



Annual Business Plan

Fiscal 2014 - 2015

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Mandate & Legislated Responsibility

The Nova Scotia Liquor Corporation (NSLC) is governed by the Liquor Control Act (LCA) of Nova Scotia. This act mandates the responsibilities of the NSLC to its Shareholder, the province of Nova Scotia. The most fundamental element of the organization's role derived from the LCA is responsibility for the receipt, distribution, regulation and control of all beverage alcohol available in Nova Scotia. In order to ensure the safe and responsible distribution of beverage alcohol, any products sold through NSLC retail stores, Agency Stores, Private Wine and Specialty Stores (PWSS), Licensees and private importations must be received through the NSLC. Through this mandate, the NSLC helps ensure that the product is sold only to Nova Scotians of legal drinking age. The legislation describes four key responsibilities of the organization, specifically:

1. Promotion of social objectives regarding responsible drinking
2. Promotion of industrial or economic objectives regarding the beverage alcohol industry in the province
3. Attainment of suitable financial revenues to government
4. Attainment of acceptable levels of customer service

We strive to balance our legislated mandate between the control aspects of product sales, providing the necessary financial returns to our shareholder, ensuring a high level of service to Nova Scotians, and supporting the growth of the Nova Scotia beverage alcohol industry.

We have significant regulatory powers to control and audit the legal manufacturing, distribution and retailing of beverage alcohol in Nova Scotia. Under this legislated mandate, only manufacturers, distributors and retailers permitted or contractually authorized by the NSLC can be legally involved in the beverage alcohol business in Nova Scotia. We approach these responsibilities with a balance between our regulatory requirements and our mandate to obtain benefits from the beverage alcohol sector in Nova Scotia. Without compromising the overall regulatory objectives, we have adopted an approach that allows local producers a degree of flexibility in taking their products to market and showcasing them to a customer base that might otherwise be unfamiliar with these products. We also sell many local products through our retail store network, allowing these producers a degree of exposure that helps them to establish an identity across the province.

It is important to note that the licensing and regulation of all bars, restaurants, pubs, lounges, and other similar establishments permitted to sell alcohol is the responsibility of the Alcohol and Gaming Division of the Department of Service Nova Scotia and Municipal Relations.

We are charged with deciding how the sale of retail alcohol should occur in the province and balancing that with the public's demand for access to it. We use the retail price and store density to moderate consumption and balance the harm to society from beverage alcohol. Since 1991, Social Reference Pricing (SRP) has been the tool used to ensure that excessively low-priced alcohol is not available in Nova Scotia. According to this policy, we

set a minimum price under which product cannot be sold. We review and adjust this price annually, within our bi-annual pricing reviews.

Externally, in fulfilling the legislated mandate, we focus on advocacy by raising awareness of the impact of irresponsible behavior regarding alcohol consumption. Our approach in this regard includes numerous creative and innovative campaigns and powerful partnerships with other businesses and post-secondary, and community groups.

We provide the government with strategic public policy advice on the regulatory aspect of the LCA and are mandated to support the economic development of the Nova Scotia beverage alcohol industry.

Purpose, Vision, and Culture

The NSLC's Purpose and Vision statements were revised in 2010 to clarify its enhanced commitment to responsible retailing and sustainable business practices across Nova Scotia's communities.

Purpose

To bring a world of responsible beverage enjoyment to Nova Scotia.

Vision

To be a superb retailer recognized for sustainable business performance and engaging customer experience, eliciting the pride and enthusiasm of Nova Scotians.

Culture

Living our Purpose and Vision entails a culture that:

- Encourages innovation and creativity
- Engages employees in achieving success
- Is driven by customer needs
- Demonstrates respect and dignity in all we do
- Is a fun and healthy place to work
- Advocates intelligent consumption and responsibility

Strategic Goals

We are entering the fifth and final year of the Five-Year Strategic Plan (2010-2015), which was developed with the strategic theme to continue the journey "from a place to shop to a personalized experience".

Strategic goals are categorized within five pillars:

1. **Stewardship:** To deliver the stewardship entrusted to the NSLC in relation to the Liquor Control Act.

- a. Adopt specific measures to help build the Nova Scotia beverage alcohol industry to obtain economic benefits.
 - b. Advance social responsibility policy objectives.
 - c. Implement best practices in crown corporation governance.
 - d. Identify and recommend updates to the Liquor Control Act that ensure relevance and effectiveness.
2. **Customer:** To deliver exceptional customer experiences and personalized services in dynamic retail environments.
- a. Align the NSLC's strategic focus toward a new customer intimacy discipline.
 - b. Create and implement shopper marketing capability to proactively engage customers in dynamic retail environments.
 - c. Deepen the understanding of customer value and respond with programs that matter.
 - d. Implement integrated multi-channels of engagement.
 - e. Continue to evolve and improve the customer offer with trust and integrity in all we do.
3. **Reputation:** To be a leading corporate citizen building strategic community engagements.
- a. Embed sustainable business practices into the corporate culture.
 - b. Identify and build trusted strategic engagements with targeted stakeholders/communities.
 - c. Continue to focus efforts to control the sale of beverage alcohol to those of legal drinking age.
4. **People:** To have an enthusiastic and engaged team recognized for excellence.
- a. Establish a two-way employee engagement strategy and a commitment to responsiveness.
 - b. Build a robust performance management program to enable high performing teams and individuals.
 - c. Invest in supporting our employees over the entire employment lifecycle.
 - d. Take a leadership role in promoting workplace safety and ensuring a healthy workplace.
 - e. Encourage and recognize individual and team excellence.
 - f. Leverage training, technology and business processes that support change and adaptability at all levels of the organization.
5. **Financial:** To contribute \$1.2 billion to our shareholder over five years and \$275 million in 2015 while employing sustainable business practices.
- a. Ensure controls and reporting are in place to deliver all strategies.
 - b. Align the NSLC's strategic focus on customer intimacy leadership while maintaining operational efficiencies.
 - c. Effectively use our capital and operating resources.
 - d. Improve gross margin.
 - e. Take advantage of growth opportunities in product segments.
 - f. Leverage technology to improve performance.
 - g. Look for additional business development opportunities.

In developing the current strategic plan, we identified emerging retail trends that were anticipated to help shape our planning and focus. The trends as we continue our journey to offer customers a personalized shopping experience are as follows:

- Integrated Retailing: multi-channel retailing, where customers are using numerous points of contact to engage with retailers.
- Greater Customer Intimacy: understanding customer value and segmentation while creating an emotional connection with a brand.

- **Corporate Social Responsibility:** the commitment to integrate a company’s economic, environmental and social priorities into daily business practice in a sustainable manner.
- **Business Focus:** The “Market Leader Model” outlines that a successful company pursues one of three core strategic disciplines (Customer Intimacy, Product Leadership and Operational Excellence) to excel in while maintaining acceptable levels of competence in the others. Our focus is Customer Intimacy.

Visit our [Five-Year Strategic Plan \(2010-2015\)](#) for more details.

Planning Context

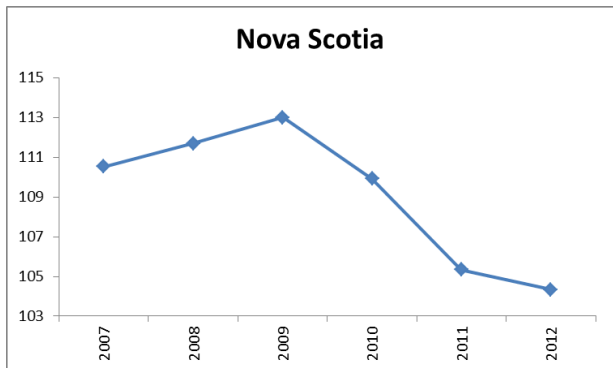
Each year, we review and measure the progress to date against our strategic goals. This, along with an assessment of changes in the retail and business environment, customer expectations, financial considerations, and other factors helps set the stage for determining priorities in the next annual business plan.

The following factors were significant in establishing this business plan:

Consumption Levels

In terms of total consumption of alcohol, Nova Scotia represents a moderate consumption environment consistently indexing below the national level. Per capita consumption, based on legal drinking age population, has remained at a steady ranking through the years; however overall consumption volume in the province has been decreasing.

	Total Per Capita Consumption (in litres)
CANADA	107.59
Yukon Territory	170.41
Newfoundland	127.06
Québec	122.12
Alberta	115.68
Saskatchewan	107.00
Nova Scotia	104.34
Manitoba	104.04
Prince Edward Island	102.61
Ontario	100.35
British Columbia	98.24
N.W.T. & Nunavut	93.27
New Brunswick	91.75



Source: 2012 Annual Statistical Bulletin, Beer Canada

Overall consumption in Nova Scotia has been on a decline since 2009, as shown in the above chart. Transaction levels and sales volumes have both been declining during the same period, conversely the population of those 19 years of age and older has actually increased.

The NSLC strives to balance access to product with convenience for our customers. Outlet density measures the number of physical locations in which beverage alcohol is available for

purchase by those of legal drinking age. Outlet density in Nova Scotia is at the lower end of the scale nationally, with the 7th lowest store density in Canada.

Demographics

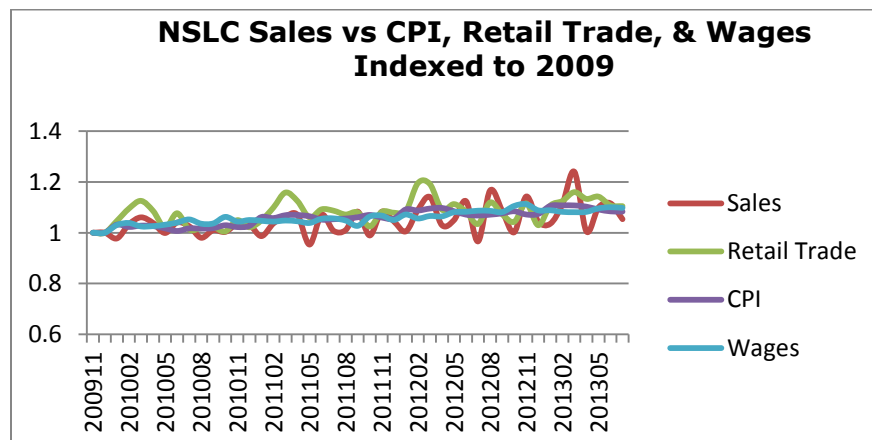
Overall, there is an aging demographic in Nova Scotia and these demographic changes make a significant impact on how we deliver on our customer promise. Customer consumption levels and preferences change as they age, and customer service level expectations vary within each age group. Understanding the make-up of our customers provides direction on how to execute customer strategies. Based on current consumption patterns, those over the age of 55 tend to consume less than average in the beer category. We anticipate this pattern to continue, and have a greater impact in the future, given the population projections for Nova Scotia. Population growth projections for those over 55 are higher than in the younger groups of 19 to 45, which have a higher level of consumption in the beer category. As the current 19 to 45 groups age we anticipate downward pressure on overall beer volume in the province.

Population shifts have an impact on how we provide a responsible level of access for customers. In the upcoming years, Nova Scotia is projected to continue to see a shift in population density to more urban areas from rural areas. If there are significant changes in population density levels, our network structure must be able to adjust for that.

Nova Scotia Economy

During times of economic uncertainty, people tend to demonstrate constraints in how they spend their disposal income. Sales levels have shown that consumers' consumption levels have decreased in our retail sector as well as with licensees. Consumers are not spending at the same levels as they have in the past when they go out for entertainment.

Nova Scotia tends to stay relatively stable through economic fluctuations experienced on a national level. NSLC total sales have followed the same general upward trend as CPI, Retail Trade, and wages, indicating that sales have not outpaced or lagged behind both customers' purchasing power and general price movement in the province, as demonstrated in the chart below. One notable consideration is Grocery CPI, which has been under downward pressure driven by competition in the sector, which is expected to continue.



The following are key economic statements for the province from the Department of Finance (January 6, 2014)

- Nova Scotia's real GDP growth is expected to grow by 0.7 percent in 2013 and by 2.0 percent in 2014 (December Fiscal Update Forecast). Production at Deep Panuke will lift growth in 2014. Major projects such as the Halifax convention centre and vessel construction at the Halifax Shipyard have significant potential impact over the medium term.
- Slower growth in 2013 is attributable to the household sector where weaker growth in employee compensation and consumer prices limited consumer spending. While these conditions are expected to moderate in 2014, employment growth is still expected to be negligible, keeping household income and spending growth below long run trends. Stronger external drivers will help the provincial economy to overall growth of 2.0 per cent by 2014; consistent with long run growth trends.
- Employment is expected to remain stable and retail activity is expected to rebound in 2014. Major developments such as the investment in the Halifax shipyard and subsequent vessel construction, and Maritime Link, are part of most private sector forecasts; the timing and materialization of these assumptions present a risk to any forecast.
- Although there has been slower employee compensation growth, consumer prices have also moderated and eased the impact on real incomes. Average CPI inflation through October has slowed to 1.2 per cent in Nova Scotia.
- Overall, retail sales are up only 1.9 per cent. While limited income growth has affected consumer spending, Nova Scotians did invest in residential construction, with increases of 8.6 per cent through September.
- In 2014, Nova Scotia's economy is particularly sensitive to risks around the timing and capacity for major project investments. As project timelines shift and plans are adjusted to reflect domestic production capacity, Nova Scotia's economic outlook changes.

These factors in combination all play a role influencing our business strategies, overall financial targets, network planning, and how best to service the needs of consumers. Our urban stores have been a focus in the recent years, and the upcoming fiscal year will see that continuing. Urbanization trends and anticipated provincial infrastructure developments outlined above, and anticipated in upcoming years, will all be key inputs into the development of our next Five-Year Strategic Plan.

Weather

Weather will always be a factor that affects our sales performance; a correlation has been established between sales and daily temperature through the week, and precipitation on Friday/Saturday. The correlation is particularly evident with beer sales and the critical sales period of May until Labour Day. Weather can influence customer "occasions". When seasonally lower temperatures and wet weather occur, especially leading into a weekend, transactions are lowered. After the Labour Day weekend, weather becomes less of an impact on customer "occasions" and related consumption.

The Nova Scotia Industry

The Nova Scotia beverage alcohol industry has been experiencing growth in revenue, and in the number of local wineries, craft breweries and distilleries. Last year Nova Scotia based wine products accounted for 7.6% of total wine sales, and grew from \$4.4 million in 2008 to \$9.4 million in 2013, with the growth continuing into the current fiscal year. We currently sell more Nova Scotia wines than all but four countries: Canada, Australia, Italy and the United States. There are currently 18 wineries with over 500 acres of grapevines, contributing more than 850 full-time equivalent jobs in the province. Innovation, national and international media, along with successful branding efforts, as with "Tidal Bay" appellation, have helped elevate the profile of Nova Scotia wines. This increase in popularity is opening new opportunities for Nova Scotia wines to be sold at a national and international level. The Nova Scotia craft beer sector experienced 11.3% growth last year, and accounts for one out of every two bottles of craft beer sold in our stores. There were four new entrants into the sector in 2013, with an additional two locations working towards being operational in 2014.

The quality of Nova Scotia products is increasing and products are gaining in popularity and winning awards. Overall demand is rising as customers discover Nova Scotia products. The "buy local" trend has been a positive factor on the industry. As this trend continues to gain support, individual customers, as well as the licensee communities, are purchasing more products directly from local producers. This means great things for their local communities as more money is being reinvested in the community by supporting these small businesses and their employees. Through mark-up structures and other means we provide support to the growing Nova Scotia industry. Though this affects our overall profitability, broader economic benefits are achieved for the province.

2014-2015 Annual Business Plan

The NSLC annual business plan is structured around the five pillars of the Five-Year Strategic Plan (2010-2015). Key Initiatives within the applicable pillar are as follows:

Stewardship:

We actively support the growing Nova Scotia Industry, with membership on the newly formed Craft Brewers Association Board, as well as the Winery Association of Nova Scotia. We work with these industry groups in an effort to help to develop strategies to further develop the industry. The local distilleries have been experiencing growth, and in fiscal 2015 we will undergo a review to assess how best we can support the growth of the Nova Scotia spirit sector. We also work with other government departments in the shared interest of cultivating the industry. During fiscal 2015 we will continue our participation in the Nova Scotia Farm Winery policy and strategy review, which is being led by the Department of Agriculture.

In the prior year we produced a Licensee Guide which outlines laws and regulations for the licensee community. We will be doing a similar exercise in the upcoming fiscal year for our suppliers in an effort to provide a concise guide for the group providing clarity on laws and regulations, as well as applicable NSLC corporate policies.

In an effort to remain current in best practices, we will participate in Conference Board of Canada's benchmark study reviewing how Crown Corporation Governance, business models and management practices have responded to increasing levels of high performance competition and the post-2008/2009 political economy.

As part of being a responsible retailer we have worked to remove excess waste and excess electricity usage from our network. We have adopted a Zero Waste program where the target is the diversion of 95% of solid waste from landfills, as well as clean disposal of liquid waste (from product breakage or damage) that is collected, treated, and then safely released into the environment. We exceeded targets of reducing our greenhouse gas emissions, and will be looking to establish new environmental targets as part of our next five-year planning cycle. For more information please see our [2012-2013 Integrated Annual Report](#) for more details.

We continue to develop our store network using a sustainable approach in design and build, resulting in stores of which Nova Scotians can be proud. This year we will continue our lighting/energy efficiency projects across our existing facilities further reducing our energy consumption levels by an additional 360,000 kilowatt hours, or approximately four million kilowatt hours over the last four years. We will also continue our "NSLC Sustainable Design" program for new store construction and major renovations when appropriate, targeting 80% construction waste diversion from landfills, 40% use of sustainable or recycled materials, 60% reduction in water usage, 40% reduction in energy usage including heat reclaim, daylight and free air cooling, and provide healthy indoor air quality for customers and staff.

It is well established that a significant proportion of university undergraduate students engage in high-risk drinking behaviour (defined as five or more drinks in one occasion for men and four or more drinks on one occasion for women). This serves as a reminder of the importance of de-normalizing this behavior by further establishing greater awareness and intervention efforts. During Fiscal 2014 we began re-examining how we were engaging with post-secondary institutions to help get the message out on responsible consumption. We met with representatives of the province's post-secondary institutions and the Department of Health and Wellness to establish a collaborative working relationship in the development and deployment of a long-term high-risk drinking communications strategy and awareness campaign. This will be a multi-year project, with fiscal 2015 seeing the launch of the first phase of the new approach, which will consist of both print material, social media and a survey component aimed directly at each campus' individual student populations. The campaigns will seek to educate university students on the dangers associated with high-risk drinking behaviour.

Customer

Over the life of the current strategic plan, objectives have been to transition from a place to shop to a personal experience. Starting with expanding the product knowledge in our stores with our Retail Product Specialists, we continue to work to define what "personalized service" means for the NSLC and our customers, determining what behaviours or activities are required for us to achieve this goal.

We have implemented standard operating procedures on the sales floor and in the store offices, and in fiscal 2015 we will execute plans to further enhance the customer experience. We will work on defining and implementing standards at cash to improve the shopping experience, with the goal of delivering an appreciated personal lasting impression for customers.

Training programs will be put in place to support and empower employees at retail in achieving these goals, ensuring employees understand expectations, understand marketing tools available to them and how to use them to enhance the customers' shopping experience. Training will focus on how our employees are critical in achieving our desired level of customer experience.

Our Mystery Shop program is used to measure execution of customer satisfaction objectives at our retail stores to ensure operational standards are being met. In Fiscal 2015 we will evaluate and refresh the current Mystery Shop program to reflect operational changes, obtaining assurance we are maintaining our commitment to customer service.

The volume of beverage alcohol sold in Nova Scotia has been declining since 2010. Customers are very careful with their disposable income. In the last fiscal year, we re-examined how we look at our customers in an effort to better provide them information and meet expectations. Market segmentation at the NSLC is not gender-based, or demographic-based, but behaviour-based, which aids in merchandising efforts to satisfy customer preferences and demands. In Fiscal 2015 we will begin the process of incorporating the revised market segmentation insights into our one-to-one marketing efforts, network product assortments and promotional planning. We will also refocus efforts to improve overall merchandising intensity and grow overall awareness of in-store promotions. Upgrades and additional functionality to our shelf management system will be taking place to allow for more efficient use of shelf space and to aid in category management.

Fiscal 2015 is the remaining year of our initial three year Digital Marketing Strategy. Our digital initiatives have included the launch of our website (mynslc.com), as well as a mobile version of the site. We have continued to look for ways to optimize our online presence through the addition of new customer focused tools such as recipes, videos and online sales, allowing us to stay current with the rapid pace of the digital landscape. Our social media strategy has allowed us to engage and build our communities on Facebook and Twitter through relevant content including the launch of our Christmas Facebook app as part of an integrated marketing campaign. We will continue to monitor and adapt our online presence in fiscal 2015 which will include the replatforming of our existing website and associated digital channels.

Fiscal 2015 will see the evolution of our customer experience with the expansion of the Wine Discovery Guide. The Wine Discovery Guide is an educational platform that crosses multiple customer touch-points and is part of a multi-year strategy for the wine category. It is aimed at helping customers build on their wine knowledge, through taste and discovery, and is designed to unlock the "mystery in the bottle". It also serves as an additional tool for employees to better engage with customers during their selection process. We completed the rollout of the in-store experience in fiscal 2014, and will continue to expand the program

to our premium wine selection and online experience to engage with customers across multiple touch-points. We will also investigate ways to employ the strategy of taste and discovery across other key categories.

Each year we continue to invest and improve our existing retail store network, ensuring service is available to our customers where they are located. Fiscal 2015 is the final year in our current Five-Year network plan where we will focus efforts on completing remaining initiatives as required and appropriate to service customers.

In an effort to create a full brand experience, customer convenience and provide a consistent in-store shopping experience for customers, we will continue to rollout our updated Cool Zone concept in top performing stores. Cool Zone elements such as imagery, way finding, and educational elements provide customers a means to discovery as they shop and explore our cold offerings, bringing the customer experience in unison throughout the store.

Reputation

The NSLC mandate goes well beyond just being a retailer of alcohol. While delivering revenue to the Province of Nova Scotia is very important, we have a mandate to promote social objectives regarding responsible use of the products we sell. In today's world, it is also important to operate our business using sustainable business practices to demonstrate our corporate responsibility. All of these factors are what we strive to achieve as a responsible corporate citizen.

Recent studies show that most minors are receiving their alcohol from older friends/siblings and increasingly, their parents. Fiscal 2015 will see a targeted awareness campaigns aimed at increasing awareness of harms associated with providing alcohol to minors. We will also continue our sponsorship of MADD's multi-media campaign in fiscal 2015 reaching at least sixty high schools.

We require our store employees to ensure responsible sale of beverage alcohol through a host of social responsibility programs, such as WE ID. Through our WE ID program, employees are required to request identification from any customer appearing to be under 30 years of age. The WE ID program will continue to be a focus in fiscal 2015 and will have new creative, improvements made to the employee training program, and continued monitoring of compliance through the NSLC's Mystery Shop program. In an effort to measure operational compliance we have put in place a WE ID Mystery Shop program, which take place at our retail stores, Agency and PWSS locations. In fiscal 2015 we will be expanding the training and measurement program to manufactures' retail stores.

People

Our people, those at retail and in supporting roles, are at the heart of the business and are critical in the delivery of a personalized shopping experience. As we continue to evolve from a place to shop to a personalized experience for our customers, having an enthusiastic and engaged team is essential.

Employees told us in our most recent Employee Opinion Survey that being held accountable for job performance is a key driver of engagement at work. In fiscal 2015 we will continue to evolve our performance management systems to make them more meaningful and useful for managers and employees. We will introduce stronger links between job-related competencies for both training and performance management.

Enthusiasm grows with engagement; and to a large degree engagement is built on communication. During fiscal 2015 we will further develop our "Employee Voice" online panel to enhance two-way communication and strengthen our ability to understand and respond to feedback from our employees, demonstrating commitment to responsiveness, and to tap into the knowledge and wisdom they have about customer service.

To build on the corporation's efforts to have teams and individuals recognized for excellence, a new peer-to-peer recognition program will be developed and rolled out in fiscal 2015. This will provide the opportunity for individuals to acknowledge and give recognition when a team, a team member, or a co-worker does an especially great job or goes "above and beyond" for our customers. Peer-to-peer recognition will supplement our existing corporate recognition programs which include the CEO's Award of Excellence, the Customer Experience Award, and Retail Store awards.

Our SharePoint-based intranet and collaboration software is also a key tool for engaging employees through greater collaboration and information sharing. Since introduced in 2012, it has been a significant benefit to internal communications; now ranked by employees as the most important way for them to receive information about the NSLC. During fiscal 2015 we will update and further leverage this technology to support process improvements and reduce administrative tasks across our operations; and to foster a stronger sense of community.

More than half of our total workforce is employed on a casual basis, primarily in the retail network. In fiscal 2015 we will further explore how to better attract and retain casual employees to reduce turnover and improve the return on our training investment for new employees. This will involve a review of recruitment and scheduling for casual employees to better ensure a consistent shopping experience for our customers.

Our people continue to make a difference for our customers and help to create that personal shopping experience we are striving for.

Financial

During fiscal 2013 the Executive Team and Board of Directors underwent an Enterprise Risk Management (ERM) exercise to identify key corporate risks. Action plans were put in place to mitigate, monitor, or accept the risks. Key risks have continued to be tracked and managed within our Business Unit activities. We will continue to enhance and further develop our ERM practices, developing a framework to be integrated within operational processes, ensuring strategies are in place to manage risks appropriately. Reporting will be further developed for various stakeholders, ensuring required visibility into risks for planning and decision making.

A key enabler, as well as an identified risk area is the technology platforms used to support our retail operations. We recently completed an Information Technology roadmap with a three year view, to ensure that our current IT infrastructure is sustainable and supportive of future strategic initiatives. Fiscal 2015 will focus on initiatives to replace or upgrade current hardware and software that is nearing the end of its lifecycle.

In order to modernize business functionality, grow with business needs in the future and achieve and adhere to new Payment Card Industry (PCI) compliance requirements, the Point-of-Sale (POS) software and hardware, which are both end-of-life, must be upgraded. An integrated hardware and software replacement provides efficiencies that will reduce overall costs.

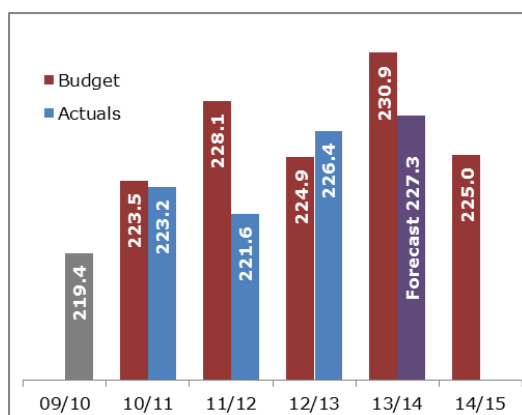
In light of recent declines in sales transactions, increased focus is required to ensure that business operations are managed appropriately to limit the growth in costs within the organization and avoid the erosion of profits. Given recent sales trends and limited growth opportunities in our existing market, it is becoming increasingly important to be open to exploring business development opportunities. Those which are corporately and socially responsible will be explored as appropriate. Fiscal 2015 will see the creation of our next Five-Year Strategic Plan, which will take us to the year 2020, continuing the goal to serve the public in a corporately and socially responsible manner.

Performance Measures

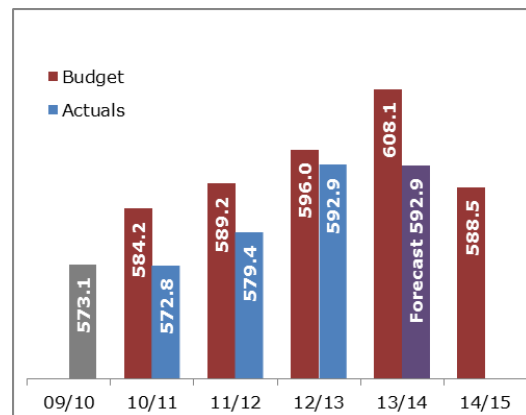
At the NSLC we use a variety of measures to monitor our performance and operational processes, and numerous performance indicators are used to manage our organization. Key Performance Indicators are as follows:

- Goal is to achieve or exceed target:

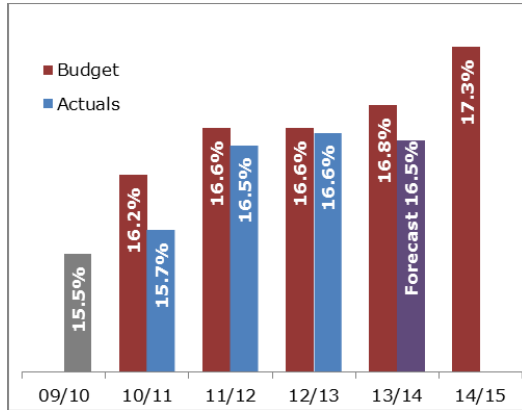
Net Income from Operations



Net Sales



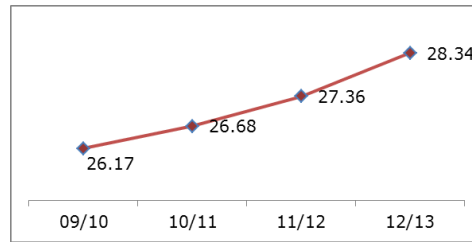
Operating Expense Ratio (including depreciation)



- Goal is to see an improvement over previously reported results:

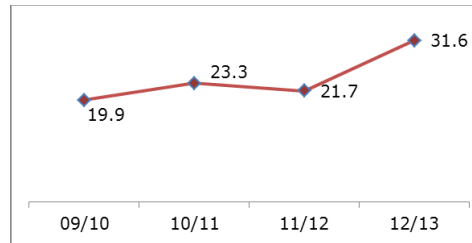
Average Retail Transaction Value:

Provides insight into the customers' average basket, where selling price, premiumization and incremental purchases can all be key influencers of this metric.



NS Product Sales (in millions):

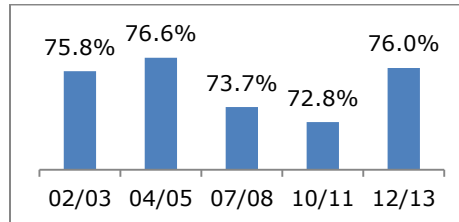
Support of the local industry is a key focus, monitoring sales levels provide insight into the overall health of the industry, currently signaling that the market is still in a growth phase.



- Goal is to see overall improvement in directional trend:

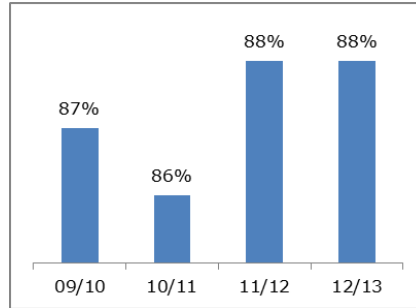
Employee Engagement Index:

A high level of employee engagement is recognized as a key element in achieving goals and is an indicator of a healthy workplace.



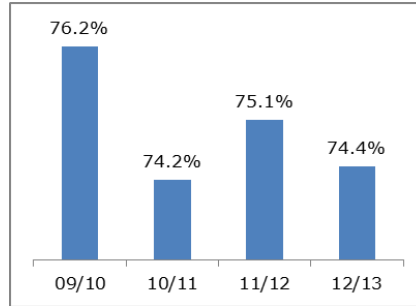
Customer Satisfaction :

Looks at 23 aspects of customers' shopping experience, scores reflect % of survey respondents who rated us 8 out of 10 or higher. Used to measure customer satisfaction, ensuring actions taken are in the interest of the customer and business.



Brand Health:

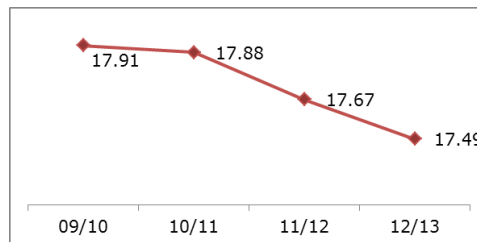
Brand NSLC = Promise + Performance + Perception, as reported by over 800 Nova Scotians via survey. In the evolution to be viewed as a "leading corporate citizen" this survey benchmarks us on overall reputation with other retailers and liquor boards.



- **Monitored as information / insight based on observed trends**

Retail Customer Transactions (in millions):

Provides a means to monitor frequency of purchases by retail customers.



Budget Context

	Actual 2009-10 (\$)	Actual 2010-11 (\$)	Actual 2011-12 (\$)	Actual 2012-13 (\$)	Forecast 2013-14 \$	Sales (%)	Budget 2014-15 \$	Change (%)
Spirits	161,135,820	160,096,711	164,161,504	167,676,041	167,272,557		160,415,704	
Wine	107,749,873	113,475,419	120,243,611	127,699,861	132,966,362		137,610,747	
Beer	286,040,354	281,763,594	279,761,810	282,967,960	278,258,346		276,628,128	
Ready-to-drink	24,766,469	24,456,808	23,294,204	23,123,957	23,797,683		24,357,556	
Non-liquor	161,100	124,028	116,094	123,369	111,827		120,000	
Total Gross Sales	579,853,617	579,916,559	587,577,223	601,591,188	602,406,775	101.6%	599,132,135	-0.5%
Less: Discounts	6,724,575	7,119,868	8,206,575	8,648,296	9,554,272	1.6%	10,671,316	
Net Sales	573,129,042	572,796,691	579,370,648	592,942,892	592,852,503	100.0%	588,460,819	
Cost of Sales	264,862,784	259,579,125	262,416,729	268,361,767	267,965,586	45.2%	261,603,267	
Gross Profit	308,266,258	313,217,566	316,953,919	324,581,125	324,886,917	54.8%	326,857,552	
Less: Store Operating Expenses	55,490,592	55,514,766	57,826,745	59,787,659	61,576,350	10.4%	62,492,836	
Gross Operating Profit	252,775,666	257,702,800	259,127,174	264,793,466	263,310,567	44.4%	264,364,716	
Less: Supply Chain	5,144,354	6,075,110	6,426,853	6,654,040	6,799,360	1.1%	7,116,759	
Corporate Services	20,912,977	21,395,146	21,937,215	24,552,262	23,572,568	4.0%	25,118,007	
Other Expenses	2,196,575	2,795,452	2,536,185	2,595,455	1,185,545	0.2%	2,429,893	
Add: Other Revenue	4,321,872	4,325,078	4,862,119	5,446,049	5,176,570	0.9%	5,002,841	
Total Expenses (excl. stores)	23,932,034	25,940,630	26,038,134	28,355,708	26,380,903	4.4%	29,661,818	
Operating Income before Depreciation	228,843,632	231,762,170	233,089,040	236,437,758	236,929,664	40.0%	234,702,898	
Less: Depreciation	9,481,453	8,603,359	11,473,996	10,051,599	9,657,551	1.6%	9,700,000	
Income from Operations	219,362,179	223,158,812	221,615,043	226,386,159	227,272,113	38.3%	225,002,898	-1.0%
Actuarial Loss	0	-1,072,000	1,603,000	2,125,182	1,500,000		1,500,000	
Comprehensive Income	219,362,179	224,230,812	220,012,043	224,260,977	225,772,113	38.1%	223,502,898	-1.0%
Total Expenses (excl. depm)	79,422,626	81,455,397	83,864,880	88,143,367	87,957,253	14.8%	92,154,654	
Total Expenses	88,904,079	90,058,756	95,338,876	98,194,966	97,614,804	16.5%	101,854,654	

Volume (hectolitres)						Change (%)		Change (%)
Spirits	52,079	51,676	51,566	50,629	49,116	-3.0%	47,840	-2.6%
Wine	83,576	85,568	88,328	91,104	92,497	1.5%	93,878	1.5%
Beer	667,581	656,440	637,924	630,688	607,088	-3.7%	591,389	-2.6%
Ready-to-drink	35,352	34,739	32,911	32,286	32,358	0.2%	32,473	0.4%
Total	838,587	828,423	810,728	804,707	781,059	-2.9%	765,579	-2.0%

*Historic sales numbers have been adjusted to reflect a reallocation of a portion of Sales dollars to a reduction in Cost of Sales. This has resulted in no change in the Income from operations for these years.

**Historic expense numbers have been adjusted to reflect a reallocation of credit card fees causing a reduction in Other Expenses and an increase in Store Operating Expenses. This has resulted in no change in the Income from operations for these years.

Fiscal 2014 – 2015 Business Priorities

Stewardship: To deliver the stewardship entrusted to the NSLC in relation to the Liquor Control Act.

- Undertake a review to determine how the NSLC could support the local spirit industry.
- Work with the Nova Scotia Farm Winery Industry Development Board to revise policies and strategy for the Nova Scotia Wine industry.
- Continue efforts to complete Energy Conservation programs to save an incremental 360,000 kilowatt hours of energy across the store network and Head Office / Distribution Centre.
- Expand work with post-secondary institutions to educate on the harmful effects of binge drinking.
- Produce and deliver a guide for suppliers to provide clarity on laws and regulations and applicable NSLC policies.
- Participate in Conference Board of Canada benchmark study reviewing Crown Corporation Governance, business models and management practices.

Customer: To deliver exceptional experiences and personalized serviced in dynamic retail environments.

- Integrate Wine Discovery Guide into the customer offer across multiple touch-points, helping build wine knowledge, while empowering employees to provide an exceptional level of customer intimacy.
- Complete shelf management software upgrade; leverage additional functionality by integrating into current processes.
- Continue to implement the NSLC online retail and digital marketing strategy.
- Leverage Air Miles based customer segmentation to deliver meaningful one-to-one offers.
- Improve overall merchandising intensity and grow overall awareness of in-store promotions.
- Develop and rollout training for Operating Standards at Cash, with the objective of delivering an appreciated personal lasting impression for customers.
- Complete year five of the retail network plan.
- Renew and refresh Mystery Shop program to ensure execution of key customer business objectives.
- Continue the rollout of the new Cool Zone brand experience, as well as in-store strategic wine selling tools.

Reputation: To be a leading corporate citizen building strategic community engagement.

- Continue the "NSLC Sustainable Design" program for new construction and renovations where economically feasible.
- Rollout WE ID training and measurement program to manufactures' retail stores.
- Establish new WE ID creative and further improve the employee training program.
- Develop and rollout targeted program aimed at increasing awareness of harms associated with providing alcohol to minors.

People: To have an enthusiastic and engaged team recognized for excellence.

- Utilize the "Employee Voice" online panel to measure employee engagement between bi-annual surveys and to gather employee feedback and opinions.
- Upgrade SharePoint to address performance and storage issues; and further develop its use in support of business processes.
- Enhance managers' performance management capabilities, clarify performance expectations and strengthen the links between job competencies and training requirements.
- Review casual hiring and scheduling practices in an effort to reduce turnover, leverage training and enhance the shopping experience.
- Development and rollout a peer-to-peer recognition program.

Financial: To contribute \$1.2 billion to our shareholder over five years and \$275 million in 2015 while employing sustainable business practices.

- Balance the costs associated with attainment of strategic objectives with overall earnings goals, demonstrating responsible fiscal management.
- Explore business development opportunities that improve the NSLC's bottom-line.
- Further develop and integrate a framework for ERM, ensuring visibility and reporting of risks are in place.
- Continue review of organizational processes and controls, and implement solutions to further improve the control framework.
- Complete identified items on Year one IT Roadmap, ensure systems are supported, and progress continues to support long-term strategies within the desired technology adoption profile.
- Develop the next Five-Year Strategic Plan.