

Inspiring Quebecers' pride



2021-2023 STRATEGIC PLAN



SAQ



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In the event of discrepancy between the French- and English-language versions of this plan, the French-language version shall prevail.

MESSAGE FROM THE CHAIR OF THE BOARD OF DIRECTORS



Although the notion of responsibility has been part of the mandate of the Société des alcools du Québec (SAQ) since its founding nearly a century ago, the commercial shift and the customer experience concept have imposed themselves as logical continuations in recent decades. Now and forever, the SAQ Board of Directors ensures that the company embraces change and adopts strategies that will enable it to remain successful as well as relevant to Quebecers.

The recently ended SAQ 2018-2020 Strategic Plan allowed the SAQ to make huge strides in improving its performance. Besides significantly reducing the key operating ratio of net expenses to sales, the company consistently delivered bigger and bigger dividends to Quebecers. Customers also saw an improvement in their shopping experience in areas such as personalisation, pricing and the diversity of the product offer. Supported by the Board of Directors, the SAQ's senior management team took constant action to develop and implement new initiatives and maintain the company's dynamism and performance. The plan also ended in the midst of an unforeseen development: the COVID-19 pandemic. The SAQ's swift adaptation to the new business reality combined with the resilience of its employees meant that Quebecers could continue benefiting from a reliable and safe retail business that is involved in the community, most notably through its increased collaboration with Food Banks of Quebec.

In the coming years, the challenges facing the SAQ will be huge. I am thinking, among other things, of the ongoing adaptation to new ways of doing business in the context of a pandemic, to the constantly rising expectations of its customers, to the transformation of its supply chain in preparation for market changes and to its position as a leader in glass recycling. It is the company's success in taking on these challenges that will make Quebecers proud—proud of what it is and what it does. And it is in quest of this goal—inspiring Quebecers' pride—that the Board of Directors intends to support the SAQ.

The 2021-2023 Strategic Plan will allow the SAQ to achieve its new vision and will lead it to a place we, as a society, want it to be. The plan will be a spark for promising achievements that inspire Quebecers' pride.

Here's to the SAQ!

A handwritten signature in black ink, appearing to read 'Johanne Brunet'.

Johanne Brunet
Chair of the Board of Directors

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER



We have come a long way in 100 years! The caged sales counters of the temperance era have become welcoming stores that encourage exploration and discovery. From controller clerks, we have evolved into advisors. This transformation happened gradually, in pace with changing social trends. We have taken these steps together, one by one.

Over the years, we have built a strong and profitable company that is in touch with its customers and curious about what is happening around the globe. We have conquered customers' hearts by offering a broad range of quality products, providing attentive advisory service and progressively moving toward a personalized relationship with our Inspire members. We have gone from 64 to 410 stores, from an offer of 383 products to over 35,700 and from 415 employees to more than 7,000.

We are now reaping the results of these many efforts: a customer satisfaction rate that is averaging 94%, first place in Léger's WOW ranking of the customer experience at more than 200 retailers across the province and the transfer of more than \$1 billion a year to the Quebec government to the benefit of all Quebecers. The SAQ has become a 100% Quebec economic engine at the heart of a flourishing industry based on pleasure and sharing. And building on the enthusiasm, knowledge and know-how of our employees, we will take the SAQ even further.

Our past successes motivate us to continue working together to grow our SAQ. Exciting challenges await us in the coming years. Market trends are changing and customers' needs evolving. Online shopping is increasingly important while our stores remain locations where the customer experience is the most appreciated. The beverage alcohol landscape is transforming and customers expect new products and greater choice. That is why we see opportunities for improving how we do business and shaping the SAQ of tomorrow by bringing the world to Quebecers.

As our customers know, they are the focus of our business. We will work to provide them with an even more fluid and personalized customer experience that is constantly improving. We will expand the product offer they have access to. We will also maintain the company's performance by applying the highest standards of management and governance, because Quebec needs us now more than ever. We will transform our supply chain to take on future challenges. Our goal? To give the most back to Quebecers.

For the first time, we are making the employee experience one of the pillars of our strategic plan. And rightly so! Our employees drive our success. By drawing on their talent and providing an environment in which they can flourish, they will enable the SAQ to go even farther. We also place great importance on social responsibility and commit to intensifying our efforts in this area in particular our efforts to improve glass recycling. We want Quebecers to be able to appreciate the SAQ's day-to-day involvement with their community.

This strategic plan confirms our determination to always do more for you, to make you want to say, "It's my SAQ and I'm proud of it."

A handwritten signature in black ink that reads "Catherine Dagenais".

Catherine Dagenais
President and Chief Executive Officer

The SAQ is a government-owned business corporation. Focused on customers and motivated by performance, it is known for its exemplary governance practices and for fully assuming its responsibilities.

To run a beverage alcohol retail business as we know it, we rely on some 7,000 employees, most of whom work in our extensive store network or supply chain or in support of our business activities.

WHO WE ARE

(cont.)

The joy
of choosing
from the best
the planet
has to offer



- **35,700** products
- **80** countries
- **3,700** suppliers
- The biggest non-French **buyer** of French wine
- **48,700** samples processed by the SAQ laboratory



Always
nearby



- **7,082** employees, including **5,300** dedicated to customer service
- **410** stores and **426** agency stores
- **7,384** authorized distributors
- **10,315** permit holders¹ (restaurants, bars and hotels)
- The **SAQ.com** transactional website with **37.2 million** visits a year

1. RACJ 2018-2019 annual report.

WHO WE ARE

(cont.)

Your satisfaction comes first



- **1,8 million** active Inspire customer-members
- **94%** of customers satisfied with their in-store shopping experience²



A huge supply chain



- **23.6 million** cases shipped to points of sale
- **1,106,276 sq. ft.** of warehouse space
- **No. 1** client of the Port of Montreal

2. Average of the quarterly satisfaction rates for the 2017-2018, 2018-2019 and 2019-2020 fiscal years.

WHO WE ARE

(cont.)

Outstanding results that benefit all Quebecers



- **\$1.226 billion** remitted to the Quebec government in the form of a dividend to the benefit of all Quebecers in 2019-2020
- **\$7.9 million** given to the Food Banks of Quebec network since 2009
- Support for more than **300** festivals and events across Quebec
- **\$285 million** in purchases of beverage alcohol made or bottled in Quebec in 2019-2020
- Nearly **\$200 million** in purchases of goods and services in Quebec each year



OUR MISSION

The SAQ’s mission is to sell beverage alcohol by offering a broad range of quality products throughout Quebec. In conducting its business, the government corporation is respectful of communities and the environment, it creates value for all Quebecers and provides an unmatched customer experience.

OUR VISION

Inspiring Quebecers’ pride

- By delivering a memorable, personalized experience to all our customers
- By tapping into our employees’ talent and creating an environment in which they can achieve their potential
- By applying the highest management and governance standards to give the most back to Quebecers
- By placing the public good at the centre of all our decision-making

OUR VALUES

Passion

We like exploring, tasting and discovering.

We like the stories behind the products and those that customers tell us.

Our passion for people and for what we do pushes us to improve and become the best we can be.

Collaboration

Because we go further together, collaboration, mutual aid and sharing are at the centre of our daily work.

It is the relationships we cultivate—among ourselves and with the rest of the world—that drive us forward.

Responsibility

Because alcohol is no ordinary product, we are determined to have a positive impact on the world around us.

It is this commitment to contribute to the public good that leads us to make enlightened, sustainable and responsible decisions.

BACKGROUND AND CHALLENGES

The SAQ does business in a complex ecosystem influenced by many variables. Whether economic, demographic, commercial or legal, these variables have a definite impact on our business. To chart the right course and build a solid foundation for the SAQ of tomorrow, we have identified the main challenges and growth factors around which to develop our strategies. It should be noted that the challenges listed in our 2021-2023 strategic plan have been updated to reflect what we have learned from the first months of the COVID-19 pandemic and ensure that the developed strategies take account of the new reality.

The SAQ's main challenges in the coming years

1 Customers' changing expectations and shopping behaviour	<ul style="list-style-type: none">• Establish a personalized relationship• Adapt to shopping behaviour increasingly influenced by technology• Provide easier access to a broader range of products• Comply with changing public health standards
2 Agility and performance	<ul style="list-style-type: none">• Improve operating and administrative performance• Update technology and cybersecurity systems• Budget for the operating costs attributable to new sanitary guidelines
3 Human resources and occupational health and safety	<ul style="list-style-type: none">• Provide a rewarding work environment for employees• Adapt to the advent of teleworking• Renew our focus on health, safety and well-being
4 Social responsibility	<ul style="list-style-type: none">• Find solutions that encourage glass recycling• Reduce the environmental impact of our business• Maintain a just balance between alcohol sales and our public health responsibility• Buy local products, goods and services and showcase Quebec products
5 Business environment	<ul style="list-style-type: none">• Mitigate the risks associated with an uncertain and potentially rocky economy• Adapt to demographic and competitive realities• Prepare for changes in the regulatory environment



CUSTOMERS' CHANGING EXPECTATIONS AND SHOPPING BEHAVIOUR

Main challenges

- How to exceed the expectations of customers seeking a personalized relationship and an inspiring in-store experience?
- How to adapt to shopping behaviour increasingly influenced by technology?
- How to favour access to an expanded product offer and more local and eco-responsible products?
- How to update the in-store experience while remaining in compliance with the latest public health guidelines?

A personalized relationship

For several years now, we have continuously surveyed our customers to learn what they think about our services. During the period covered by the 2018-2020 strategic plan, an average 94% of our customers said they were satisfied with their in-store shopping experience. This high level of appreciation is in no small part due to the expertise of our personnel and their understanding of our customers. Today, 1.8 million active SAQ Inspire members receive personalized promotional offers based on their purchase history.

We aim to constantly reinvent the experience we provide to customers and to adapt to their changing preferences. To meet their increasingly diverse expectations, we will adjust our store network and offer an even wider selection of products.

Technology-influenced shopping behaviour

Quebecers' use of technology for shopping has grown steadily in recent years. According to the 2019 issue of CEFRIO's *NETendances*, 63% of adult Quebecers made at least one online purchase in 2019, up five percentage points from 2017³.

At present, 2.0% of the SAQ's sales to consumers are transacted online, a percentage that is expected to grow. Tellingly, in the first months of the pandemic, the figure rose to nearly 4.0%.

Easier access to an expanded product offer

The variety of our product offer is a source of pride at the SAQ. We have always been focused on making a broad range of quality products available to our customers, adding new producers and countries to our catalogue over the years. With more than 15,700 products on offer in a given year and an annual inventory renewal rate hovering between 10% and 20% we compare favourably to our counterparts in the other Canadian provinces. Moreover, this offer is complemented by some 20,000 private import products.

Aware that Quebecers are deeply interested in discovering new products and are better and better informed about wine, we will stoke their curiosity by expanding access to all our products. This broader selection will include Quebec products, which have been enjoying a surge in popularity. In fact, the pandemic only contributed to the interest in local products, and Quebecers are keener than ever to give them a place of pride on their tables.

New public health standards

The new sanitary and distancing guidelines issued by public health officials since the start of the COVID-19 pandemic have significantly altered the in-store experience for customers as well as employees. Our priority will always be to provide an experience that is both safe and as pleasant as possible.

3. CEFRIO, *NETendances*, 2018 issue, Vol. 9, No. 6

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AGILITY AND PERFORMANCE

Main challenges

- How to constantly improve our operating and administrative performance?
- How to modernize our technology systems to better meet our business and operating requirements and protect our assets and data?
- How to simplify our ways of doing business and effectively manage the additional costs related to the new sanitary measures?

Operating and administrative performance

Customers’ changing shopping behaviour is placing significant pressure on supply chains, and companies that offer online shopping face huge logistical challenges. According to CEFRIO⁴, 88% of the companies surveyed view delivery time as crucial, followed by growth in demand (86%) and control of internal costs (83%). For the SAQ, this pressure on the logistics chain was further increased by the COVID-19 pandemic, which had the effect of boosting adoption of online shopping with home delivery. An analysis of our supply chain capacity has allowed us to define the transformation paths that need to be taken to optimize our activities.

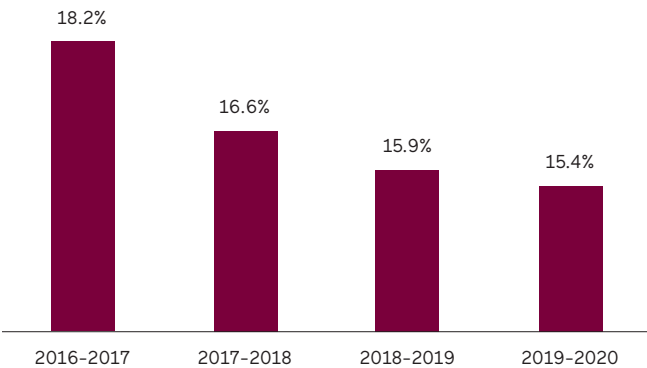
In recent years, our optimization efforts have reduced our ratio of net expenses to sales from 18.2% in 2016-2017 to 15.4% in 2019-2020. We continue to focus on improving overall productivity by further streamlining how we do business, especially in our store network, which accounts for some 65% of the SAQ’s annual expenses. Facing the possibility of limited sales growth in the coming years, we intend to continue creating value for Quebecers by maintaining our optimization efforts.

Modernizing technological systems and cybersecurity

Upgrading began under our 2018-2020 strategic plan the aim being to put in place more versatile and sufficiently powerful tools to support the attainment of our business objectives. We have begun migrating our data and systems to a cloud environment, an information technology trend that gives us more flexibility in managing application data.

The increased demand on our technology systems during the first months of the pandemic demonstrated the robustness of our information systems, not only with respect to online sales but also in terms of the infrastructure made available to employees for working efficiently from home.

Change in the SAQ’s ratio of net expenses to sales (Percentage)



Additional costs to comply with sanitary guidelines

The COVID-19 crisis and the new health guidelines issued by government officials have resulted in additional costs likely to affect our short-term performance. Increased cleaning and sanitation of our stores and warehouses are an example of the additional compliance-related costs.

4. CEFRIO, *Portrait de la logistique en commerce électronique au Québec*, October 2018.



HUMAN RESOURCES AND OCCUPATIONAL HEALTH AND SAFETY

Main challenges

- How to provide an engaging work environment in which employees feel valued?
- How to build on the success of teleworking to refashion work organization?
- How to renew our focus on health, safety and wellness to provide a safe and healthy workplace while implementing the new sanitary measures?

An engaging work environment in which employees feel valued

At the SAQ as at most Quebec companies, recruiting and retaining employees is a key factor for sustaining and improving our business. At a time when a growing number of employees are retiring (nearly a quarter of SAQ employees will be retirement eligible by 2024), we must find effective ways of attracting, motivating and increasing the loyalty of qualified employees.

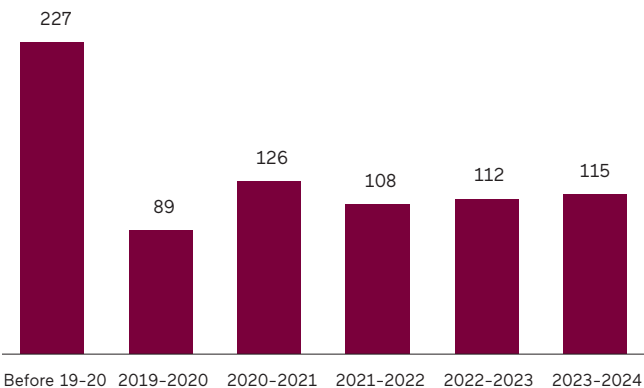
Forecast retirements by March 2024

(Number of regular employees)

Eligible for retirement by March 2024: 777

Regular employees: 3,376

Percentage eligible for retirement: 23%



New work organization open to telework

Several lessons were learned from administrative employees' successful adaptation to telework during the COVID-19 crisis. With reliable and secure technology platforms, telework is now seen as a useful option that improves work organization and increases employees' satisfaction with their work-life balance.

Health and safety shift

The health and safety of our personnel are constant concerns at the SAQ. Our current occupational health and safety results remain unsatisfactory and warrant a renewal of our focus and making a noticeable improvement in this area. This shift will include compliance with all public health guidelines.

4 SOCIAL RESPONSIBILITY

Main challenges

- How to maximize the social and economic impact of our activities?
- How to encourage glass recycling?
- How to reduce the environmental impact of our activities?
- How to maintain a balance between selling alcohol and our responsibility to maintain public health?

Impact on community life

Beyond our business role, we at the SAQ have an important social role to play. As a company that transfers all its profits to government coffers, continues to assist the food bank network, promotes local purchasing and provides support to events and organizations, we believe the SAQ can be a key player in Quebec's economic recovery in the coming years. We are very proud of this social role, which was highlighted during the pandemic through our in various community initiatives.

Buying local

The pandemic has weakened industries across Quebec, underscoring the need for the SAQ to support not only local beverage alcohol producers but also Quebec-based suppliers of goods and services. We plan to continue contributing to the collective good by favouring local purchases to the extent allowed by the rules under which our business must operate.

Glass recycling

Recycling data show that a significant proportion of the glass placed in Quebec recycling bins ends up in landfill sites. As half this glass is wine and spirits bottles from the SAQ, we intend to take a strong leadership role in the action plan to correct the situation.

Sales ethic

Aware that the products we sell are unlike any other and that we are duty-bound to act as a model citizen in society, we are committed to selling products responsibly. Intrinsic to our being a government corporation, this awareness pushes us to constantly re-examine our practices and adopt those best-suited to operating an ethical business.

Environmental impacts

For Quebecers as for all the world's people, the environment has become a pressing concern. Climate change was a focus of attention at the Davos 2019 World Economic Forum, where it was declared the biggest systemic risk facing the global economy today. Besides affecting current and future generations, climate change will have a direct impact on the wine industry and more specifically on the product offer and acquisition costs.

Accordingly, we will move forward with our initiatives to reduce our environmental impact and assist in taking on this major global challenge.



BUSINESS ENVIRONMENT

Main challenges

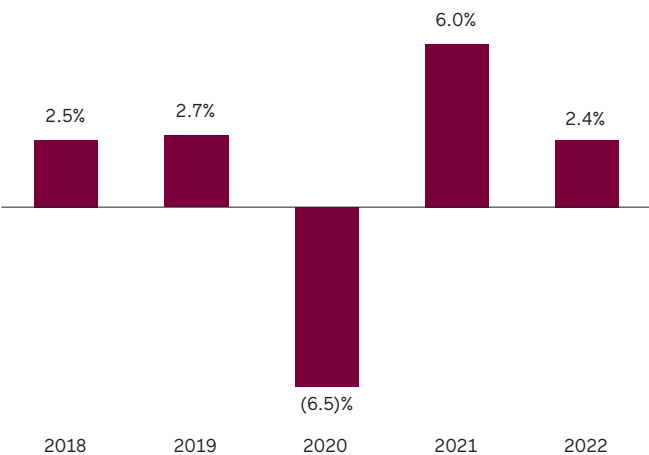
- How to adapt to an uncertain and less favourable economic environment?
- How to adapt to demographic and competitive realities?
- How to prepare for changes in the regulatory environment affecting beverage alcohol sales in Quebec and Canada?

Risks associated with an uncertain and challenging economy

Quebec has enjoyed a remarkable economic boom since 2017. According to the Quebec government’s June 2020 report titled *Portrait de la situation économique et financière 2020-2021*⁵, economic activity is expected to decline sharply in 2020. More specifically, the Quebec Finance Department is forecasting a 6.5% contraction in real GDP in 2020 followed by a 6.0% rebound in 2021. A return to sustained growth of 2.4% is anticipated in 2022. Under such circumstances, the SAQ’s contribution to Quebec’s treasury is essential. As a result, the SAQ intends to secure government revenue by constantly working to improve its performance.

The crisis has not only had an impact on the outlook for the restaurant and bar industry, which accounts for nearly \$425 million of the SAQ’s annual sales, but has also weakened the financial health of some of our partners.

Economic outlook for Quebec (Actual GDP, percentage change)



Source: Ministère des Finances du Québec, *Portrait de la situation économique et financière 2020-2021*, June 2020.

5. Ministère des Finances du Québec, *Portrait de la situation économique et financière 2020-2021*, June 2020.

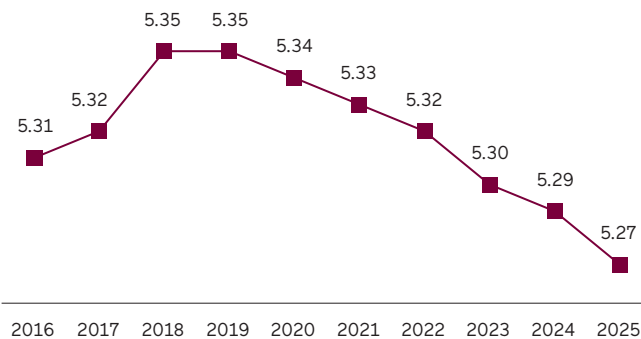
5. BUSINESS ENVIRONMENT (cont.)

Adapting to demographic and competitive realities

According to the 2019 issue of *Perspectives démographiques du Québec et des régions, 2016-2066* published by the Institut de la statistique du Québec, the number of 18- to 64-year-olds should decline 1.7% between 2019 and 2025⁶. Over the same period, the number of people 65 and older should increase nearly 22%. As people grow older, they tend to drink less alcohol, especially from age 65 on. These demographic changes and our determination to maintain the Quebec model of responsible alcohol consumption mean our natural market growth may be limited in the coming years.

Quebec demographic outlook

(Millions of persons between 18 and 65 years old)



Source: Institut de la statistique du Québec, *Perspectives démographiques du Québec et des régions, 2016-2066*, 2019 issue.

Another risk factor likely to constitute a challenge in coming years is the forecast increase in demand for recreational cannabis. This could have a downward impact on SAQ sales in the future.

Dealing with these realities while continuing to grow our share of the Quebec retail market will require agility. That we will achieve by constantly improving our business methods and practices.

Regulatory environment

The regulatory environment that defines the beverage alcohol sales model in Canada is constantly changing. In adapting to the dropping of interprovincial barriers to sales of Canadian beverage alcohol products and conforming to the conditions imposed by trade agreements, we will consider a broad range of strategies that will enable us to seize opportunities advantageous for our customers, Quebecers and the Quebec industry.

6. Institut de la statistique du Québec, *Perspectives démographiques du Québec et des régions, 2016-2066*, July 2019 – calculated using the baseline projections.

OUR STRATEGIC ORIENTATIONS

1

**Deliver
an integrated,
omnichannel
customer
experience**

2

**Improve our
performance**

3

**Provide our
employees
with a rewarding,
pride-inspiring
experience**

4

**Place social
responsibility
at the centre of
our activities**

1 DELIVER AN INTEGRATED, OMNICHANNEL CUSTOMER EXPERIENCE

Main challenges			Our core indicators			
<ul style="list-style-type: none">• Meet customers’ expectations by offering a personalized relationship and an inspiring in-store experience• Adapt to technology-influenced changes in shopping behaviour• Facilitate access to an expanded product offer and more local and eco-responsible products• Prepare for possible changes in the regulatory environment governing the sale of beverage alcohol in Quebec and Canada			Sales growth			
			Actual 2019-2020		5.9%	
			Target 2020-2021 ⁷		(2.6)%	
			Target 2021-2022		3.7%	
			Target 2022-2023		3.4%	
			Overall satisfaction rate⁸			
			Actual 2019-2020		92%	
			Target 2020-2023		92%	
Objectives		Indicators	Actual 2019-2020	Target 2020-2021	Target 2021-2022	Target 2022-2023
1	Provide customers with an inspiring, personalized experience	Discovery pillar⁸ Rate of customer agreement with the discovery promise	69%	69%	70%	71%
2	Develop our digital platforms	Accessibility pillar⁸ Rate of customer agreement with the accessibility promise	79%	79%	80%	81%
3	Provide a customer-centric choice of products	Choice pillar⁸ Rate of customer agreement with the choice promise	80%	80%	81%	82%
4	Raise the profile of Quebec products	Growth of Quebec product sales	14%	12%	2%	4%

Inspiring initiatives for customers

We want to offer our customers an SAQ that is close to them and places them at the centre of its decision-making. We plan to achieve this by delivering an inspiring and personalized customer experience in stores and online, ensuring a seamless experience across our various points of contact, delivering a choice of products geared to customers' needs and making all our products universally accessible. Our 2021-2023 strategic plan calls for new types of stores that redefine the bulk sales concept. To satisfy our increasingly curious customers keen on exclusive or specific products, we are working to open even more cellar doors around the globe. Not only will we expand our product offer by selling private import wines on SAQ.com, we will simplify the importation and sale of appealing products from here and elsewhere that are discovered by customers. In response to growing online sales, we will improve the experience by, among other things, reducing delivery times. We will focus more intensely on showcasing Quebec products and offering more organic, natural, fair-trade, low-alcohol and ecologically packaged products.

Targets adapted to the new reality

Since fiscal 2013-2014, the SAQ's annual sales growth has averaged 2.7%. The proposed initiatives will prompt growth of 4.4% over the next three years. This projection strikes us as realistic in view of the economic uncertainty and special situation caused by the pandemic, to demographic pressures and to our commitment to maintaining a balance between our mission to sell beverage alcohol and our determination to do so responsibly.

Measurement of customer satisfaction will now be based on five pillars: discovery, accessibility, pricing and eco-responsibility will be joined by product choice, a major factor in overall customer satisfaction. A change in how our surveys are conducted will also enable us to reach more respondents and a more diversified customer base. Our customer experience targets are ambitious and reflect our determination to constantly offer more to customers.

Lastly, promotion of Quebec products will increase their sales at as significantly faster rate than for overall sales.

7. The target 2.6% drop in sales in fiscal 2020-2021 includes the anticipated impact of the pandemic.

8. A change in how customers are contacted for surveys and the addition of a new satisfaction pillar in fiscal 2020-2021 required that the fiscal 2019-2020 data be adjusted retrospectively for comparison purposes.

2 IMPROVE OUR PERFORMANCE

Main challenges			Our core indicators			
<ul style="list-style-type: none">Improve the performance of our operating and administrative activitiesModernize our technology systems to meet our business and operating requirements and protect our assets and dataIncrease our agility in responding to demographic, economic and competitive changes by simplifying how we do businessPrepare for possible changes in the regulatory environment governing beverage alcohol sales in Quebec and Canada			Net expenses to sales ⁹			
			Actual 2019-2020		15.4%	
			Target 2020-2021		17.3%	
			Target 2021-2022		15.6%	
			Target 2022-2023		15.3%	
			Net earnings growth			
			Actual 2019-2020		6.9%	
			Target 2020-2021		(8.8)%	
			Target 2021-2022		10.0%	
			Target 2022-2023		4.3%	
Objectives		Indicators	Actual 2019-2020	Target 2020-2021	Target 2021-2022	Target 2022-2023
5	Transform the supply chain	Ratio of total supply chain costs to sales	2.97%	3.19%	2.94%	2.92%
6	Increase agility in stores	Ratio of bottles sold per hour worked in stores	40.4	41.1	41.6	41.9
7	Manage our administrative activities effectively	Ratio of administrative expenses to sales	1.3%	1.9%	1.5%	1.3%
8	Evolve our information systems and processes	Overall progress on main technology applications (upgraded, dropped, migrated to hybrid cloud)	—	2%	6%	10%

Performance: a top priority

Because the SAQ belongs to all Quebecers, we are committed to constantly doing better, to evolving, to questioning ourselves and to progressing. To be more flexible and agile, we are rethinking our ways of working in our stores, warehouses and administrative centres. We will prepare our supply chain to adapt to a transforming market and will upgrade our technology systems to deliver an improved online experience and faster service.

Targets for increasing productivity

Improving our performance and increasing our remittances that benefit all Quebecers are the indicators selected to measure the success of our initiatives over the next three years. Net expenses as a percentage of sales will fall to 15.3% by the end of the plan, a substantial achievement as the figure was 18.2% in 2016-2017 and as the new sanitary measures and work reorganization prompted by COVID-19 will have a significant impact on operating costs. To accomplish this, continuous optimization efforts will be required at every level of the organization.

9. The target net expenses to sales ratios of 17.3% in fiscal 2020-2021 and 15.6% in fiscal 2021-2022 include the anticipated impact of the pandemic.

3 PROVIDE OUR EMPLOYEES WITH A REWARDING, PRIDE-INSPIRING EXPERIENCE

Main challenges

- Provide a stimulating work environment to attract and mobilize employees at a time when the pool of available talent is shrinking
- Renew the focus on health, safety and wellness

Objectives		Indicators	Actual 2019-2020	Target 2020-2021	Target 2021-2022	Target 2022-2023
9	Increase employee engagement and attract top talent	Annual change in the engagement rate ¹⁰	—	—	≥ 1.0%	≥ 1.0%
10	Transform our occupational health and safety practices	Cumulative rate of reduction in the number of time-loss injuries	—	(3.5)%	(7.0)%	(11.0)%

Employees at the centre of our success

Happy employees proud of the organization they work for are a company's best ambassadors. They also perform better and are more creative and accomplished. At the SAQ, our employees are key to our success. We want to enable them to be their best. It is by valuing their role, providing them with a stimulating, healthy and safe work environment and creating a framework for encouraging their well-being that we will continue to attract top candidates. During the period covered by the 2021-2023 strategic plan, we will define the pillars of the employee experience by surveying our personnel and understanding what matters to them. We will then develop initiatives for providing this experience to them. We will also prioritize employees' health and safety by making a major shift in our approach.

A promising future for telework

Physical distancing and the introduction of new sanitary measures during the COVID-19 pandemic had the effect of accelerating the arrival of telework for the SAQ's administrative employees. Popular with many employees, this new form of work organization can support a healthy work-life balance while maintaining the SAQ's high productivity standards. A more flexible telework policy will be one of the changes to consider for optimizing administrative employees' work experience.

A rising engagement rate and fewer injuries

The success of these initiatives will be reflected in employees' rising engagement rate. The first year of the 2021-2023 strategic plan will be dedicated to selecting and implementing a measurement tool. Then, in the following two years, we will be able to determine the rise in the engagement rate. The transformation of our occupational health and safety policies will bring about a notable reduction in the number of lost-time injuries.

10. The measurement tool for this indicator will be implemented in 2020-2021.

4 PLACE SOCIAL RESPONSIBILITY AT THE CENTRE OF OUR ACTIVITIES

Main challenges

- Demonstrate leadership in encouraging glass recycling
- Contribute to the fight against climate change by reducing the environmental impact of our business activities
- Maintain a balance between our mandate to sell alcohol and our responsibility to maintain public health

Objectives		Indicators	Actual 2019-2020	Target 2020-2021	Target 2021-2022	Target 2022-2023
11	Inspire Quebecers pride and be recognized as an agent of change in glass recycling	Social responsibility pillar¹¹ Rate of customer agreement with the social responsibility promise	67%	67%	69%	70%
12	Reduce our environmental footprint	Reduction of our direct greenhouse gas emissions related to internal transportation of goods (vs. 2009-2010 ¹²), proportionally to litres sold	(19)%	(20)%	(21)%	(22)%
13	Ensure our beverage alcohol products are sold responsibly	Rate of refusal of underage mystery customers	92%	95%	95%	95%

Be an agent of change

Because it is an increasingly important issue for Quebecers, whose expectations in this area are rising, we have made social responsibility a strategic orientation of our 2021-2023 strategic plan. In addition to taking concrete action and demonstrating strong leadership in glass recycling, we will develop a series of initiatives aimed at reducing our environmental footprint. We will continue to sell products responsibly, in particular by ensuring our promotions do not incite overconsumption and by training employees to continue applying an exemplary sales ethic. We are proud to place social responsibility at the centre of our business, to be a vector of change in the community and to increase our contribution to the community when warranted by the circumstances, as was the case during the pandemic. Now we want to make this social responsibility a source of pride for Quebecers.

Targets that demonstrate the SAQ's leadership

During the course of the 2021-2023 strategic plan, in partnership with government authorities and in accordance with their timetable, we will carry out a pilot project aimed at recovering deposit-return containers. Reducing our environmental footprint will also be achieved by lowering our direct greenhouse gas emissions. Our sales ethic results should remain excellent. Ultimately, Quebecers will judge our success based on our accomplishments.

11. A change in how customers were contacted for surveys produced a slight difference in the observed results.

12. Fiscal 2009-2010 is the base year for the reduction of greenhouse gas emissions in Quebec's 2015-2020 Government Sustainable Development Strategy. The government's reduction target (in absolute terms) for 2020-2021 is a 9% decrease for light-duty vehicles, compared with 2009-2010. The SAQ target includes all types of vehicles.

EXPECTED RESULTS

Under the SAQ 2021-2023 Strategic Plan, we intend to remit a total dividend of \$3.6 billion, a 4.6% increase over three years. This planning takes into account the impacts of the COVID-19 pandemic, the most serious of which will be absorbed during the first year of the plan. The optimization efforts outlined in the plan will continue despite the pandemic-related increase in spending. We will therefore cap the rise in expenses at 3.9% over the three years, enabling us to improve the ratio of net expenses to sales, which will fall from 15.4% at the end of the 2018-2020 plan to 15.3% by the end of the 2021-2023 plan.

(\$ million)

	Actual 2020-2021	Forecast 2020-2021	Change	Forecast 2021-2022	Change	Forecast 2022-2023	Variation
Sales	3,489	3,398	(2.6)%	3,523	3.7%	3,643	3.4%
Gross margin	1,762	1,707	(3.1)%	1,779	4.2%	1,840	3.4%
Net expenses	536	589	9.9%	549	(6.8)%	557	1.5%
Net earnings	1,226	1,118	(8.8)%	1,230	10.0%	1,283	4.3%
TOTAL DIVIDEND = \$3,631							
Ratio to net sales							
Gross margin	50.5%		50.2%		50.5%		50.5%
Net expenses	15.4%		17.3%		15.6%		15.3%
Net earnings	35.1%		32.9%		34.9%		35.2%

Sales +4.4%

The SAQ aims to grow its sales 4.4% by 2023.

Net earnings +4.6%

The SAQ also aims to grow its net earnings 4.6%, the equivalent of an additional \$57 million in dividends over three years.

SUMMARY TABLE

Orientation	Objective		Indicator	Actual 2019-2020	Target 2020-2021	Target 2021-2022	Target 2022-2023
<div>1</div> <div>DELIVER AN INTEGRATED, OMNICHANNEL CUSTOMER EXPERIENCE</div> <div>Our core indicators:</div> <div>Sales growth</div> <div>Actual 2019-20205.9%</div> <div>Target 2020-2021(2.6)%³</div> <div>Target 2021-20223.7%</div> <div>Target 2022-20233.4%</div> <div>Overall satisfaction rate¹</div> <div>Actual 2019-202092%</div> <div>Target 2020-202392%</div>	1	Provide customers with an inspiring, personalized experience	Discovery pillar¹ Rate of customer agreement with the discovery promise	69%	69%	70%	71%
	2	Develop our digital platforms	Accessibility pillar¹ Rate of customer agreement with the accessibility promise	79%	79%	80%	81%
	3	Provide a customer-centric choice of products	Choice pillar¹ Rate of customer agreement with the choice promise	80%	80%	81%	82%
	4	Raise the profile of Quebec products	Growth of Quebec product sales	14%	12%	2%	4%
	5	Transform the supply chain	Ratio of total supply chain costs to sales	2.97%	3.19%	2.94%	2.92%
<div>2</div> <div>IMPROVE OUR PERFORMANCE</div> <div>Our core indicators:</div> <div>Net expenses to sales⁴</div> <div>Actual 2019-202015.4%</div> <div>Target 2020-202117.3%</div> <div>Target 2021-202215.6%</div> <div>Target 2022-202315.3%</div> <div>Net earnings growth</div> <div>Actual 2019-20206.9%</div> <div>Target 2020-2021(8.8)%</div> <div>Target 2021-202210.0%</div> <div>Target 2022-20234.3%</div>	6	Increase agility in our stores	Ratio of bottles sold per hour worked in stores	40.4	41.1	41.6	41.9
	7	Manage our administrative activities effectively	Ratio of administrative expenses to sales	1.3%	1.9%	1.5%	1.3%
	8	Evolve our information systems and processes	Overall progress on the main technology applications – upgraded, withdrawn or migrated to the hybrid cloud	—	2%	6%	10%
	9	Increase employee engagement and attract top talent	Annual change in the engagement rate ²	—	—	≥ 1.0%	≥ 1.0%
<div>3</div> <div>PROVIDE OUR EMPLOYEES WITH A REWARDING, PRIDE-INSPIRING EXPERIENCE</div>	10	Transform our occupational health and safety practices	Cumulative rate of reduction in the number of time-loss injuries	—	(3.5)%	(7.0)%	(11.0)%
	11	Inspire Quebecers’ pride and be seen as an agent of change in glass recycling	Social responsibility pillar¹ Rate of customer agreement with the social responsibility promise	67%	67%	69%	70%
<div>4</div> <div>PLACE SOCIAL RESPONSIBILITY AT THE CENTRE OF OUR ACTIVITIES</div>	12	Reduce our environmental footprint	Reduction of our direct greenhouse gas emissions related to internal transportation of goods (vs. 2009-2010), proportionally to litres sold	(19)%	(20)%	(21)%	(22)%
	13	Ensure our beverage alcohol products are sold responsibly	Rate or refusal of underage mystery customers (%)	92%	95%	95%	95%

1. A change in how customers are contacted for surveys and the addition of a new satisfaction pillar in fiscal 2020-2021 required that the fiscal 2019-2020 data be adjusted retrospectively for comparison purposes.
2. The measurement tool for this indicator will be implemented in 2020-2021.
3. The target of a 2.6% drop in sales in fiscal 2020-2021 includes the anticipated impact of the pandemic.
4. The target net expenses to sales ratios of 17.3% in fiscal 2020-2021 and 15.6% in fiscal 2021-2022 include the anticipated impact of the pandemic.

APPENDIX: 2018-2020 RESULTS

Now that the last page of the SAQ Strategic Plan 2018-2020 has been turned, our results show just how far we have come. The many efforts invested by our employees in collaboration with our various partner, have borne fruit and favoured attainment of the objectives of our two main strategic orientations: aim for excellence in the customer experience, and achieve operational excellence and continue transforming the organization.

A personalized customer experience

Customers are at the centre of our activities and to satisfy them, we worked on four main satisfaction factors: discovery, accessibility, pricing and social responsibility. At the end of the three-year period covered by the preceding strategic plan, customer satisfaction with both pricing and our focus on sustainable development saw a significant 10-percentage-point increase. Moreover, our work to personalize the customer relationship and improve accessibility allowed us to exceed customers' expectations and grow sales by 11.7%

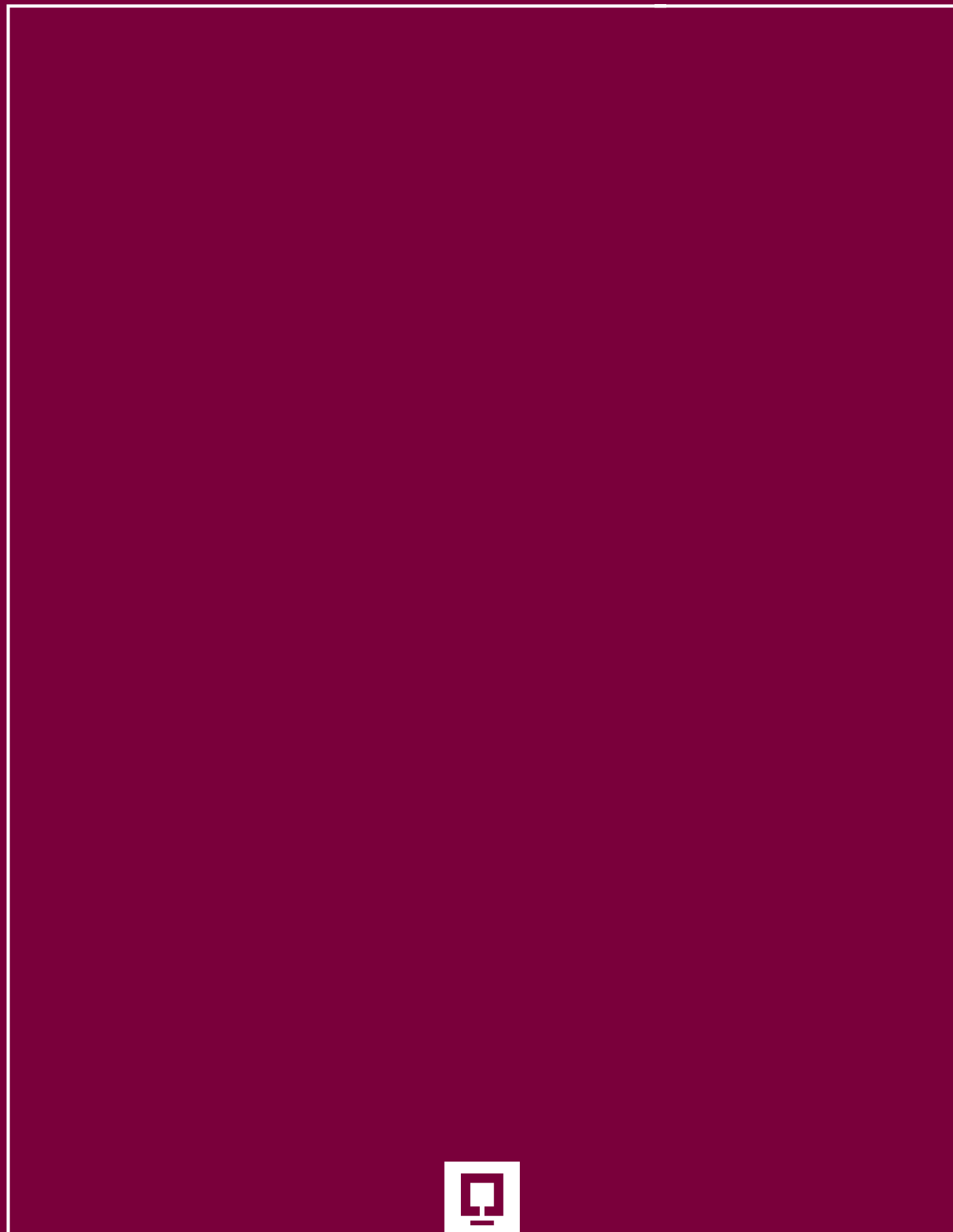
over the three years, notably due to the many initiatives taken (interactive terminals, advisors' top picks, store-specific personalized product offers, etc.).

A well-performing, constantly evolving company

In recent years, great progress has been made in the areas of productivity, cost reduction and upgrading our information systems. Our ongoing optimization efforts will have enabled us to remit nearly \$5.5 billion to the Quebec government in dividends and taxes over the three years covered by the plan. Specifically, increasing sales while reducing expenses allowed us to lower the ratio of net expenses to sales from 18.2% to 15.4% during the same period.

Orientation/objective	Indicator	End targets	Results
AIM FOR EXCELLENCE IN THE CUSTOMER EXPERIENCE	Sales growth ¹	6.1%	11.7%
	Customer satisfaction rate ²	94%	94%
Recognize and advise customers to encourage discovery	Satisfaction rate regarding the customer promise of discovery and advice	75%	78%
Increase product accessibility across all channels	Satisfaction rate regarding the customer promise of product accessibility	85%	83%
Improve price positioning and customers' perception	Satisfaction rate regarding the customer promise of fair prices	55%	65%
Maintain the commitment to social responsibility throughout the network	Satisfaction rate regarding the customer promise of promoting sustainable development	60%	70%
ACHIEVE OPERATIONAL EXCELLENCE AND CONTINUE TRANSFORMING THE ORGANIZATION	Net earnings as a percentage of sales	34.4%	35.1%
	Employee engagement rate (/10)	7.5	6.9
Strengthen the culture of engagement and presence at work	Reduction in the absenteeism rate (%) ³	(20.0)%	(10.1)%
Optimize our processes and the use of technology	Net expenses as a percentage of sales	16.4%	15.4%
Ensure beverage alcohol products are sold responsibly	Sales ethic – mystery customer (%) ⁴	95%	94%
Place sustainable development at the centre of our activities	Completion of Sustainable Development Plan actions (%)	90%	100%
	Reduction of kilograms of CO2 equivalent per litre compared with the 2015-2016 level (%)	(2.5)%	(6.2)%

1. Cumulative sales growth over three years.
2. Average annual satisfaction rate, fiscal 2017-2018 through fiscal 2019-2020.
3. Change between fiscal 2016-2017 and fiscal 2019-2020.
4. Six-month average between April 2017 and March 2020.



SAQ

This strategic plan is the result of an extensive consultation
with management, employees and partners

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