives and promote diversity across Ontario's Authorized Cannabis Store network. A more vibrant cannabis marketplace is one that is more reflective of our diverse population in Ontario.



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 employees play an integral role in delivering the agency’s strategic objectives. The OCS will continue to support the mental health and well-being of its employees and identify opportunities to improve the employee experience. The OCS Human Resources department has prioritized the following activities to support employees throughout the next fiscal year.

Performance Management and Compensation

In 2023–24, the OCS will continue to advance and improve the performance management framework put in place throughout 2022–23. This framework relies on a set of core competencies and goal-related performance measures, aligning employee performance and development with the strategic objectives outlined in this Business Plan. It includes processes and procedures for performance calibration and succession planning, employee performance reviews and annual goal setting. In addition, the OCS will continue to assess its total rewards approach, which is benchmarked against other public sector bodies and similar private sector organizations, and will adjust where possible to drive a performance culture.

Diversity, Equity and Inclusion

In alignment with its Social Responsibility Strategy, the OCS will implement its internal Diversity, Equity and Inclusion Strategy. The strategy focuses on foundational principles that build diverse teams, cultivate inclusive leaders and create an environment that welcomes every person in the organization. Some key deliverables for the coming year include ongoing round-table discussions to understand the employee experience, a voluntary self-identification survey, a structural bias audit and unconscious bias training. The first year of the strategy focuses on building a strong foundation to ensure success in the years ahead.

Development of Our Leaders

As a relatively new government agency, the OCS has grown rapidly over the past several years to support the delivery of its mandate. As a result, the agency is making investments in its leaders to ensure they are equipped to deliver on business objectives through active performance management and engagement of their teams. An internal leadership training program, which was developed and delivered in-house, will continue to roll out and will be provided to all people leaders by September 2023.

Resourcing

Following the development of the organization’s strategic plan, the OCS conducted a workforce planning assessment to ensure staffing across the organization supports the delivery of key business objectives.

Category	2022–23 Fiscal Year-End	Projected 2023–24 Fiscal Year-End
Employees	326	368
Contractors	17	17
Total	343	385

In May 2018, the OCS recognized the Ontario Public Service Employees Union (OPSEU) as the bargaining agent for a future bargaining unit of OCRC employees. In April 2022, the OCRC and OPSEU ratified the first collective agreement, which spans three years, from April 1, 2022, to March 31, 2025.

Implementation Considerations

Financial Requirements

To achieve the objectives set out in this Business Plan, the OCS has established a three-year financial projection. As the marketplace reaches a more mature state, year-over-year revenue growth is expected to stabilize relative to the initial years of OCS operations. Further, the forecast reflects product margin adjustments made in support of a new wholesale pricing model.

Realty

The OCS does not own any realty assets but does hold 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 2023–24 (\$ in Millions)	FY 2024–25 (\$ in Millions)	FY 2025–26 (\$ in Millions)
Revenue	\$1,573	\$1,639	\$1,703
Cost of Sales	\$1,257	\$1,330	\$1,382
Gross Margin	\$316	\$309	\$321
Expenses (SG&A)	\$137	\$137	\$141
Finance Costs (Income and Other Income)	(\$14)	(\$11)	(\$11)
Net Income	\$194	\$183	\$191
Monies Dedicated to Social Responsibility Activities (Estimated)	\$1.4	\$1.9	\$1.8

Information Technology and Distribution 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 2023–24 is greater data quality and integration across OCS information systems. To support this, the agency will continue to assess existing data programs to achieve greater efficiency and integration. The OCS will continue to invest in creating a modern data platform that leverages best practices to ensure secure and reliable data is available to internal and external stakeholders to inform decision making.

Automating Workflows

As the OCS grows, processes will need to be automated to support growth and to increase the number of products the

OCS accepts from Licensed Producers. The agency is looking to enhance its item onboarding processes, product information management systems and related technologies.

Enhancing Distribution Capabilities

The OCS is committed to providing low-cost, efficient distribution of cannabis across the province. As part of this commitment, the agency is working with its third-party logistics partner to continually refine and improve its distribution and technology capabilities. Over the next year, Flow-Through distribution capabilities will continue to be enhanced and rolled out, and the OCS will implement several automated processes, including enhanced transportation methods and mechanized order fulfilment, to ensure Authorized Cannabis Stores and consumers receive products quickly and seamlessly.

Implementation Considerations

Initiatives Involving Third Parties

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

Authorized Cannabis Stores

The OCS will continue to be a trusted partner and work closely with the province's network of Authorized Cannabis Stores to support the ongoing development of a vibrant cannabis marketplace in Ontario. To do this, the OCS will continue to invest in critical wholesale infrastructure to enable diversified product offerings across the network and to ensure retailers have access to self-serve tools that provide the insights needed to support their operations.

Licensed Producers

The OCS works closely with federally Licensed Producers across Canada to source and supply quality-tested regulated products for Authorized Cannabis Stores and adult consumers across Ontario. Over the next three years, the OCS will continue to improve its capacity to onboard new products and work with Licensed Producers to expand the assortment made available through its fulfilment channels. As the industry continues to evolve, the OCS will engage with Licensed Producers on an ongoing basis to identify opportunities to refine and enhance processes.

First Nations

The OCS will continue to work with the Government of Ontario to build partnerships with First Nations communities interested in enabling 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 Government of Ontario, the OCS continues to provide a First Nations Wholesale Adjustment Rate on the purchase of cannabis products for all AGCO-authorized stores located on-reserve. This adjustment supports First Nations communities and Authorized Cannabis Stores by ensuring consumer access to a quality-tested supply of legal cannabis. 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 has worked alongside the AGCO to support the opening of Authorized Cannabis Stores as they are licensed and authorized to sell cannabis to adult consumers across Ontario. This means moving 1,100 kilograms of cannabis per day to more than 1,600 retailers across Ontario. The agencies will continue to collaborate on the introduction of streamlined cannabis retail data reporting requirements, which will involve direct integration with in-store point-of-sale systems to reduce the burden on retailers. The OCS is committed to working with the AGCO and other government partners to identify opportunities to reduce burden, support efficient retail operations and enable a vibrant cannabis marketplace in Ontario.

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. The federal government recently appointed an independent Expert Panel to lead a legislative review of the legal cannabis framework. In support of this review, the OCS published a [discussion paper](#) outlining challenges observed during the first four years of legalization, alongside suggested areas of consideration.

As Health Canada continues to gather insights to inform the report that will be tabled in Parliament, the OCS is committed to continuing to work collaboratively with its government partners and will participate in any future engagement opportunities.

Jurisdictional Partners

As one of 13 provincial and territorial jurisdictions across Canada working to build a successful legal recreational cannabis industry, the OCS deems maintaining relationships with jurisdictional partners as an important activity. Through these relationships, formalized as the Canadian Cannabis Jurisdictional Leadership, the OCS and its counterparts have the opportunity to share important data and insights, identify opportunities for collaboration and strategically align on issues that require a more harmonized approach.

Risk Assessment

The OCS works proactively to address and mitigate risks the agency faces 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 affect 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 Government of Ontario on a quarterly basis. Below are key areas identified as risks and associated mitigation strategies.

Evolving Operational Environment

As discussed in the Environmental Scan section of this Business Plan, the OCS and its business partners continue to operate in an evolving business environment. Economic and marketplace risks may impact the OCS's ability to enable a vibrant cannabis marketplace and divert sales away from an entrenched illegal market.

Mitigation Strategy: The OCS continues to make targeted investments in core infrastructure and self-serve tools that strengthen Authorized Cannabis Stores' abilities to diversify their product offerings and attract consumers. The OCS will

Implementation Considerations

also continue to implement transformative projects to improve supply chain efficiencies and enable the OCS to offer a larger product assortment to consumers while meeting its service levels to deliver products to stores.

Enforcement Against the Illegal Market

As referenced in this Business Plan, sales made through illegal sources continue to pose health and safety risks to adult consumers and youth. Unregulated products may be of uncertain quality and could contain contaminants or other substances that could be harmful to consumers, and these products could be attractive to youth. Several recent studies have suggested, for instance, that THC claims on illegal products are often inaccurate, and that illegal products may contain dangerous amounts of pesticides, bacteria, fungi, lead and arsenic. Although the OCS is taking steps to support adult access to legal, regulated products, additional enforcement levers are needed to address the sale and distribution of illegal, unregulated cannabis products.

Mitigation Strategy: The OCS will continue to work with the Ontario Provincial Police, AGCO and other enforcement agencies to share information and resources, and support efforts to combat the illegal market. Through its Buy Legal campaign and educational hub, Cannabis Made Clear, the OCS is working to increase public awareness of the legal cannabis market and to promote responsible consumption.

Continued Opt-Out Municipal Status

Bricks-and-mortar cannabis retail continues to be unavailable to adults located in 66 municipalities across Ontario. Reduced legal access to cannabis in these communities may increase the risk that consumers will turn to illegal sources. Legal cannabis retail stores create jobs in municipalities where they are authorized and positively contribute to the local economy.

Mitigation Strategy: Through OCS.ca, adults across Ontario have access to legal cannabis products, including those people located in municipalities that have opted out of cannabis retail. The OCS will continue to make investments into its wholesale infrastructure to ensure it remains ready to onboard new Authorized Cannabis Stores should these municipalities decide to enable cannabis retail moving forward.

Cyber Security

Over the past several years, the number and severity of cyber incidents in Canada and across the globe continue to increase. Like many agencies and retail organizations operating in Ontario, the OCS is not exempt from potential cyber threats. In August 2022, the agency was affected when the parent company of OCS's third-party operated distribution centre, Domain Logistics, experienced a cyber incident.

Mitigation Strategy: The OCS has implemented several internal controls and monitoring tools to protect the agency against cyber threats. Through its dedicated information security team and regular training and awareness among OCS employees, the

agency is taking steps to reduce the impact of any potential cyber security incidents. The OCS also requires its vendors to have similar internal controls and monitoring tools in place to protect against cyber threats.

Communications Plan

The OCS must clearly and consistently communicate its strategic objectives to internal and external stakeholders in order to deliver on its mandate. An effective communications approach ensures all stakeholders understand the role of the OCS in enabling a vibrant marketplace through great customer experiences rooted in selection, service and quality.

This will be accomplished using the following channels:

- Digital and online communications (OCS.ca, doingbusinesswithocs.ca, ocswholesale.ca, OCS intranet)
- Corporate publications (such as data insights reports and annual reports)
- Media relations
- Social media (LinkedIn, Twitter, Instagram)
- OCS B2B Portal communication
- Participation in industry conferences, expos and other cannabis-focused events
- Regional meetings hosted by the OCS across Ontario

Communicating the Strategy to Employees

Understanding every employee has a role in supporting the delivery of the agency's strategic objectives, the OCS has a comprehensive integrated employee communications strategy. Each year, the OCS leverages a multi-channel approach to clearly communicate refinements to its Corporate Strategy that ensures employees understand the strategy at a departmental, team and individual level.

Communicating the Strategy to External Stakeholders

To ensure the OCS remains transparent, the agency will continue to deliver clear, consistent communications to all external stakeholders. Meeting external stakeholders where they are, the OCS will host events throughout the province to facilitate communication between employees and key stakeholders. This is part of the agency's commitment to delivering clear, consistent and transparent communications with its business partners. The OCS will continue to make relevant documents, including business plans and annual reports, publicly available on OCS.ca. Using all relevant channels, the OCS will communicate with stakeholders, as well as continue to respond to media inquiries in a timely and transparent manner.

