



ONTARIO CANNABIS STORE BUSINESS PLAN

2024-2027

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Ce document est également publié en français sous le nom de Plan d'affaires 2024–2027 de la Société ontarienne du cannabis. Il est disponible sur OCS.ca.

EXECUTIVE SUMMARY

The Ontario Cannabis Store (OCS) is pleased to present its 2024–27 Business Plan, outlining the agency’s areas of focus and its upcoming priorities for 2024–25. In developing this plan, the OCS reflected on the fifth anniversary of legalized recreational cannabis in Canada, which occurred in October 2023, and the substantial growth Ontario’s legal cannabis marketplace has experienced over the past five years, with annual sales nearing \$2 billion.¹ The OCS is the largest wholesaler, distributor and online retailer of cannabis in the country. On average, the agency distributes over 1,200 kilograms of cannabis each day across its network of 1,700 Authorized Cannabis Stores in Ontario. The OCS also offers an e-commerce experience through OCS.ca, which provides age-restricted access to recreational cannabis province-wide — including rural and remote communities — as well as factual, unbiased, evidence-based educational resources and information through its social responsibility platform, [Good All Around](#).

To meet the needs of this maturing industry, over the past couple of years, the OCS shifted its focus from its initial phase of building out its operations to delivering on a new multi-year strategy aimed at scaling its infrastructure and core capabilities. To date, the OCS has made significant progress in enabling Canada’s largest and most vibrant cannabis marketplace. In 2024–25, the third year of its multi-year Corporate Strategy, the OCS will continue to focus on driving a transformative agenda centred around three strategic pillars, set out below, which are aligned with its government mandate.

- **Building Best-in-Class Wholesale Capabilities**

The OCS continues to make proactive investments to support robust wholesale infrastructure and systems to help grow its selection of innovative legal cannabis products, strengthen its foundational delivery service levels and enhance its quality-control processes. The OCS will continue to expand and increase the reliability of its wholesale distribution infrastructure and processes to support the growth of legal sales.

- **Enriching a Frictionless Customer Experience Through Digital Enablement**

As wholesaler to over 1,700 stores, the OCS continues to take steps to drive a seamless end-to-end customer journey with the creation of simple self-service tools for Authorized Cannabis Stores. The OCS remains committed to ensuring interactions when ordering from the OCS are efficient and effective, to afford retailers more time to focus on growing their businesses and customers.

- **Championing the Legal Framework and a Socially Responsible Industry**

Social responsibility plays a fundamental role in supporting the OCS’s objective of enabling a vibrant marketplace. The OCS continues to make progress in delivering against its multi-year Social Responsibility Strategy, which includes advancing cannabis knowledge, promoting responsible consumption, supporting a diverse and inclusive industry and establishing a foundation for sustainability.

Together with its industry partners, the OCS is proud of the role it has played in supporting Ontario’s legal cannabis market. As the industry continues to navigate a highly regulated environment with evolving public perceptions of cannabis, the OCS looks forward to collaborating with industry partners with a shared commitment to elevate the legal cannabis experience through superior service and quality. Together, we can enable a vibrant legal cannabis market that is a competitive alternative to the illegal market and creates opportunities for economic growth while ensuring Ontarians consume cannabis in a responsible manner.

¹ Statistics Canada. Table 20-10-0056-01 Monthly retail trade sales by province and territory (x 1,000).

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, OCS.ca, which provides legal access to adults age 19 and older located across Ontario, including rural and remote communities. The OCS is 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 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
- Promoting social responsibility to facilitate a responsible approach to cannabis retail
- Providing consumers with information on safe and responsible consumption

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

To fulfill its objectives and achieve the annual goals set out in its annual letter of direction from the Minister of Finance, the OCS has developed a 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 selection, service and quality.

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 key external and internal factors that influenced the development of the 2024–27 Business Plan.

External Environment

Legal Cannabis Marketplace

Oct. 17, 2023, marked five years of legal recreational cannabis sales in Canada, with annual sales in Ontario nearing \$2 billion, representing 40% of legal cannabis sales in Canada.² Despite significant revenue growth over the past five years, the legal marketplace is currently transitioning and maturing, with revenue growth beginning to stabilize. Given this context, the OCS is strategically focused on investing in its wholesale infrastructure to facilitate the conditions for future growth, reducing friction for retailers through a seamless customer experience and increasing its efforts in driving awareness of the benefits of the legal market and promoting social responsibility.

Retail Network

Today there are around 1,700 Authorized Cannabis Stores to serve adult consumers across the province. In the years following legalization, the rapid surge in retail store applications and new store openings had been a defining feature of Ontario's legal retail cannabis market. However, the retail market has begun to stabilize, with the number of stores that close each month becoming equal to the number of stores that choose to open.

In April 2023, the City of Mississauga opted to permit Authorized Cannabis Stores to open in its community. With this significant change, Ontario's third-largest city joined over 350 municipalities in providing its residents with legal access to recreational cannabis products — an important step in transitioning sales away from the illegal market. As of Dec. 1, 2023, 22 stores were authorized to open in the City of Mississauga. Adult consumers continue to have access to legal cannabis products through OCS.ca in Ontario communities where bricks-and-mortar stores are not permitted, including rural and remote communities.

Cannabis Supply and Product Innovation

In Canada, oversight of the regulated cannabis supply chain is a shared responsibility between the federal government (which regulates production) and provincial governments (which regulate distribution and sale). Over the past five years, Canada's production market has grown substantially. According to Health Canada, there are over 900 federal licence holders (as of March 31, 2023), many of which regularly engage with the OCS to sell cannabis products into Ontario's recreational market.

In an increasingly competitive production market, Licensed Producers continue to formulate new and innovative products, including unique concentrates, a wider selection of edibles and products containing an array of minor cannabinoids. Alongside this product innovation, consumer preferences have started to shift, with increasing demand for products other than dried flower. Although dried flower continues to represent the largest sales category — or 45% of all sales — its share has declined by 38% over the past three years as Ontario's product catalogue has grown and alternative products have emerged.

To enable legal market innovation, the OCS has actively built out its capacity to list and onboard new products and to make these products available to its wholesale network. Each quarter the OCS receives an average of 2,200 to 2,500 unique product submissions from Licensed Producers and adds around 800 to 1,000 new products to its catalogue. Alongside this work, the OCS collaborates with suppliers to retire products that no longer fit the catalogue's evolving assortment needs. Currently, the OCS does business with roughly 300 Licensed Producers, including many craft and small-scale producers who are key contributors to the growing diversity of products available in Ontario's cannabis marketplace. As of Dec. 1, 2023, the OCS had listed 4,066 unique products that it actively purchases and makes available for sale.

Shifting Attitudes Toward Cannabis

Over the past five years, there has been a growing acceptance of legal cannabis among Ontarians. According to recent studies conducted by Angus Reid for the OCS, 74% of Ontarians report a positive view on the impact of legalization, regardless of whether these adults choose to consume cannabis. Among cannabis consumers, considerations toward legal cannabis products have also shifted, with 66% now saying they are likely

² Statistics Canada. Table 20-10-0056-01 Monthly retail trade sales by province and territory (x 1,000).

to consider purchasing legal cannabis. Additionally, six in 10 consumers say they believe buying legal is important and that they prefer to buy from legal sellers. These perceptions have improved significantly over the past year, which can be attributed to the ongoing efforts of the OCS and its industry partners to promote the benefits of the legal framework. Lastly, whether in terms of physical or mental health, social life or long-term aspirations, Ontarians say they believe beverage alcohol poses greater risks than cannabis, with only about one in 10 saying cannabis has greater risks to mental health, long-term goals, social life and relationships.

Evolving Economic and Marketplace Conditions

Despite the growth of the legal cannabis market since legalization, many businesses throughout the cannabis industry are facing financial difficulties. In 2022, 40% of all applications filed under the *Companies' Creditors Arrangement Act* were from the cannabis sector. According to Health Canada, as of April 2023, 166 federal licence holders had exited the market, representing 15% of all production licences issued to date.³

Like other segments of Canada's economy, the cannabis sector continues to operate in a challenging economic environment, with rising interest rates and higher levels of inflation. At the same time, unlike many other sectors experiencing rising prices, cannabis prices have flattened or declined, as the legal market sets prices to compete with both legal and illegal operators.

Illegal Market Activity

Ontario's legal cannabis market continues to compete against an entrenched illegal market. According to Statistics Canada's data on household expenditures, around 30% of the total value of cannabis consumed is from illegal sources.⁴ In line with its commercial mandate, the OCS remains focused on building its capacity to offer products and services that are compelling alternatives to the illegal market. Although it does not have a law enforcement mandate, the OCS is committed to working with all levels of government to provide market intelligence and other resources, where appropriate, to support efforts by law enforcement bodies against the illegal market. The OCS will also continue to leverage its platforms to promote the benefits of the legal framework to adult consumers across the province.

Continued Technology Disruption and Acceleration

Investments and advancements into technology are expected to continue, with various sectors embracing the increased availability of automation, machine learning and artificial intelligence. Like many other retail-focused businesses, the legal cannabis market is poised for an increased infusion of technology to enhance service levels and convenience for consumers. There

are many upside opportunities for the OCS and its industry partners to bring new technologies into the marketplace in the years ahead; however, caution must be exercised to ensure the deployment of these technologies aligns with the regulatory frameworks guiding the legal cannabis marketplace.

Federal Legislative Review

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. A review was initiated in September 2022 with the appointment of an independent Expert Panel to evaluate whether the framework is achieving its intended objectives, including the public health, economic, social and environmental impacts of legalization. In support 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.

On Oct. 10, 2023, Health Canada released a [What We Heard Report](#), which provides a summary of the Expert Panel's engagements and findings over the previous year. The OCS is committed to working alongside the Government of Ontario to respond to the outcome of the final report that the Expert Panel must table in the federal Parliament by March 2024.

In 2022, the OCS engaged Deloitte Canada to assess the economic and social contributions of the legal cannabis industry in Ontario and across Canada. According to the report, [An Industry Makes Its Mark](#), Ontario's legal cannabis industry had contributed an estimated \$13.3 billion to Ontario's gross domestic product (GDP) since legalization. Since the release of this report, the cannabis industry has continued to emerge as an important economic driver in Ontario. The outcome of the federal legislative review will impact the future growth and success of the legal marketplace, including its ability to meet both public health and illegal market capture objectives. The OCS is grateful to Health Canada for its ongoing engagement and welcomes steps taken by the federal government to continually refine the regulatory framework to adapt to evolving market dynamics while considering the diversity of participants of all sizes across the industry.

³ Health Canada. Legislative Review of the Cannabis Act: What We Heard Report. 2023.

⁴ Statistics Canada. Table 36-10-0225-01 Detailed household final consumption expenditure, provincial and territorial, annual (x 1,000,000). Notes: Expenditures as of 2022 (extracted on Dec. 1, 2023).

Ontario's Legislative, Regulatory and Policy Environment

Five years into legalization, the Government of Ontario continues to consider opportunities to strengthen the legal cannabis framework to support its objectives for an open retail cannabis market. In June 2023, legal amendments were introduced that establish regulation-making authority to permit the transfer of cannabis retail store licences. These amendments will also allow for the transfer and sale of cannabis inventory between licensees, in certain circumstances to be specified by regulation. These regulations, once filed, are expected to reduce administrative burden for retailers when selling an Authorized Cannabis Store. The Ontario government also introduced legal amendments in November 2023 that would increase the number of stores licensed retail operators and their affiliates can operate from 75 to 150. These changes were introduced to respond to the growth in the legal retail cannabis market since these limits were first implemented. Alongside these changes, the Ontario government introduced amendments that would support engagement with First Nations on the regulation of cannabis within their communities. At the time of drafting this Business Plan, these changes had not yet been brought into law.

Regulatory Reporting for Authorized Cannabis Stores

Over the past few years, the AGCO and the OCS jointly developed and launched a new approach to cannabis sales and inventory reporting to reduce the regulatory burden on retailers when submitting this information to Health Canada. This new streamlined Point-of-Sale (POS) Data Reporting Platform integrates directly with retailers' in-store POS systems to automatically extract, standardize and automate monthly reporting, eliminating manual processes. Integration with the POS Data Reporting Platform will become a requirement under the AGCO Registrar's Standards for Cannabis Retail Stores in spring 2024. You can find more information on the POS Data Reporting Platform on the [AGCO website](#).

Internal Environment

Improving Foundational Infrastructure and Frictionless Customer Experience

Over the past year, the OCS has made several strategic investments into its wholesale and distribution infrastructure to facilitate the growth of its product offerings and make targeted improvements to its service delivery levels. This includes enhancing the OCS Product Call process to create greater efficiencies for Licensed Producers, improving its Flow-Through distribution channel and making additional investments in its operational capabilities. The OCS has also put more focus into building its customer experience model, aiming to better align with retailers' needs and effectively

manage the changes required to enhance the delivery of its wholesale services. To achieve this, the OCS continues to improve transparency of its operations and policies, increase engagement with the industry to provide greater clarity of operations and make investments into research and insights that will better support retailers in transitioning consumers from the illegal market.

On Sept. 11, 2023, the OCS transitioned to a new fixed markup pricing structure, along with a reduction in its margins, to create greater transparency and consistency for Licensed Producers and support a vibrant marketplace better positioned to compete with illegal operators. The OCS is pleased to contribute approximately \$60 million back into the marketplace in 2024–25, which will compound annually in years thereafter as the market grows.

Social Responsibility and Education

In September 2023, the OCS announced the launch of its new social impact platform, [Good All Around](#). Visitors to Good All Around will find the OCS's social responsibility content in one convenient location, reflecting the OCS's commitment to prioritize social responsibility.

The OCS also rolled out multi-channel advertising campaigns in 2023 to drive awareness to its online educational platform, [Cannabis Made Clear](#). Launched in 2022, Cannabis Made Clear provides easy access to unbiased, fact-based and current resources to support adult Ontarians in making informed, responsible choices about cannabis.

In April 2023, the OCS launched its [Social Impact Fund](#) to promote social responsibility in connection with cannabis through the funding of community projects and research. The OCS invited incorporated not-for-profits, registered charities, and research and academic institutions to submit applications to receive funding for community and research-driven initiatives. The inaugural funding recipients were [announced](#) on Nov. 28, 2023.

To champion the legal framework and drive awareness about the benefits of purchasing legal cannabis, the OCS launched another successful Buy Legal educational campaign, called [Trailblazers](#), in October 2023. Featuring Licensed Producers and Authorized Retailers, the campaign celebrated the passion of some of the people — growers, entrepreneurs and retailers — bringing innovative, carefully curated product offerings and great customer experiences to the legal marketplace. The OCS hopes to build on this success in 2024–25 by continuing to profile legal operators contributing to a vibrant cannabis marketplace in Ontario.

Supporting OCS Employees

The OCS recognizes that recruiting and retaining a diverse, committed and engaged workforce is essential to its growth and success. That is why the OCS is focused on providing staff with education and resources aimed at fostering career growth. In 2023–24, the OCS launched employee development days to enhance personal growth and drive professional success. The OCS also continues to place an emphasis on developing its leaders within the agency through its robust leadership training program. As of Sept. 30, 2023, 92% of the organization's people leaders had completed a three-day leadership training program.

Each year the OCS conducts regular surveys to assess employee engagement. The participation rate increased from 78% in 2022 to 87% in 2023. The OCS's overall engagement score of 7.9 out of 10 for this survey outperformed both industry (7.6 out of 10) and public sector (7.5 out of 10) benchmarks.

Delivering Profits to the Province of Ontario

As a government business enterprise of the Government of Ontario, the OCS is proud to contribute profits to the province to help fund priorities, such as public services and infrastructure. In 2022–23, the OCS generated \$234.2 million in net income, and in 2023–24, it began making dividend payments to the province. Payments will be reported through the OCS's annual audited financial statements at the end of each fiscal year.

STRATEGIC PLAN 2024-27

Strategic Direction

The OCS remains focused on a transformative agenda that will enable Canada's largest and most vibrant cannabis marketplace. Its strategy is aimed at scaling and evolving the OCS's core capabilities to help facilitate the growth of the legal market.

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. Building Best-in-Class Wholesale Capabilities**
By expanding and increasing the reliability of wholesale distribution infrastructure and processes to support ongoing growth of legal sales.
- 2. Enriching 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. Championing 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 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.

Enterprise KPI	2024-25 Target (\$ in millions)	2025-26 Target (\$ in millions)	2026-27 Target (\$ in millions)
Revenue	\$1,813	\$1,948	\$2,044
Expenses (SG&A)	\$137 (7.5%)	\$141 (7.3%)	\$145 (7.1%)
Net Income	\$225	\$239	\$251

Note: Numbers may not add due to rounding

Building Best-in-Class Wholesale Capabilities

During the first two years of its multi-year strategy, the OCS established a foundation for reliable wholesale delivery to an expanded network of Authorized Cannabis Stores across the province. Investments have been made to grow a competitively priced product catalogue that prioritizes innovation and increases product options available to adult consumers. In the upcoming years, the OCS will continue to scale and evolve its wholesale distribution capabilities while driving improvements to its service delivery, performance and product quality standards.

Strategic Objective	Description	Key Outcomes	2024-25 KPI
Build Best-in-Class Wholesale Capabilities	By expanding and increasing the reliability of the wholesale distribution infrastructure and processes to support further growth of legal sales	<ul style="list-style-type: none">Our product sourcing maximizes what producers want to sell, subject to base requirements and catalogue breadth targetsOur inventory availability, fulfillment and delivery service levels do not limit what retailers want to buy	Product catalogue breadth of 5,000 SKUs

Build Capacity to Enable Product Assortment Innovation and Diversity

As Ontario’s legal marketplace matures and evolves, the OCS continues to work with Licensed Producers to make new and innovative products regularly available to the wholesale network. Recently, the OCS has focused on improving transparency and consistency around how it sources products from Licensed Producer suppliers through its Product Call process. As a result of these efforts, the OCS’s suppliers report 85% overall satisfaction with this process. To respond to an agile and diverse supplier base that continually brings innovation to market, the OCS will explore opportunities to introduce greater flexibility into its Product Call processes. In addition, the OCS will focus on gathering and managing accurate product information to better assist wholesale customers and consumers in their purchasing decisions.

The OCS will also evaluate opportunities to improve how it supports Licensed Producer-operated retail stores, commonly referred to as “farmgate stores.” In particular, the OCS will create pathways for Licensed Producers to offer cannabis products that are exclusive to these stores. These changes will help position farmgate as a distinct retail channel where unique and innovative products can be trialled at licensed production facilities, creating engaging destinations for consumers that elevate the legal marketplace above illegal alternatives.

Improve Inventory Availability, Fulfillment and Delivery Service Levels

The OCS remains focused on enhancing its distribution capabilities to complement product catalogue growth. In recent years, this has involved investments and continual improvements to its Flow-Through fulfillment model, including better ordering flexibility and clarity on delivery lead times for Authorized Cannabis Stores. Moving forward, the OCS will work to reduce friction across the store ordering cycle and improve automation of its systems to help its supplier and retail partners more efficiently plan for their businesses.

In parallel with these efforts, the OCS will continue to collaborate with Domain Logistics, its third-party distribution partner, to develop and operationalize comprehensive business continuity plans to address and mitigate the unforeseen service disruptions facing all businesses operating in an increasingly complex global economy.

Higher Baseline Performance and Quality Standards

Building on strategic investments in its quality case management processes and systems, the OCS will improve its capacity to manage, track and resolve product information and quality complaints. The OCS will also partner with its suppliers to raise performance and quality standards, with the goal of reducing quality complaints over time.

Enriching a Frictionless Customer Experience Through Digital Enablement

As Ontario’s exclusive wholesaler and distributor of recreational cannabis, the OCS does business with around 1,700 Authorized Cannabis Stores located across the province. Over the past several years, the OCS has been establishing 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. Building on this progress, in the coming years, the OCS will focus on making improvements to modernize its digital platforms — the OCS Business-to-Business (B2B) Portal and OCS.ca.

Strategic Objective	Description	Key Outcomes	2024-25 KPI
Enrich 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">• Our simplified self-service digital tools and resources create a seamless pre- and post-order experience for retailers• Our convenient aggregated data and insights products support retailer purchasing decisions• OCS.ca is the most trusted place to learn, shop and discover cannabis	6/10 retailer customer satisfaction score

Simplified Digital Self-Serve Tools and Resources for Retailers

The OCS serves its wholesale customers through the OCS B2B Portal, an integrated ordering platform that guides Authorized Cannabis Stores’ end-to-end digital experience, from pre-purchase (browsing and ordering products) to post-purchase (receiving products and resolving issues). Over the next three years, the OCS will leverage feedback from its retail partners to modernize the platform and reduce friction throughout the customer journey.

With the continued introduction of digital self-service tools and resources, Authorized Cannabis Stores will be able to place wholesale orders and resolve wholesale issues more efficiently and effectively. The OCS will also continue to optimize its customer experience operating model to provide retailers with timely wholesale support and access to educational resources.

Convenient Access to Data and Insights

Given its role as a cannabis distributor, the OCS has access to data and gathers consumer insights that enable it to evaluate emerging market trends. Through its current Retail Data Program, quarterly Spark newsletter and other related publications, the OCS shares information and analytics with Authorized Cannabis Stores to support their business planning decisions. In support of this objective, the OCS will improve

the quality, reliability and timeliness of this information for its retail partners. The OCS will also work with its suppliers to strengthen and improve the accuracy of product information made available on both the OCS B2B Portal and OCS.ca.

The OCS recognizes that each of its 1,700 retail partners has unique needs based on location, region, size and time in market. The OCS will continue to evaluate how to leverage and share its data, automate its digital platforms and improve its customer experience model for these partners.

Modernizing the OCS.ca Experience

Since recreational cannabis was legalized, OCS.ca has served adult consumers across Ontario, including those located in rural and remote communities and in urban communities where Authorized Cannabis Stores do not exist. Over the past several years, visitors to OCS.ca have asked for improvements to their online purchasing experience, including increased customization. Recently, the OCS migrated its front-end technology platform to make these enhancements. In the upcoming year, the OCS will evaluate how to modernize OCS.ca, with the goal of increasing access to communities without legal stores, driving consumer traffic to existing Authorized Cannabis Stores and diverting sales to legal channels from illegal online cannabis websites, commonly referred to as “mail-order-marijuana” or “MoM” sites.

Championing the Legal Framework and a Socially Responsible Industry

Social responsibility is a core tenet of the OCS’s mandate and is fundamental to its vision of enabling Canada’s largest and most vibrant marketplace. The OCS has made substantial progress toward delivering against its Social Responsibility Strategy to advance cannabis knowledge and promote responsible consumption, support a diverse and inclusive industry and establish a foundation for sustainability. Collectively, these objectives support the OCS’s broader efforts to champion the benefits of the legal cannabis framework. Looking ahead, the OCS will continue to build out its comprehensive social impact platform — [Good All Around](#) — with a focus 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	2024-25 KPI
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	<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	67% consideration among frequent consumers that purchasing from legal sources is preferable to illegal sources

Educating Ontarians

Over the past several years, the OCS has delivered Buy Legal advertising campaigns aimed at educating Ontarians by driving awareness about the benefits of purchasing cannabis through regulated channels. In 2024-25, the OCS will continue to deliver these advertising campaigns. To complement this work, the OCS will create spotlights on OCS.ca that champion legal industry participants, providing the public with a behind-the-scenes look into the diversity of talent across the industry.

In support of these activities, the OCS will continue to undertake market research to gain a deeper understanding of consumer segments, behaviours and purchasing habits to inform its campaigns and transition consumers away from illegal sources. For example, research to date has revealed that consumers purchasing primarily through illegal sources will consider purchasing legally due to perceived product safety, product consistency and ease of access to an Authorized Cannabis Store.

Promoting Responsible Consumption

As part of its commitment to fostering a socially responsible cannabis industry, the OCS launched [Good All Around](#), a social impact platform that highlights the OCS’s Social Responsibility Strategy and connects Ontarians to fact-based, accessible

educational resources and information through [Cannabis Made Clear](#). The platform will be used to highlight all the OCS’s social responsibility activities, including its [Social Impact Fund](#), Social Impact Report and other investments in community initiatives and partnerships. The OCS will continue to promote social responsibility through this platform in the years ahead.

In 2023, the OCS launched its [Social Impact Fund](#), investing half a million dollars to support programs, services and research undertaken by incorporated not-for-profits, registered charitable organizations, and researchers affiliated with academic or research institutions. The successful partner projects align across the three streams of the OCS’s Social Responsibility Strategy. The OCS will continue to make this fund available to build meaningful partnerships that bridge gaps in knowledge across the legal cannabis industry.

Finally, the OCS delivered its first Social Impact Report, with plans to produce this report on an annual basis. The report highlights how the OCS is making an impact in the cannabis industry through its various social responsibility activities and initiatives in Ontario.

Supporting a Diverse and Inclusive Cannabis Sector

The OCS remains committed to advancing diversity, equity and inclusion across the industry. In support of this work, the OCS will continue to conduct diversity studies to better understand how marginalized groups are represented. These studies will help the OCS develop social impact initiatives to better promote diversity across the industry. In addition, the OCS will continue to sponsor events and provide equity grants to increase the representation of Black-, Indigenous- and person of colour-owned Licensed Producers and Authorized Cannabis Stores at cannabis industry events.

The OCS recognizes that since legalization, Indigenous participation within Ontario's regulated sector has been limited. The OCS will continue to work with the Government of Ontario, Indigenous stakeholders and its regulatory partners to identify and mitigate barriers that may be impacting broader Indigenous participation in the regulated industry. A more vibrant cannabis marketplace is one that is more reflective of our diverse population in Ontario.

Establishing a Foundation for Environmental Sustainability

The OCS will continue to build the foundation for more environmentally sustainable practices in Ontario's cannabis sector. Moving forward, the OCS will collaborate with its third-party logistics provider, Domain Logistics, to begin work on developing an emissions reduction plan to reduce the OCS's environmental impact.

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

OCS employees play an integral role in delivering the agency's Business Plan. As such, the OCS has prioritized the following activities to ensure employees are supported throughout the next fiscal year to deliver on the objectives identified in this Business Plan.

Employee Experience and Engagement

The OCS will focus on the following initiatives and activities to enhance employee engagement.

- Finalize and launch a newly created Employee Value Proposition (EVP) built on the foundation of the OCS's values and Employee Core Competencies introduced to the organization in 2022–23. An EVP sets out the benefits of working at the OCS and helps bring OCS culture to life for current and prospective employees.
- Continue to enhance the employment life cycle at the OCS, including recruitment, onboarding and offboarding processes, in alignment with the EVP.
- Establish a company-wide employee recognition program to reward employees who demonstrate the OCS's values and Employee Core Competencies.
- Enhance the OCS's health benefit offerings to provide more choice and flexibility to employees and to ensure physical and mental wellness are at the forefront of the offerings.

Performance Culture, Talent Development and Compensation

The agency will continue to focus on improving role clarity and performance expectations as part of a performance management framework established in 2022–23. In 2024–25, the emphasis will shift to ensuring the agency's organizational structure, staffing, employee performance and talent development are clearly aligned with the strategic objectives outlined in this Business Plan. The OCS continues to make investments in its leaders by providing them with the skills, knowledge and day-to-day support needed to lead high-performing teams. This includes ongoing leadership development training. In addition, the agency

is making a concerted effort to develop its internal talent, with a focus on providing employees with opportunities to gain hands-on experience through leading and delivering on complex strategic projects for the organization.

The OCS has developed a standard compensation approach, benchmarked against other public sector bodies, for all employee levels. Moving forward, to ensure the agency can attract and retain the talent needed to deliver on its mandate, the OCS will look to leverage and meet these benchmarked outcomes for compensation strategies.

Diversity, Equity and Inclusion

The OCS developed an internal Diversity, Equity and Inclusion (DE&I) Strategy in 2023–24. The strategy focuses on foundational principles that build diverse teams and cultivate inclusive leaders. Initial work involved engaging with third-party experts to help shape a longer-term vision for the DE&I Strategy. In 2024–25, the OCS will focus on actioning priority recommendations from these experts, including data collection and the establishment of an internal DE&I committee that will be led by a senior executive. The committee will serve as an important advisory body to help the organization make plans and implement programs that support DE&I.

Resourcing

Category	2023–24 Fiscal Year-End	Projected 2024–25 Fiscal Year-End
Management / Non-Union Employees	249	254
Unionized Employees	79	79
Contractors	17	17
Total	345	350

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 spans three years, from April 1, 2022, to March 31, 2025.

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 the OCS's operations. Further, the forecast reflects product margin adjustments made in support of the new wholesale pricing model introduced in September 2023.

Item	FY 2024–25 (\$ in Millions)	FY 2025–26 (\$ in Millions)	FY 2026–27 (\$ in Millions)
Revenue	\$1,813	\$1,948	\$2,044
Cost of Sales	\$1,469	\$1,581	\$1,659
Gross Margin	\$344	\$367	\$385
Expenses (SG&A)	\$137	\$141	\$145
Net Income	\$225	\$239	\$251
Monies Dedicated to Social Responsibility Activities (Estimated)	\$1.9	\$2.3	\$2.4

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.

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.

Platform Reliability and Enhancements

The OCS will continue to identify business continuity and cyber security mitigations to ensure its digital platforms are ready to scale with increasing demand. In addition, the OCS will evaluate how to modernize OCS.ca. With the recent migration of its front-end technology platform, the OCS is positioned to take advantage of many new tools and functions to elevate the overall experience on OCS.ca. The OCS plans to transform its digital presence to become the most trusted place to learn, shop and discover recreational cannabis.

Modern Data Platform and Integrated Systems

Having access to reliable data is a cornerstone of making informed business and policy decisions. In 2024–25, the OCS will continue to improve both the quality and integration of its data across its information systems. To support this, the agency will move ahead with investments in a modern data platform that leverages best practices, improves data analytics capabilities and incorporates artificial intelligence models, where practical. The platform will enhance productivity and ensure secure, accurate and reliable aggregated data is available to internal and external stakeholders to inform decision making.

Automating Workflows and Product Information Management

As the OCS grows, processes will need to be automated to support an increase in the number of products the OCS accepts from Licensed Producers. Alongside process improvements, the agency will dedicate attention to how it collects and manages product-level information and attributes collected from Licensed Producers. In particular, it will explore opportunities to partner with third parties to standardize the management of this information.

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 progress made in 2023–24, the OCS will identify technology enhancements to support its objective of reducing friction 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 the root cause. 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.

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 processes.

First Nations Communities and Indigenous Peoples

The OCS will continue to work with the Government of Ontario to build partnerships with First Nations communities interested in enabling participation in the legal market. 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 to sell cannabis to adult consumers across Ontario. This means moving over 1,200 kilograms of cannabis per day to more than 1,700 retailers across Ontario. The agencies will continue to collaborate on the introduction of a new streamlined Point-of-Sale (POS) Data Reporting Platform, which involves direct integration with in-store POS systems to reduce the regulatory burden on retailers and improve data accuracy and reliability. In the next fiscal year, the OCS will also work with the AGCO to introduce tools and data to help prospective retail applicants better understand market conditions before applying to open an Authorized Cannabis Store. 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

Over the past five years, the cannabis industry has witnessed substantial growth and transformation. However, despite the increase in overall sales, not all participants within the legal cannabis market have been able to achieve financial stability and success. As a result, some Licensed Producers and Authorized Cannabis Stores have filed for protection under the *Companies' Creditors Arrangement Act*. As the OCS and its industry partners continue to operate in an evolving legal marketplace, broader economic and marketplace risks may impact financial sustainability in the industry.

Mitigation Strategies: In September 2023, the OCS implemented a fixed markup pricing model that will create greater transparency and consistency for Licensed Producers. Alongside this change, the OCS strategically reduced its wholesale product margins, which is estimated to contribute approximately \$60 million into the marketplace in 2024–25 and compound annually thereafter as the market grows. Reduced margin levels are expected to better position Authorized Cannabis Stores to compete with illegal operators. In addition, the OCS continues to invest in improving its service levels to Authorized Cannabis Stores and creating a business-friendly environment for Licensed Producers supplying Ontario's market. This includes targeted proactive investments in core infrastructure and self-service digital tools that will minimize friction for retailers and suppliers, and facilitate a more positive wholesale and distribution experience.

Enforcement 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 (or MoM) websites. Cannabis produced and sold illegally is not subject to the suite of public health and safety controls contained within federal and provincial

cannabis legal frameworks. For example, this means 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 few 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 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: The OCS will work with all levels of government to provide market intelligence, consumer insight research and other resources, as appropriate, to support efforts by law enforcement agencies against the illegal market. Through its Buy Legal campaigns and educational hub, [Cannabis Made Clear](#), the OCS will continue to increase public awareness of the legal cannabis market and promote responsible consumption.

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.

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 (CIS) 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 has also prioritized more robust business continuity planning and mitigation preparation to ensure a fast recovery in the event of an incident. The OCS 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.

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 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, X [formerly known as Twitter], Instagram, Facebook)
- 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 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 continue to host events throughout the province to facilitate communication between employees and key stakeholders. 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.