



LCBO

Governance and Operations
August 25, 2008
IPAC, Quebec City



Market Share



LCBO



- Government Owned
- 598 Stores
 - 46.7% of the Ontario alcohol market
 - 19,226 products
- 194 Agency Stores
- Five Warehouses
- Employees 6,400 Full Time and Part Time

LCBO Mission



“To be a responsible, performance driven, innovative and profitable retailer, engaging our customers in a discovery of the world of beverage alcohol through enthusiastic, courteous and knowledgeable service.”



Background



The LCBO has been a crown agency of the province since 1927, however in 2007 the LCBO restructured its governance to modify the Liquor Control Act and separated the role of Chair and CEO.

Liquor Control Act Changes



1. The current Act largely dates back to the late 1920s - the end of the Prohibition era – and was in need of updating.
2. Initiative was seen to ensure a modern, efficient, accountable government agency.
3. Government wanted its agencies, delivers timely, cost-effective and accountable services to the public.
4. Clarify management and board roles

Liquor Control Act Changes



1. Separating role of Chair from the CEO
2. Removing Lieutenant Governor in Council (LGIC) approval for management and excluded staff salary ranges
3. Confer the power to delegate on the LCBO board, with limitations.
4. Increase size of Board from “up to 7” to “up to 11”

Chair



To provide oversight of the board, including leadership, ensuring board quality and continuity, acting as liaison with external groups and ensuring the sound governance practices are in place.

Board of Directors



Role of the Board is to oversee the management of the LCBO's Business and Affairs and to safeguard the interests of the shareholder.

Board of Directors - Roles



1. Strategic planning
2. Identification and management of risks
3. Oversight of communications
4. Succession planning and evaluation of management performance

Board of Directors - Roles



5. Management control framework

6. Governance

Board of Directors - Committees



1. Audit Committee

2. Governance and Compensation
Committee

Management



Role of the Management is to conduct the day to day operations of the LCBO in accordance with applicable laws.

Role of the President and CEO



1. Provide strategic orientation
2. Managing the company

Governance, Risk Management and Accountability



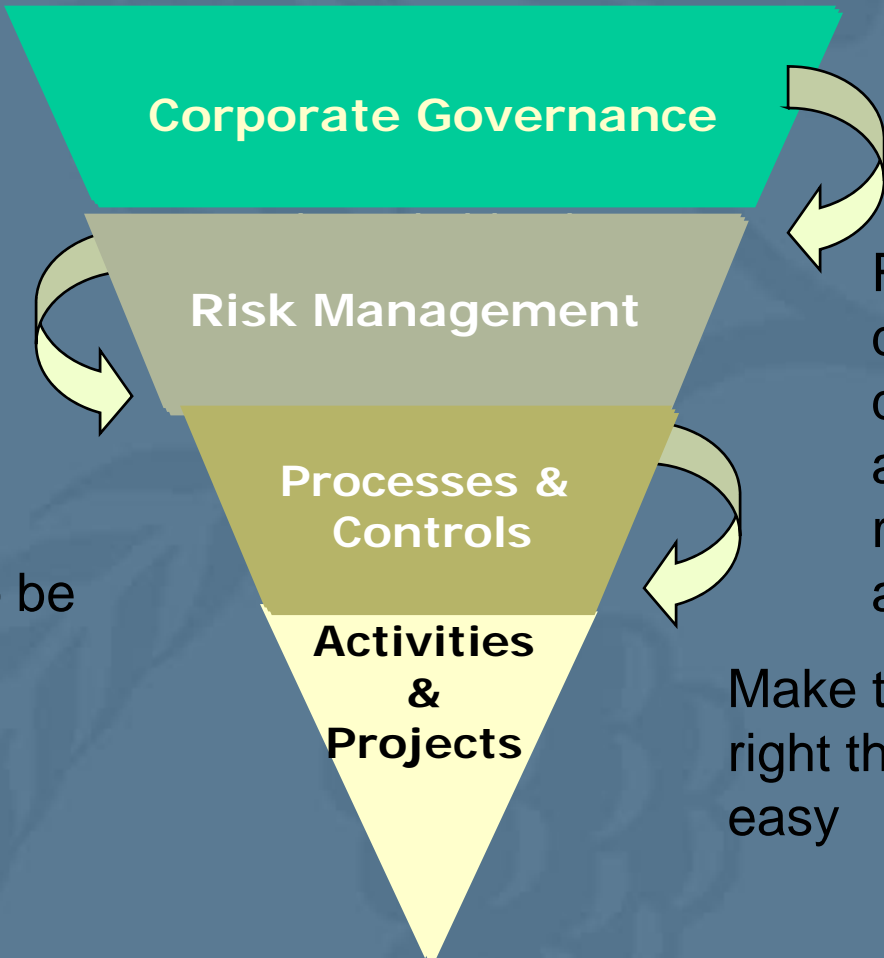
Enron

Tyco

Global
Crossing

OLGC SAQ HYDRO

Toronto Catholic
District School Board



Corporate Governance

Risk Management

Processes &
Controls

Activities
&
Projects

How strong the
processes and
controls need to be

Role clarity incl.
decision rights,
delegation of
authority,
responsibility and
accountability

Make the
right things
easy

Corporate Governance



Board of Directors

Oversight / monitoring

Legal liability

Composition

Eyes/Ears open, hands off

Internal Audit

IIA as international ruling body

Help entity achieve its objectives

Objective assessments

External Audit

- Financial reporting
- Internal Controls over Financial Reporting (ICFR)
- Management comments

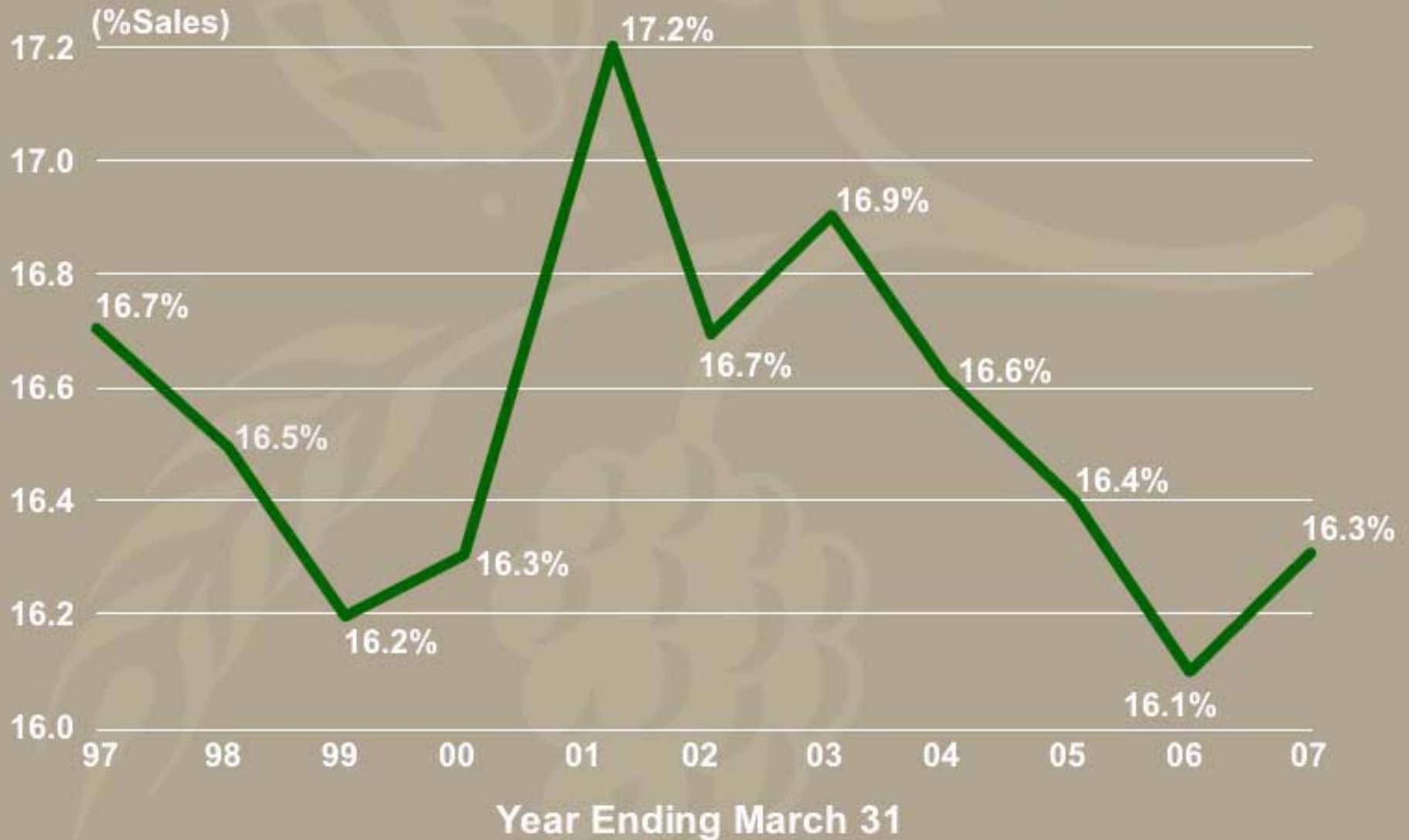
Senior Management

- Strategic Planning
- Enterprise Risk Management
- Leading teams to execute strategy

Net Sales Trend 1997 -2007



Expenses % of Net Sales 1997 - 2007



LCBO Dividends 1997 - 2007 (\$Millions)





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