



# **BUSINESS PLAN**

## **2025–2028**

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# EXECUTIVE SUMMARY

In 2022, the OCS shifted its attention away from the initial efforts required to stand up Ontario's legal cannabis marketplace to a multi-year strategy, ***Scaling to Enabling***. This effort centred on rapidly scaling the wholesale infrastructure needed to support a marketplace undergoing hyper growth. This included notable investments into wholesale service levels and product selection, frictionless customer journey enhancements and leadership in establishing a foundation for social responsibility in connection with cannabis. These efforts have delivered strong results: the legal market gained significant ground on the illegal alternatives, industry partners reported improved interactions with the OCS, and public acceptance of legal cannabis increased.

To maintain this momentum and adapt to the needs of a maturing industry, the 2025–2028 OCS Business Plan is anchored to a new multi-year strategy, ***Enabling the Legal Advantage***. This strategy builds on past successes of enabling a cannabis marketplace that encouraged consumers to trial legal products. Instead, efforts will now shift to partnering with the legal industry to enable consistently exceptional legal shopping and consumption experiences that make shopping legal the unquestionable default for consumers.

Aligned with the agency's mandate from the Government of Ontario, this business plan includes three strategic priorities for 2025–2026: Reinforce the Existing Legal Advantages, Optimize the OCS Operating Model to Reinvest in Future Growth, and Build the Foundation for a Larger Legal Advantage.

While this business plan sets a clear course for the future, it does so against a backdrop of ongoing and emerging challenges that will influence the pace and scale of progress across the sector. Future growth rates for Ontario's legal cannabis marketplace are likely to be more modest compared to the initial years of legalization. Like other industries, the cannabis sector competes for consumer spending, which is likely to be impacted by current and future economic challenges. The legal cannabis market also continues to compete with the illegal market for consumer spending — a challenge that will persist in the absence of critical federal regulatory reform and dedicated attention from law enforcement. These factors are expected to create additional headwinds for industry participants that are already operating in a hyper-competitive environment. Despite these challenges, the OCS remains optimistic about its opportunity to partner with the industry to build on the advantages that make the legal cannabis experience compelling to consumers.

## 1. REINFORCING THE EXISTING LEGAL ADVANTAGES

Leaning into the momentum of the legal cannabis marketplace over the past three years, the OCS will partner with the industry and shift operational attention to areas where the legal market is building a competitive advantage to the illegal market.

## 2. OPTIMIZING THE OCS OPERATING MODEL TO REINVEST IN GROWTH

Adapting to slowing growth rates in the legal marketplace, the OCS will continue to responsibly manage its expenditures accordingly. Efforts will be made to shift resources and energy to areas that may enable further market growth.

## 3. BUILDING THE FOUNDATION FOR A LARGER LEGAL ADVANTAGE

To retain existing consumer spend and incentivize further migration of sales from the illegal market, new capabilities will need to be added to the current legal value proposition for consumers. The OCS will begin work to transform its wholesale and distribution capabilities to further enable diverse customer-centric shopping and consumption experiences. Recognizing the role other federal and provincial partners have in enabling a vibrant cannabis marketplace, the OCS will also support enforcement efforts and regulatory changes intended to increase displacement of illegal sales.

# 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). Through OCS.ca, the agency provides online sales direct to adult consumers, filling gaps in retail access not filled by Authorized Cannabis Stores, including in rural and remote communities 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.

As a government business enterprise of the Government of Ontario, the OCS also generates net profits that are regularly remitted to the Province to help fund its priorities, such as public services and infrastructure.

## GOVERNMENT MANDATE

The OCS supports the Government of Ontario’s objectives for the sale of recreational cannabis, including enabling a retail system that will help combat the illegal market, keep cannabis out of the hands of children and youth, and protect 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](https://www.ocs.ca);
- promoting social responsibility to facilitate a responsible approach to cannabis retail;
- providing consumers with information on safe and responsible consumption.

Each year, the OCS receives a letter of direction from the Minister of Finance. To fulfill its objectives and achieve the annual goals set out in its letter of direction from the Minister of Finance, the OCS has developed this comprehensive three-year business plan.

## PURPOSE, VISION, MISSION AND VALUES

### OCS PURPOSE

*(Why We Exist)*

To foster a vibrant cannabis marketplace that connects all Ontarians to the benefits of legal cannabis.

### OCS VISION

*(The World We Are Contributing To)*

Canada’s largest and most vibrant cannabis marketplace.

### OCS MISSION

*(Our Role)*

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

### OCS VALUES

*(How We Achieve Our Role)*

#### 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 2025–2028 Business Plan.

## EXTERNAL ENVIRONMENT

### LEGAL CANNABIS MARKETPLACE

As the legal cannabis industry continues to mature, the rapid revenue growth witnessed during the initial years of legalization has levelled off, signalling a more stable legal market environment moving forward. This is reflected in the OCS financial forecast included in this business plan, where year-over-year revenue growth for the next three years is relatively modest and aligned with average growth rates in mature consumer packaged goods industries.

### ECONOMIC IMPACT

Since legalization, the legal cannabis marketplace in Canada has had a profound impact in boosting gross domestic product (GDP) across the country, including through direct and in direct employment and capital investment. [Statistics Canada data](#) for 2024 reports that the legal cannabis industry contributed \$8.4 billion to Canada's GDP (\$7.4 billion through production and \$952 million through retail sales).<sup>1</sup> Notably, this outpaces several traditional sectors in Canada, including alcohol manufacturing, tobacco, dairy, meat production and many others.

### RETAIL NETWORK

As of Dec. 31, 2024, Ontario's adult population can make legal purchases through over 1,700 Authorized Cannabis Stores in more than 350 municipalities across the province. Historically, the number of store openings has outpaced closures, but this trend shifted in 2024, indicating the retail market is slowly consolidating in comparison to the initial years of legalization. In particular, the number of acquisitions and consolidation efforts has increased since the Jan. 1, 2024 provincial regulatory change that increased the number of stores licensed retail operators and their affiliates can operate from 75 to 150.

To help current and prospective retailers understand market conditions throughout Ontario and plan their potential locations, the OCS, in partnership with the AGCO, introduced a [retail market conditions map](#) in summer 2024.

Nearly seven years after legalization, 59 Ontario municipalities continue to prohibit consumer access to Authorized Cannabis Stores, including communities with large populations, such as Markham, Vaughan, Oakville, Richmond Hill, Whitby and Newmarket. However, through OCS.ca, adults throughout Ontario, including those in municipalities that prohibit legal cannabis retail stores or are underserved by current retail store coverage, have access to quality legal cannabis products.

### CANNABIS SUPPLY

After a period of rapid market entry and production in the supplier market, the number of net new federal Licensed Producers has continued to decline since 2020. Similarly, the total licensed growing area has trended downward.<sup>2</sup> Access to cannabis biomass for licensed processors has also shown signs of constraint, a trend that coincides with incremental growth in Health Canada–approved exports to markets such as Germany, Israel and Australia. Currently, according to Health Canada, there are around 900 federal licence holders authorized to cultivate or process cannabis. Out of these, approximately 575 are authorized to process cannabis. Many of these processors regularly engage with the OCS to sell cannabis products into Ontario's recreational market.

<sup>1</sup> Statistics Canada. Table 36-10-0434-06 Gross domestic product (GDP) at basic prices, by industry, annual average, industry detail (x 1,000,000). Data extracted April, 2025.

<sup>2</sup> Health Canada. (n.d.). Cannabis licensed area and employment: Inventory, sales and licensed area. Government of Canada. Retrieved Nov. 29, 2024, from <https://www.canada.ca/en/health-canada/services/drugs-medication/cannabis/research-data/market/licensed-area.html>

With Ontario accounting for 40% of annual legal cannabis sales in Canada, the OCS continues to observe strong demand among Licensed Producers for access to the Ontario market.<sup>3</sup> Each Product Call, the OCS receives around 2,000 unique product submissions from Licensed Producers, adding 600 to 750 new products to its catalogue. The OCS's recent efforts to expand its product range through enhanced onboarding capabilities and an improved Flow-Through model have provided Licensed Producers, including many craft and small-scale producers, with greater access to Canada's largest cannabis marketplace. As of Dec. 31, 2024, the OCS has listed over 5,000 unique products sourced from approximately 270 Licensed Producers.

### ATTITUDES TOWARD CANNABIS

Public sentiment toward cannabis in Ontario has undergone a significant shift since legalization, with attitudes stabilizing in recent years. A 2024 study by Angus Reid for the OCS reveals a broadly positive perception of cannabis and legalization. Two-thirds of adult Ontarians hold a positive view of cannabis consumption within the province, while three-quarters express a favourable opinion on the overall impact of legalization. Additionally, most Ontarians recognize its economic benefits, with three-quarters acknowledging that legalization generates tax-paying jobs and contributes to the province's financial health.

The preference for legal cannabis sources is growing. In a 2024 OCS study, 68% of consumers reported a preference to purchase from legal sources, a 6% increase from the previous year. This trend reflects increasing trust in the legal cannabis market and its ability to deliver safe, high-quality products. In fact, in the same study, 75% of cannabis consumers in Ontario say they believe Authorized Cannabis Stores offer better quality control and product safety, and 74% feel confident the products are free from harmful contaminants.

## CHALLENGES FACING THE LEGAL MARKETPLACE

### ILLEGAL MARKET ACTIVITY

Since legalization, significant progress has been made in shifting adult consumers toward the legal cannabis market. Statistics Canada 2023 household expenditure data reveals that 70% of the total value of cannabis consumed now comes from legal sources. However, the illegal cannabis market remains a persistent challenge, with a resurgence in unlicensed bricks-and-mortar stores, and hundreds

of mail-order-marijuana (or MoM) websites and delivery services operating across Ontario.

Despite Ontario's robust network of over 1,700 Authorized Cannabis Stores offering a wide assortment of tested legal cannabis products at competitive prices, confusion persists about where illegal products are sold. In fact, one in three Ontarians mistakenly believes that if a cannabis store is open, it must be legal. Adding to the confusion, one in two Ontarians believes illegal cannabis is primarily sold through "dealers," creating an opening for illegal stores and websites to exploit this misunderstanding and mislead consumers. While 77% of Ontarians say they feel legal cannabis is safer than illegal cannabis, 38% of cannabis consumers in the province continue to purchase at least some of their cannabis from the illegal market. These findings underscore the need for consumer education to clarify the risks of illegal cannabis and highlight the tangible benefits of the legal market.

To address these challenges, the OCS and AGCO launched a province-wide digital campaign and four-day Buzzkill pop-up event in Toronto in October 2024. The goal of the campaign and exhibit was to highlight the importance of choosing legal, tested cannabis over unregulated, illegal alternatives. The exhibit and overall campaign also provided information on how consumers can ensure they're purchasing from Authorized Cannabis Stores by looking for the Cannabis Retail Seal window sticker or symbol when shopping.

The persistent presence of the illegal cannabis market also continues to create an uneven playing field for businesses that have invested significant time, resources and capital to comply with strict regulatory frameworks. Illegal cannabis bypasses public health and safety measures embedded in federal and provincial legal cannabis frameworks, undermining the integrity of the legal regulated system. Tackling these challenges is critical to fostering fair competition, promoting responsible consumption and driving growth within Ontario's legal cannabis industry.

While the OCS does not have a law enforcement role, it is dedicated to collaborating with all levels of government to provide legal market intelligence and resources to support law enforcement's efforts.

<sup>3</sup> Statistics Canada. Table 20-10-0056-01 Monthly retail trade sales by province and territory (x 1,000). Data extracted April 2025.

<sup>4</sup> Statistics Canada. Table 36-10-0225-01 Detailed household final consumption expenditure, provincial and territorial, annual (x 1,000,000). Data extracted Dec. 5, 2024.

### ECONOMIC FACTORS IMPACTING THE CANNABIS INDUSTRY

Canadian industries, including the cannabis sector, continue to navigate a landscape marked by rising geopolitical and economic uncertainties. This has been heightened by various tariff applications and threats that have been imposed by the United States, which present significant risks to both the Canadian and global economy. These uncertain economic conditions are expected to alter the behaviours of consumers, suppliers and retailers. Industry participants continue to experience high costs of compliance, price compression, rising labour costs, intense competition from illegal operators and macroeconomic pressures that have increased product input costs and borrowing expenses. Addressing these challenges requires the collective effort of various stakeholders. As the provincial wholesaler and distributor of cannabis, the OCS is committed to contributing to the conditions for industry sustainability by using its scale and distribution capabilities to drive efficiencies for the marketplace.

### EVOLVING REGULATORY LANDSCAPE

As Canada's legal cannabis industry matures, governments continue to evaluate what is effective and what requires refinement to ensure the regulatory framework evolves appropriately. Under the *Cannabis Act*, the federal government was required to initiate a legislative review of the legal cannabis framework and its administration and operation within three years of legalization. In September 2022, the legislative review was launched with the appointment of a five-member independent Expert Panel, tasked with conducting an extensive review over an 18-month period. In March 2024, the Expert Panel tabled the [Legislative Review of the Cannabis Act: Final Report of the Expert Panel](#) in Parliament. The report identifies 54 recommendations and 11 observations to strengthen and improve the administration of the *Cannabis Act*.

At the onset of the review, the OCS 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 respond to the outcome of the final report of the Expert Panel.

Aligned with the findings and recommendations from the Expert Panel's final report on the Legislative Review of the *Cannabis Act*, on March 12, 2025, Health Canada [published amendments](#) to the *Cannabis Regulations* that took effect immediately upon publication. The amendments aim to reduce regulatory and administrative burden for stakeholders and regulated parties, and support diversity and competition in the legal cannabis market while maintaining public health and safety objectives. The OCS is grateful to Health Canada for its ongoing engagement and encourages the federal government to continue to further refine the regulatory framework to reduce overly burdensome requirements placed on legal businesses. The OCS also encourages Health Canada to provide additional commercial tools for the legal market to compete with illegal operators without jeopardizing the health and safety of Canadians.

The Ontario government continues to explore ways to strengthen its legal cannabis framework in support of an open retail cannabis market. Effective Jan. 1, 2025, regulatory changes under the *Cannabis Licence Act, 2018* now allow the transfer of a Retail Store Authorization (RSA) from one Retail Operator Licence holder to another. Additionally, an RSA holder who has requested the cancellation of their RSA can now sell cannabis to one other authorization holder. These changes simplify the licensing process for cannabis retailers, offering them greater flexibility when closing a retail location.

Over the past few years, the AGCO and the OCS jointly developed a new approach to cannabis data reporting to enhance efficiencies, support rapid compliance and reduce regulatory burden for Authorized Cannabis Stores. The OCS and AGCO have worked to implement a new streamlined point-of-sale (POS) data platform that integrates directly with retailers' in-store POS systems to automatically extract, standardize and automate monthly reporting, eliminating manual processes. The AGCO established new Registrar's Standards for Cannabis Retail Stores that make integration with this platform a requirement for Authorized Cannabis Stores. These rules came into effect on July 1, 2024.



## INTERNAL ENVIRONMENT

Over the past year, the OCS continued to make investments to establish the foundation for reliable wholesale delivery to an expanded network of Authorized Cannabis Stores. Investments were made to grow a competitively priced product catalogue that prioritizes innovation and increases the product options available to adult consumers. Recently, the OCS further enhanced its Product Call process to create greater efficiencies for Licensed Producers and made improvements to its Flow-Through distribution channel by reducing delivery lead times and significantly reducing payment processing timelines for Flow-Through products. Additionally, in spring 2024, the OCS introduced new pathways for Licensed Producers to offer exclusive cannabis products to Farmgate Stores, positioning Farmgate as a distinct retail channel that has the ability to nurture and foster innovation. Continuous improvements were also made to support small and micro Licensed Producers in delivering to the OCS.

The OCS has continued its efforts to establish a frictionless end-to-end journey for wholesale customers through technology enhancements to its wholesale ordering portal, higher standards of customer support and investments in research and market insights. In summer 2024, the OCS launched its new Claims Digitization process for retailers, enabling them to submit quality assurance claims quickly and easily through the OCS B2B Portal for the first time. This change has helped increase the number of stores submitting claims to the OCS, allowing the OCS to capture a more holistic view of quality-related issues.

The OCS continues to take significant steps to advance its multi-year Social Responsibility Strategy. In April 2024, the OCS released its first [Social Impact Report](#). The report outlines the OCS's strategic social responsibility objectives and illustrates how the organization is driving positive change in the areas of environmental sustainability, diversity and inclusion, and cannabis literacy.

### SUPPORTING OCS EMPLOYEES

The OCS is dedicated to fostering a workplace where employees feel valued, supported and empowered to contribute meaningfully to enabling a vibrant cannabis marketplace. Recognizing the importance of continuous learning, the OCS offers education and resources to promote career development. Since their launch in 2023–2024, employee development days have become a cornerstone of this effort, fostering personal growth and driving professional success, with 90% of staff participating in the program. Additionally, the OCS prioritizes leadership development through a comprehensive leadership training program, with 96% of its leaders completing a three-day training course to strengthen their skills and impact.

### DELIVERING PROFITS TO THE PROVINCE OF ONTARIO

As a government business enterprise of the Government of Ontario, the OCS takes pride in generating revenue that supports the province's priorities, such as public services and infrastructure. In 2023–2024, the OCS made its first-ever dividend payment, paying and accruing a total of \$365 million to the province of Ontario — an important milestone in its commitment to driving value for the public. Dividend remittances have continued in 2024–2025 and will be reported in the organization's Annual Report.



# STRATEGIC PLAN 2025–2028

## STRATEGIC DIRECTION: ENABLING THE LEGAL ADVANTAGE

Building on its past success, the OCS is committed to further transforming its operations and making strategic investments to enable a legal marketplace that's highly competitive against illegal alternatives. Efforts will now shift to partnering with the legal industry to enable consistently exceptional legal shopping and consumption experiences that make shopping legal the unquestionable default for consumers. Starting in 2025–2026, the OCS will focus on three strategic priorities.

## STRATEGIC PRIORITIES

1. Reinforcing the Existing Legal Advantages
2. Optimizing the OCS Operating Model to Reinvest in Growth
3. Building the Foundation for a Larger Legal Advantage

## KEY INITIATIVES AND PERFORMANCE INDICATORS

To deliver on its strategic objectives, the OCS will implement several key initiatives and work toward achieving the financial and operational 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.

The OCS will report on the following financial and operational KPIs.

FINANCIAL KPI	2025–26 TARGET	2026–27 TARGET	2027–28 TARGET
Revenue	\$1.80 B	\$1.85 B	\$1.90 B
Expenses (SG&A)	\$134 M	\$139 M	\$144 M
Net Profit to the Province	\$215 M	\$220 M	\$224 M

OPERATIONAL KPI	2025–26 TARGET
Inventory Turns	13
Wholesale Order Fill-Rate	98.5%
Perfect Order Index	97.5%
Complaints Per Million Units Sold	350
Retailer Satisfaction	6.5–7.4 (Good Range)
OCS.ca Experience Score	7.6–8.0
Producer Net Promoter Score	0–10 (Fair Range)

## 1.

**REINFORCING THE EXISTING LEGAL ADVANTAGES**

Leaning into the momentum of the legal cannabis marketplace that has been built over the past several years, the OCS will partner with the industry and shift operational attention to areas where the legal market is building a competitive advantage to the illegal market.

STRATEGIC OBJECTIVE	KEY OUTCOMES
Reinforcing the Existing Legal Advantages	<ul style="list-style-type: none"> <li>• Enhance the OCS.ca experience to augment the retailer network and support underserved consumer segments.</li> <li>• Partner with industry to double down on categories with a competitive advantage.</li> <li>• Expand cannabis knowledge and responsible consumption education.</li> <li>• Increase the awareness of Ontario Grown products.</li> </ul>

### **ENHANCING THE OCS.CA EXPERIENCE TO AUGMENT RETAILER NETWORK AND SUPPORT UNDERSERVED CONSUMER SEGMENTS**

The OCS provides safe and reliable adult access to legal cannabis through OCS.ca. The online platform plays a vital role in attracting consumer spend away from the illegal market and ensuring province-wide access to legal cannabis in communities without Authorized Cannabis Stores. New efforts will be prioritized to add enhancements to OCS.ca that further attract consumer spending away from mail-order-marijuana (MoM) platforms and into the legal market. In achieving this, the OCS will make better use of the capabilities available through Shopify and its third-party apps, particularly considering capabilities that can serve OCS.ca consumers while supporting a stronger connection with Ontario's retail store network. The OCS will also sharpen its focus on proactively providing a compelling alternative to illegal MoM websites in communities without stores. More broadly, OCS.ca will shift its e-commerce assortment strategy — placing a greater emphasis on stocking products that are underrepresented in Authorized Cannabis Stores but still desirable to smaller consumer segments.

### **PARTNERING WITH INDUSTRY TO DOUBLE DOWN ON CATEGORIES WITH A COMPETITIVE ADVANTAGE**

Since legalization, some product categories have made more significant progress than others in helping to attract consumer spend away from illegal sources. Factors influencing this include capital investments from the industry, regulatory opportunities and other competitive points of differentiation in product development, design and experience. Within federal regulatory allowances, the OCS will begin trialling new tactics to lean into these categories to further capture consumer spend from illegal sources.

Starting in summer 2025, the OCS will launch a province-wide program to more directly showcase the benefits of legal pre-rolls, the fastest growing product category in the legal market. By offering temporary price reductions and marketing support for Authorized Cannabis Stores, the OCS will help to enable further conversion of spending on dried flower from the illegal market to pre-rolls in the legal market. This campaign will aim to emphasize the superior value, quality and variety of pre-rolls available through legal channels.

### EXPANDING CANNABIS KNOWLEDGE AND RESPONSIBLE CONSUMPTION EDUCATION

Promoting informed and responsible consumption continues to be a cornerstone of the OCS's mandate. In the upcoming year, the OCS will refocus its social responsibility efforts to increase education and programming in supporting literacy among Ontarians on cannabis and responsible use, while also considering opportunities to invest in research that will expand the knowledge base that informs responsible consumption education in the future. Whether supporting frequent or new consumers, the OCS will aim to enable a legal marketplace that arms consumers with the education needed to mitigate regrettable consumption experiences. As part of this effort, the OCS will continue investing in its Social Impact Fund to leverage meaningful partnerships to achieve the objectives of its Social Responsibility Strategy. Launched in 2023, the Social Impact Fund invests in support programs, services and research undertaken by incorporated not-for-profits, registered charitable organizations, public healthcare organizations and researchers affiliated with academic and research institutions.

### INCREASING THE AWARENESS OF ONTARIO GROWN PRODUCTS

Since inception, the OCS has provided retailers and consumers with the largest and most diverse catalogue of legal cannabis products, sourced from Licensed Producers in every corner of Canada. While the OCS is committed to continuing to offer a competitive catalogue of products, it also recognizes the desire of some consumer segments to better understand the origins of the products they consume.

As announced by the Government of Ontario, the OCS will implement an **Ontario Grown cannabis** badge, alongside its existing **Canadian Craft cannabis** badge. All cannabis products sold by the OCS are grown, processed and packaged in Canada. Licensed Producers can use this badge to help Authorized Cannabis Stores and adult consumers identify and purchase products grown in Ontario. Starting in summer 2025, the OCS will issue the badge, to be featured on certain products with a minimum of 75% grown-in-Ontario inputs.

## 2.

# OPTIMIZING THE OCS OPERATING MODEL TO REINVEST IN GROWTH

Adapting to slowing growth rates in the legal marketplace, the OCS will continue to responsibly manage its expenditures accordingly. Efforts will be made to shift resources and energy to areas that may enable further market growth.

STRATEGIC OBJECTIVE	KEY OUTCOMES
Optimizing the OCS Operating Model to Reinvest in Growth	<ul style="list-style-type: none"> <li>• Transform back-end order management technology to increase flexibility in the retailer shopping and ordering experience.</li> <li>• Focus resources to enable future market growth.</li> <li>• Continue strengthening business resilience and practice for inevitable disruptions.</li> </ul>

### TRANSFORMING BACK-END TECHNOLOGY TO INCREASE FLEXIBILITY IN THE RETAILER SHOPPING AND ORDERING EXPERIENCE

Over the next year, the OCS will undertake a significant internal technology initiative to transform its back-end order management technology to support increased flexibility in the shopping and ordering experience for retailers. A new order management system will streamline and optimize the entire order lifecycle — from order capture to processing to fulfillment — delivering a seamless and efficient customer experience. This work will establish a robust foundation for integrating future front-end systems that will drive greater efficiency and scalability, and a suite of new wholesale features for retailers that, over time, will support their unique needs.

### CONTINUING TO STRENGTHEN BUSINESS RESILIENCE AND PRACTICE FOR INEVITABLE DISRUPTIONS

As the exclusive wholesaler and distributor for the Ontario cannabis marketplace, the OCS will continue to place a major focus on business continuity and resilience measures. Strategic investments in redundant capacity will minimize downtime of critical services, ensuring reliability during any potential business disruptions.

### FOCUSING RESOURCES TO ENABLE FUTURE MARKET GROWTH

Strategic resource allocation will be essential for the OCS to achieve its objectives and succeed through this next chapter of the marketplace's evolution. Over the next year, the OCS will realign resources to support its new priorities, emphasizing prudent planning and faster execution to adapt to shifting market demands. By increasing automation, the OCS will optimize workflows, reduce manual tasks and enhance overall efficiency across operations. Recognizing the importance of change management, the OCS will ensure a seamless transition for employees to contribute to new priorities while continuing to deliver existing value to industry partners, consumers and the province.

### 3.

## BUILDING THE FOUNDATION FOR A LARGER LEGAL ADVANTAGE

To retain existing consumers and incentivize greater migration of sales from the illegal market, new capabilities will need to be added to ensure ongoing value proposition for consumers to remain in the legal market. The OCS will begin work to transform its wholesale and distribution capabilities to further enable the marketplace diversity and innovation needed for the future. It will also work closely to inform provincial decision-making on enforcement and regulatory changes that may support greater illegal capture while protecting youth and Ontario communities.

STRATEGIC OBJECTIVE	KEY OUTCOMES
Building the Foundation for a Larger Legal Advantage	<ul style="list-style-type: none"> <li>• Define future state segment-specific wholesale journeys.</li> <li>• Advice on the evolution of a provincial enforcement strategy.</li> </ul>

#### DEFINING FUTURE STATE SEGMENT-SPECIFIC WHOLESALE JOURNEYS

As the Ontario legal cannabis marketplace continues to mature, retailers' needs are becoming increasingly diverse. Over the next year, the OCS will begin defining significant changes that may be required in its wholesale business to rebuild its service to support customer journeys unique to specific retailer segments. Defining the requirements for these customer journeys, with comprehensive input from retailers, will be the critical first step toward this multi-year strategy.

#### ADVISING ON THE EVOLUTION OF A PROVINCIAL ENFORCEMENT STRATEGY

Though the OCS does not have a mandate to engage in enforcement against the illegal market or to enable additional commercial tools through regulation, efforts will be made to provide strategic advice to the federal and provincial organizations that do. Through its frequent engagement with a large community of Authorized Cannabis Stores and Licensed Producers, the OCS is well-positioned to provide its government partners with strategic advice on critical enforcement and commercial tools that are needed to counter the recent trend of slowing growth in illegal market capture.

# IMPLEMENTATION CONSIDERATIONS

To support the commitments outlined in this Business Plan, the OCS 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

At the heart of the OCS is its people. It is their dedication, talent and passion for public service that drives the agency's success and execution against the ambitious goals set out in this Business Plan. The OCS recognizes that its employees are its greatest asset; it is committed to creating an environment where employees can thrive, grow and find purpose in helping to enable a vibrant cannabis marketplace. By investing in our people, the OCS is investing in the future of the organization.

### EMPLOYEE EXPERIENCE

In the coming year, the OCS plans to develop targeted change management supports to assist employees in the transition to a new multi-year strategic plan. Efforts will be prioritized to ensure all OCS employees are meaningfully engaged in the new strategic efforts — leveraging their existing talents and supporting the development of the new skills and capabilities needed for their growth and the organization's success.

Recognizing that employees' hard work and dedication remains a top priority, the agency will continue to focus on its employee recognition program, introducing new categories and criteria to celebrate a broader range of achievements.

The OCS continues to focus on addressing the feedback employees provide through employee engagement surveys and is also taking meaningful action in ensuring communication is consistent and transparent for employees across the agency.

### PERFORMANCE CULTURE, TALENT DEVELOPMENT AND COMPENSATION

To foster a thriving performance culture, the OCS will continue regular formal and informal check-ins and feedback sessions with employees. These will provide opportunities for meaningful dialogue where employees and managers can set goals and discuss progress. By leveraging data analytics, the OCS will identify trends and support employees' professional growth.

Recognizing the need for continuous learning and to support the new strategy, the human resources team will work with the business to identify skill gaps within the organization and develop comprehensive skill development programs. These will include workshops, online courses and hands-on training to ensure the team stays ahead of industry trends and is equipped with the relevant skills to support business objectives.

Moving forward, OCS leadership development programs will be expanded, focusing on emerging leaders and mid-level managers. These programs will build resilience, enhance leaders' ability to have difficult conversations and prepare leaders to navigate change effectively.

The OCS is committed to developing a strong talent pipeline. This program will evolve to better balance supporting future people leaders and nurturing individual subject matter experts to expand their knowledge base and contributions to delivering the multi-year strategy. Business continuity and resilience will also be a large focus, with efforts put toward succession planning for key roles to ensure stability.

## 2025–2028 BUSINESS PLAN

To attract and retain top talent, the OCS will leverage market analysis of its compensation framework, and will engage the Province on appropriate adjustments that balance the need to retain top talent with ensuring the fiscal prudence expected from public agencies.

### RESOURCING

CATEGORY	PROJECTED FISCAL YEAR-END			
	2024–25	2025–26	2026–27	2027–28
Management / Non-Union Employees	234	256	256	256
Unionized Employees	71	74	74	74
Contractors	11	8	8	8
<b>TOTAL</b>	<b>316</b>	<b>338</b>	<b>338</b>	<b>338</b>

The Ontario Public Service Employees Union (OPSEU) is the bargaining agent for a bargaining unit of OCS employees. In April 2022, the OCS and OPSEU ratified their first collective agreement, which spanned three years, from April 1, 2022 to March 31, 2025. The OCS is expecting to engage with OPSEU in 2025 on discussions related to a new collective agreement.

## FINANCIAL REQUIREMENTS

To achieve the objectives set out in this Business Plan, the OCS has established a three-year financial projection. As the marketplace matures, year-over-year revenue growth is expected to stabilize relative to the initial years of OCS operations.

(\$ MILLIONS)	FORECAST	REVISED FORECAST	2025–26	2026–27	2027–28
	2024–25	2024–25			
Revenue	1,813	1,767	1,821	1,872	1,925
Cost of Sales	1,469	1,420	1,474	1,515	1,558
Gross Margin	344	347	347	357	367
Expenses (SG&A)	137	124	134	139	144
Net Income	225	244	215	220	224

### 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, Ontario, and has a tri-party lease agreement with Domain Logistics, the agency's distribution partner, for its distribution centre in Guelph, Ontario.



## 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.

### LONG-TERM IT STRATEGY AND PLATFORM RELIABILITY

The OCS is committed to maintaining a comprehensive five-year road map of its technology needs. Efforts in this area will continue to be transformational for the agency, as additional work is done to scale back-end wholesale and data capabilities. Meanwhile, longer-term considerations will inform front-end platform decisions that are capable of rapidly and cost-effectively supporting market growth and customer customization and automation.

As the exclusive wholesaler and distributor for the Ontario cannabis marketplace, the OCS long-term IT strategy will also have a major focus on business continuity and resilience — including strategic investments into redundant capacity that would minimize the downtime of critical OCS services in the event of future disruptions.

Additionally, through its dedicated information security team and regular employee training and awareness, the OCS is taking steps to reduce cyber security incidents. The OCS conducts regular threat risk assessments and requires its vendors to have similar internal controls, monitoring tools and business continuity programs in place to protect against and recover from any cyber threats.

### FRONT-END CUSTOMER ENHANCEMENTS

While the OCS puts a majority of its focus in 2025–2026 on evolving its back-end wholesale capabilities, attention will also be given to advancing incremental enhancements to the existing front-end B2B and B2C platforms to address feedback from customers. Recent data migration and platform stability efforts deployed to the OCS’s Shopify platform will position the OCS to begin expanding additional standard

e-commerce functionality available to customers leveraging Shopify third-party apps. Separately, the OCS will continue to work with its B2B partner to refine the shopping experience for retailers to reduce friction and maximize decision support tools.

### ENHANCING DISTRIBUTION CAPABILITIES

The agency works with its third-party logistics partner, Domain Logistics, to continually refine and improve its distribution and technology capabilities. Building on recent progress in this area, the OCS will identify technology enhancements to support its objective of optimizing speed and reducing lead times for Authorized Cannabis Stores across the wholesale ordering cycle. These efforts are intended to ensure Authorized Cannabis Stores and consumers receive products quickly and seamlessly.

### OPERATIONAL EFFICIENCIES AND PROGRAM SUPPORT

The OCS will look to optimize efficiencies across its enterprise IT platforms while also implementing monitoring tools to proactively identify and resolve critical issues at their root causes. Alongside these enhancements, greater internal cross-functional alignment between business areas and IT will be sought to develop technology solutions that better support project delivery.

## INVENTORY OF ARTIFICIAL INTELLIGENCE (AI) USE CASES

Currently, the OCS does not use AI technology for any public-facing tools or services, nor is it used in the development, delivery, or decision-making for any agency-specific policy, program or service that directly affects members of the public. An internal AI committee

has been established at the OCS to monitor trends and developments in AI, as well as to evaluate potential use cases that may impact the organization's systems, processes and projects.

## 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 work closely with Ontario'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 reduce friction for retailers through the continued development of self-service tools that provide the insights needed to support their operations.

### LICENSED PRODUCERS

The OCS works closely with its suppliers — Health Canada-authorized Licensed Producers — from across Canada to source and supply quality-tested, regulated products for Authorized Cannabis Stores and adult consumers across the province. 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 fulfillment 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 various operational processes.

### FIRST NATIONS COMMUNITIES AND INDIGENOUS PEOPLES

The OCS will continue to support the Government of Ontario as it makes progress in building partnerships with First Nations communities interested in enabling on-reserve retailing. At the direction of the Government of Ontario, the OCS continues to provide a First Nations Wholesale Rate Adjustment on the wholesale 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. In addition, the OCS will continue to identify opportunities to reduce barriers for Indigenous-owned Licensed Producers seeking to introduce regulated cannabis products into Ontario's recreational cannabis market. Finally, the OCS will continue to work with the Government of Ontario to identify and mitigate broader obstacles to First Nations participation in the cannabis industry.

### ALCOHOL AND GAMING COMMISSION OF ONTARIO (AGCO)

Since private cannabis retailing was introduced in April 2019, the OCS has worked closely with 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 over 1,300 kilograms of cannabis per day to more than 1,700 retailers across Ontario. The agencies will continue to collaborate on streamlined Point-of-Sale data reporting. 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 regularly works with several government partners at the federal level, including Health Canada and Statistics Canada, to deliver on its legislated requirements, respond to regulatory proposals and consultations, and share relevant

industry data. The OCS is committed to continuing to work collaboratively with its federal government partners and will participate in any future engagement opportunities. The OCS will continue to 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 vibrant cannabis marketplace while reinforcing the need to protect public health and safety in connection with cannabis.

### JURISDICTIONAL PARTNERS

As one of 13 provincial and territorial jurisdictions across Canada working to build a successful legal recreational cannabis industry, the OCS closely collaborates with other governments and agencies through the Canadian Cannabis Jurisdictional Leadership. Through this working group, 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 framework. The agency's enterprise risk management framework helps the Board of Directors identify, assess, monitor, mitigate and report on risks to the Minister of Finance, as required. Below are key areas identified as risks and associated mitigation strategies.

### EVOLVING ECONOMIC AND MARKETPLACE CONDITIONS

Since the legalization of cannabis in Canada in 2018, Ontario's cannabis marketplace has experienced significant growth and transformation. Over the past six years, the OCS has seen a rapid growth in sales; however, signs indicate that the marketplace is maturing. Sales are beginning to level off, and the sector is undergoing consolidation among Authorized Cannabis Stores and Licensed Producers. In particular, the number of acquisitions and consolidation efforts has increased since the Jan. 1, 2024w provincial regulatory change that increased the number of stores from 75 to 150 that licensed retail operators and their affiliates

can operate. Furthermore, in 2024, approximately 18% of all applications filed in Canada under the *Companies' Creditors Arrangement Act* were from the cannabis sector. As the legal cannabis industry continues to evolve, broader economic and marketplace risks, such as the impact of tariffs on the Ontario and Canadian economy, could increasingly threaten the financial sustainability of the industry.

**Mitigation Strategies:** The OCS continues to undertake market research to gain a deeper understanding of consumer segments, behaviours and purchasing habits. These market insights are used to inform the OCS, retailers and Licensed Producers to help ensure product assortments and the purchasing experience are meeting consumer needs and demands. In addition, in its efforts to provide a greater product assortment to consumers, the OCS has made enhancements to its Product Call process, including increasing the number of Product Calls from four per year to five per year and streamlining the submission process. The OCS continues to deliver educational advertising campaigns to provide information to consumers to help them make informed purchasing decisions and to promote the legal cannabis industry.

### ENFORCEMENT EFFORTS AGAINST THE ILLEGAL MARKET

Despite legal market growth since legalization, illegal activity remains a pervasive component of the cannabis industry, with continued illegal sales through dealers, storefronts and mail-order-marijuana websites. Cannabis produced and sold illegally is not subject to the suite of public health and safety controls contained within federal and provincial legal cannabis frameworks. This lack of control means, for example, that illegal operators can advertise and promote their products and services, often in a manner that appeals to youth; they can offer products in larger, more cost-efficient formats; they can sell edible cannabis products that exceed legal limits on THC amounts; and they have fewer restrictions on how they can make sales (for example, offering 24-hour deliveries). In many cases, illegal cannabis is promoted and sold to Ontarians alongside other illegal substances, increasing the risk of harmful polysubstance use. Illegal market activity also creates an uneven playing field in the market and reinforces a competitive advantage for the illegal market over those who have invested time, resources and capital into the legal industry. Although the OCS is taking steps to champion the legal framework and support adult access to regulated products, it does not have a mandate to engage in law enforcement activities.

**Mitigation Strategies:** Although it does not have a law enforcement mandate, the OCS continues to work with all levels of government to provide market intelligence, consumer insight research and other resources, as appropriate, to support enforcement efforts against the illegal market. Through its Buy Legal campaigns and educational hub, [Cannabis Made Clear](#), the OCS continues to increase public awareness of the legal cannabis market and promote responsible consumption. In October 2024, the OCS and AGCO launched a province-wide digital campaign and four-day *Buzzkill* pop-up event in Toronto. The goal of the campaign and exhibit was to highlight the importance of choosing legal, tested cannabis over unregulated, illegal alternatives. The exhibit and overall campaign also provided information on how consumers can ensure they're purchasing from Authorized Cannabis Stores by looking for the Cannabis Retail Seal window sticker or symbol when shopping.

### CYBER SECURITY

Over the past several years, the number and severity of cyber incidents in Canada and across the globe has continued to increase. Like many agencies and retail organizations operating in Ontario, the OCS is not exempt from potential cyber threats.

**Mitigation Strategies:** The OCS has implemented several internal controls and monitoring tools and is measuring its cyber defences against internal standards, including Center for Internet Security and ISO frameworks. Through its dedicated information security team and regular employee training and awareness, the OCS is taking steps to reduce cyber security incidents. The OCS conducts regular threat risk assessments and requires its vendors to have similar internal controls, monitoring tools and business continuity programs in place to protect against and recover from any cyber threats. Over the past year, the agency has worked closely with its distribution provider, Domain Logistics, to enhance its IT environment and ensure appropriate controls are in place to reduce potential cyber threats and minimize the impacts a cyber event could have on the warehouse services and the ability to deliver products to Authorized Cannabis Stores and consumers. The OCS also conducts an annual attestation and audit of its own cyber security environment and controls to help ensure the agency has the appropriate protection in place against potential cyber threats.

## COMMUNICATIONS PLAN

The OCS must clearly and consistently communicate its strategic objectives to internal and external stakeholders 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 communication will be accomplished using the following channels:

- Digital and online communications (OCS.ca, doingbusinesswithocs.ca, ocswholesale.ca, OCS intranet);
- Corporate publications (such as annual reports, business plans and discussion papers);
- Media relations;
- Social media (LinkedIn, Instagram, Meta);
- OCS B2B Portal communication;
- Email circulars and business communications with Licensed Producers and Authorized Cannabis Stores;
- Participation in industry conferences, expos and other cannabis-focused events;
- Regional meetings hosted by the OCS across Ontario.

### COMMUNICATING THE STRATEGY TO EMPLOYEES

Understanding that 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 its multi-year strategy that ensures employees understand the strategy at a departmental, team and individual level.

### COMMUNICATING WITH 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 continue to attend and host events throughout the province to facilitate communication with key stakeholders. The OCS will continue to make relevant documents, including annual 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.

