

**ANNUAL BUSINESS PLAN
FISCAL YEAR 2021-2022**



A NEW CHAPTER

CELEBRATING THE GOOD

At the NSLC, we take pride in providing Nova Scotians with exceptional customer service and responsible sales of beverage alcohol and cannabis in our retail network and online. Our legislated mandate for beverage alcohol has remained the same since we opened our doors in 1930 but the way we operate our business has changed. This mandate was broadened to include cannabis on October 17, 2018 when the regulations under the federal Cannabis Act came into force.

Our anchor has always been our people. Our aim is to create exceptional employee experiences, which in turn creates exceptional customer service experiences across all our retail touchpoints. We work hard to be an employer of choice and a jurisdiction known across the country for taking a leadership position in corporate social responsibility and a willingness to find innovative ways to work with our business partners and local industry.

Our customers tell us through research that they are pleased with the service we provide, but that is not enough for us. We are proud of what we have accomplished during our last five-year strategic plan and recognize that the 1800 Nova Scotians we employ are the heart of the business and the key to our success. They represent everything we are proud of and are responsible for generating all the good we do. For this reason, our current strategic plan and this annual business plan focuses on our people, as well as our commitment to corporate social responsibility and exceptional customer experiences. We are determined to take the good we do to the next level by collaborating, learning more about how to better serve our customers, partnering with local industry, and looking for ways to share the good we do with the people of Nova Scotia.

OUR LEGISLATIVE MANDATE

As a Crown Corporation, we support Nova Scotians and the priorities of the Government of Nova Scotia by working together to contribute to economic growth, offering support to our large base of employees, and by providing exceptional and responsible customer service. We do this with fiscal sustainability and service delivery top of mind, while directing 100% of our profits to the Province of Nova Scotia, as our Shareholder, to support key public services.

Our legislative mandate is outlined in the Nova Scotia Liquor Control Act and Cannabis Control Act. Our role as outlined in the Liquor Control Act (LCA) includes responsibility for the receipt, distribution, regulation and control of beverage alcohol in Nova Scotia. Safe and responsible distribution and sale of beverage alcohol, including the prevention of alcohol sales to minors, is fundamental to our mandate. The Cannabis Control Act (CCA), gives us the authority purchase, possess, sell, and distribute cannabis.

LIQUOR CONTROL ACT (LCA) OBJECTIVES:

CUSTOMER: Attainment of acceptable levels of customer service

RESPONSIBILITY: Promotion of social objectives regarding responsible drinking

LOCAL: Promotion of industrial or economic objectives regarding the beverage alcohol industry in the province

FINANCIAL: Attainment of suitable financial revenues to government

PROVINCIAL CANNABIS CONTROL ACT (CCA) OBJECTIVES:

1. Promote social objectives respecting the responsible consumption of cannabis; and
2. Control and carry out the purchase, possession, distribution and sale of cannabis in accordance with the CCA

FEDERAL CANNABIS CONTROL ACT (CCA) OBJECTIVES:

1. Protecting the health of young persons by restricting their access to cannabis
2. Protecting individuals from inducements to use cannabis
3. Providing access to a quality-controlled supply of legal cannabis

OUR BRAND FRAMEWORK

This annual business plan represents the second year of our new Strategic Plan (2020 - 2025). Through our strategic planning process, our Purpose and Vision have been refined to capture the essence of the organization.

We support Nova Scotians by focusing our operations and efforts on fulfilling our mandated responsibilities, and by living our Purpose and Vision. As a Crown Corporation, we support Nova Scotians and the priorities of the Government of Nova Scotia: working together to contribute to economic growth, and providing opportunities for all Nova Scotians, all within an overall context of fiscal responsibility and service delivery.

OUR PURPOSE | OUR REASON FOR BEING

TO COME TOGETHER FOR
THE **GOOD** OF NOVA
SCOTIA.

OUR VISION | WHO WE ASPIRE TO BE

To be recognized as a trusted retailer, partner, employer and responsible industry steward that is helping create a stronger Nova Scotia.

OUR VALUES | HOW WE ACT

- Knowledgeable
- Optimistic
- Responsible
- Respectful
- Engaged

THIS IS HOW WE WILL
**COME TOGETHER
FOR THE GOOD OF
NOVA SCOTIA**

OUR STRATEGIC PRIORITIES

We are embarking on the second year of our Strategic Plan for fiscal 2021-2022. Year one of the plan saw the unexpected impact of the COVID-19 pandemic, shifting our service approach to place priority on safety. We continue to work hard to create exceptional experiences for our customers in this new context and take our role as a responsible steward of beverage alcohol and cannabis sales in Nova Scotia seriously. The foundation for these responsibilities is anchored in trust and connection - this starts and ends with our people and our customers.

More than ever before we are exposed to forces that shape our business and the purchasing decisions of our customers, including expectations of how product is accessed in an era of personalization and convenience. All these forces add increased complexity to our business and challenge the status quo. Nova Scotia will continue to be faced with changing demographics, increased expectations, and shifting preferences. We are tasked with understanding the evolving customer journey and finding new ways meet our customers' expectations and COVID-19 has simply accelerated this reality.

CUSTOMER

We will be steadfast in our commitment to become a truly customer-first organization by building on the foundation of trust we have established through authentic retail experiences and our focus on corporate social responsibility. We will work together to evolve our strategies and how we come together to execute them. We will put customers first and create moments of engagement across all channels while ensuring Nova Scotians can safely purchase the products they want, where they want them, through an evolved channel and distribution strategy balancing digital and physical touchpoints. This starts with listening to our customers, our vendor partners, and each other and acting on what we hear. How we evolve the shopping experience to meet customers on their terms is a challenge with no one solution. We will also continue to serve our customers through the lens of safety and care.

PEOPLE

We believe that the strength of our team will make it possible to deliver authentic, consistent and exceptional customer experiences. We will empower our people to continue to build relationships with Nova Scotians by offering consistent, knowledgeable, reliable, safe and responsible service. Supporting all employees through their entire employment life cycle will be a priority during the life of this plan. Ensuring our team members have the tools and support they need to work safely in the new context of COVID-19 will continue to be a top priority.

RESPONSIBILITY

Our corporate social responsibility mandate is at the heart of the organization, and we commit to taking our programs and initiatives to the next level by weaving the responsibility theme throughout the organization. We believe in responsibly offering the products we've been entrusted to sell. Our retail team challenges more than two million customers for ID every year, helping to keep our products out of the hands of minors. We will work hard to support our customers in their celebration of life's moments and help them choose products responsibly. We will continue to support our province through an enhanced community investment strategy and ensure responsible environmental and industry stewardship for Nova Scotia. We plan to develop programs and initiatives our employees are proud of and to celebrate the good we do for our province in new and different ways.

LOCAL

The buy-local movement continues to increase in popularity and demand by customers. We will always look for opportunities to collaborate with local industry and support them as they work to bring their products to market. By finding new and innovative ways to work together, sharing best practices and leveraging expertise, we will continue to support them in our capacity as a retailer.

FINANCIAL

We will remain steadfast in our commitment to supporting our focus areas and making a positive impact in the communities we serve through partnerships, environmental stewardship, volunteering, supporting local industry, and by our financial contribution. There's so much good to celebrate with our employees, customers and business partners and we plan to keep the good going.

CUSTOMER

Deepen our customer focus through a customer-first approach across the organization

We will continue the journey to become a truly customer-first organization by better defining what exceptional customer experiences look like in a changing landscape. We will do this by listening to our customers, collecting insights and aligning ourselves to deliver on the findings.

STRATEGIES	ACTIONS	TACTICS
Listen to our customers, understand and respond to their needs to drive exceptional experiences	<ol style="list-style-type: none"> 1. Create new paths to listening and feedback loops 2. Align the organization to drive actionable insights 	Develop integrated data solution for business reporting
Ensure Nova Scotians can responsibly purchase the products they want through an evolved channel and distribution strategy	<ol style="list-style-type: none"> 1. Develop a channel optimization strategy in support of a holistic experience, balancing digital and physical, enabled by a strategic supply chain 	<p>Implement year two of the channel optimization roadmap</p> <p>Continue to implement network development roadmap</p>
Empower our people to deliver authentic, consistent and exceptional customer experiences	<ol style="list-style-type: none"> 1. Define and align organizational approach to exceptional customer experience 2. Develop new approaches for training to drive consistency – Leadership, Service and Product training 3. Provide appropriate tools and support to our teams to enable them to meet customers on their terms 	<p>Implement service level standards & foundational training</p> <p>Upgrade in-store inventory management tools and processes</p> <p>Improve and enhance data and reporting efficiencies for internal & external audiences</p> <p>Employee communication strategy & delivery solution</p>
Continue to create moments of meaningful discovery and engagement for customers across all channels	<ol style="list-style-type: none"> 1. Assess program effectiveness and streamline activity that drives engagement and return on investment 2. Align and integrate brand fundamentals 3. Identify optimal engagement touchpoints to improve performance of effective programs 	<p>Continue to implement improvements to shopper journey</p> <p>Implement year two of the brand roadmap to help define exceptional experiences internally and externally</p> <p>Complete network shopping experience assessment</p>

PEOPLE

Create exceptional employee experiences to drive exceptional customer experiences

Our people are the heart of what we do, why we do it and the key to our ongoing success. We will look for ways to support them through their employment lifecycle to create increased engagement, enabling them to better serve our customers.

STRATEGIES	ACTIONS	TACTICS
Build programs and a culture that attracts, develops and retains talent & celebrates the contributions of our people	1. Implement the Human Resources Transformation Roadmap to create a greater impact in support of attraction, retention and employee development	Implement: Retail Employee Development Strategy, Talent Acquisition Plan and year two of Managing Performance Fundamentals
	2. Provide HR tools to support a progressive people-centric organization	Human Resources Information System (HRIS) foundation and roadmap assessment
	3. Develop employee engagement strategy	
	4. Continue to create a culture of belonging that celebrates diversity and inclusion and aligns policies and practices to support this	Implement year two of Employee Engagement strategy and measurement framework Implement recommendations from year one of Culture and Belonging Roadmap Evaluate options to enhance our Employee Recognition program
Build a purposeful leadership orientation within the organization	1. Define leadership for the NSLC and develop training supports and culture integration tactics	Execute an analysis and assessment of leadership competencies
		Develop a succession planning framework

RESPONSIBILITY

Fully integrate corporate social responsibility (CSR) into our organizational DNA

We commit to enhancing our efforts and celebrating our commitment to our legislated mandate through continued engagement with our people, partners and stakeholders across key areas of responsible consumption education, community investment and sustainability.

STRATEGIES	ACTIONS	TACTICS
Deepen CSR function across the organization and build ambassadorship among our people, customers, partners and stakeholders	1. Identify meaningful points of engagement with our partners and throughout the organization	<p>Implement the Community Investment Strategy</p> <p>Complete organizational review of areas of opportunity, engage employees and begin to implement changes</p> <p>Partner with vendors on integration of CSR across community, responsible retailing/consumption and sustainability</p>
Strengthen our partnerships to drive knowledge and awareness of moderate consumption	<p>1. Build on partnerships to align and extend messaging</p> <p>2. Expand and strengthen responsible consumption and responsible retailing education</p>	<p>Implement and expand the impaired driving and responsible consumption platform</p> <p>Evolution and integration of responsible consumption programming focused on 19-35 year-old demographic</p>
Celebrate the Good – demonstrate the value of the NSLC as a leading corporate citizen	1. Develop a multi-year internal and external communication strategy	Develop plan to share the good and execute in alignment with brand roadmap
Balance social, environmental and business needs to create sustainable success	<p>1. Develop a holistic measurement approach to the business, including CSR Scorecard</p> <p>2. Define and align environmental sustainability commitment and goals and ensure integration into the organization</p>	<p>Publish and track measurement framework</p> <p>Complete organizational review, develop new targets and plan for environmental sustainability</p>
Clarify and evolve our role in regulatory framework as a responsible steward of the Nova Scotia industry	1. Evaluate the current oversight framework related to local production and sales. Explore opportunities to streamline regulatory processes to provide more consistency and efficiency.	<p>Execute new framework for oversight and enforcement</p> <p>Implement and monitor changes in the areas of permitting and product quality control</p>

LOCAL

Build strong partnerships for mutual success

We commit to collaborating with local manufacturers and producers to offer support and expertise and find innovative ways to help bring their products to market in our capacity as a retailer.

STRATEGIES	ACTIONS	TACTICS
Sustainably grow our trusted local partnerships	1. Enhance local partnerships and increase outreach to local industry associations to better support growth strategies	Implement Local Strategy and gain alignment on success measures Implement Engagement Plan ongoing
Share best practices to support industry evolution and knowledge	1. Creative innovative opportunities to showcase local products across our channels 2. Share and leverage our expertise as a retailer and share best practices	Implement Local Marketing Strategy Assess and expand opportunities to provide Nova Scotians access to local products they want

FINANCIAL

Deliver consistent returns to the people of Nova Scotia, while balancing our legislative responsibilities

We commit to managing the business efficiently and effectively, maximizing investments in our key focus areas and controlling expenses to the best of our ability to deliver \$1.2B in earnings over the five years of the strategic plan.

STRATEGIES	ACTIONS	TACTICS
Invest strategically in our technology and retail network to support the foundations of our business and positive customer and employee experiences	<ol style="list-style-type: none">1. Execute IT Roadmap foundational items2. Establish a retail network maintenance roadmap	Continued implementation
Balance investments in our key focus areas with operational efficiency to drive ease of doing business & ensure consistent returns	<ol style="list-style-type: none">1. Enhance process improvement culture	Focus on efficiency and process improvement for key initiatives
Enable business strategy across our key focus areas – Customer, People, Local and Responsibility	<ol style="list-style-type: none">1. Align our insights foundation and organizational focus on customer-first initiatives that drive sustainable profitability2. Invest in developing our people and support them to drive exceptional customer experiences3. Continue to strategically support Local industry through the NSLC's expertise4. Continue to support corporate social responsibility initiatives	Continued implementation

PERFORMANCE MEASURES

In order to manage our operations effectively, we monitor a core set of metrics - key performance indicators (KPIs), which ensure we stay focused on delivering on our business priorities. Our corporate KPI's and stated targets in our Five-Year Strategic Plan are shown below. We will be adding additional measures in support of Corporate Social Responsibility during the life of this plan to reflect a more holistic view of the business.

CUSTOMER

Customer Satisfaction:

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Ongoing Target
83%	85%	89%	87%	86%	88%	88%	88%	90%	90%	89%	89%	88%	90%	90%

PEOPLE

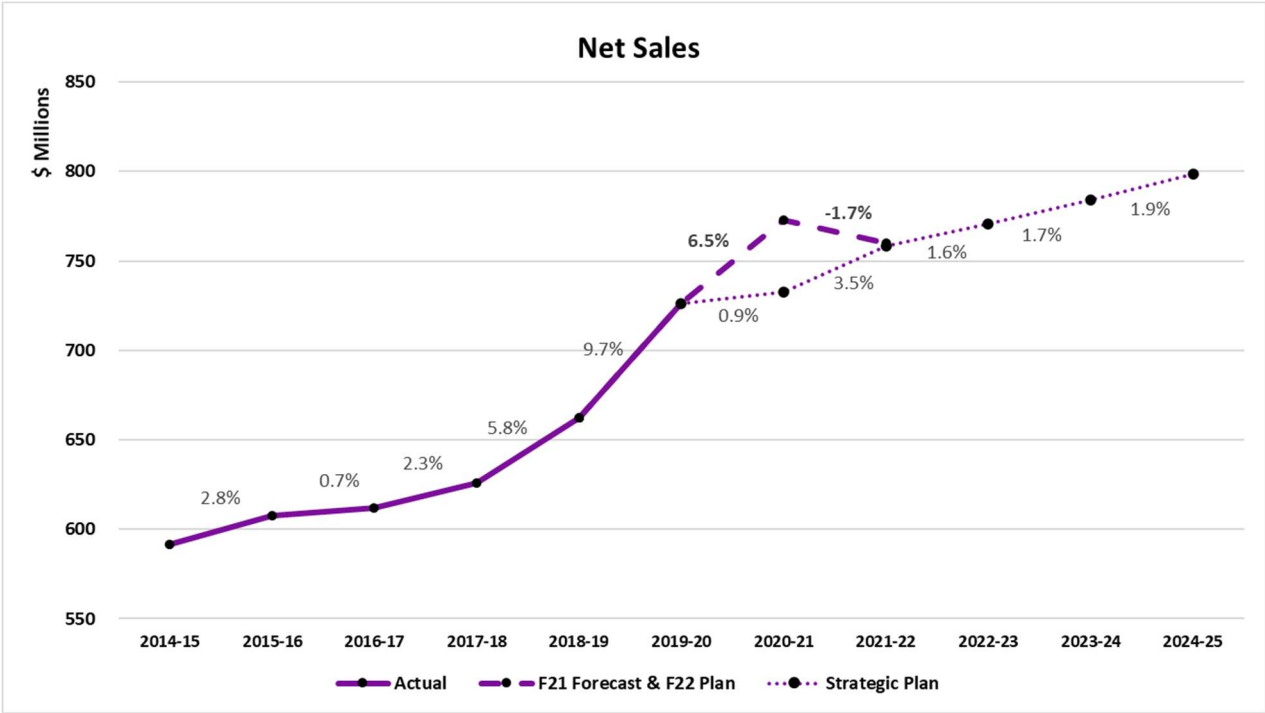
Employee Engagement:

2003	2005	2008	2011	2013	2015	2017	2019	Ongoing Target
75.8	76.6	73.7	72.8	76	76.3	76.1	76.1	80.0

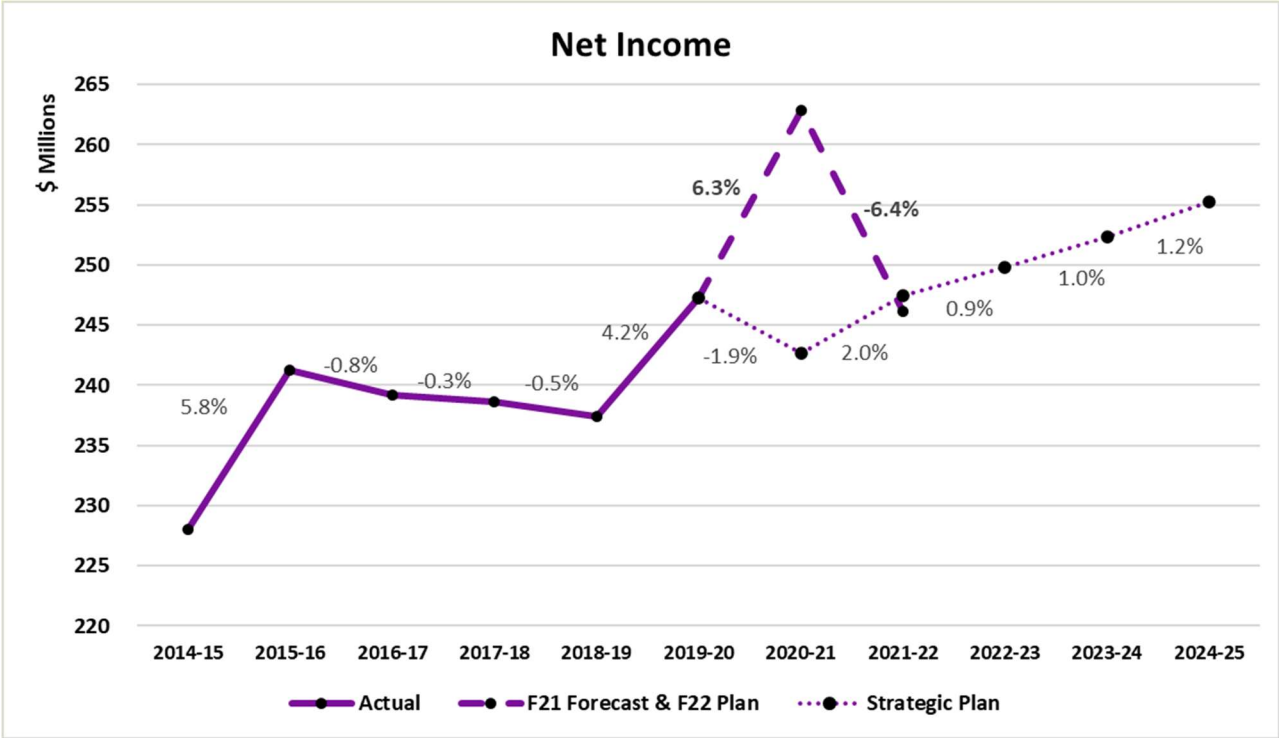
LOCAL INDUSTRY

New measures are being defined to reflect consultations with industry.

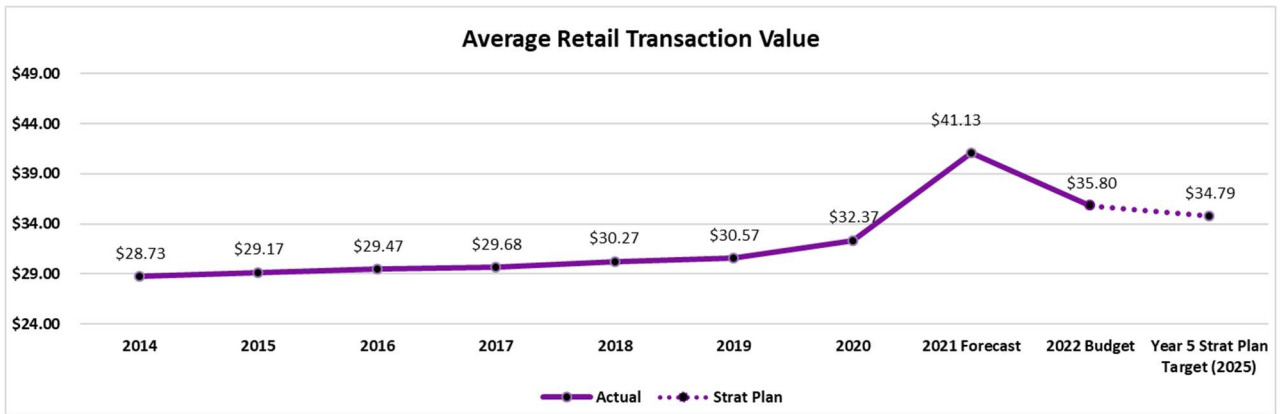
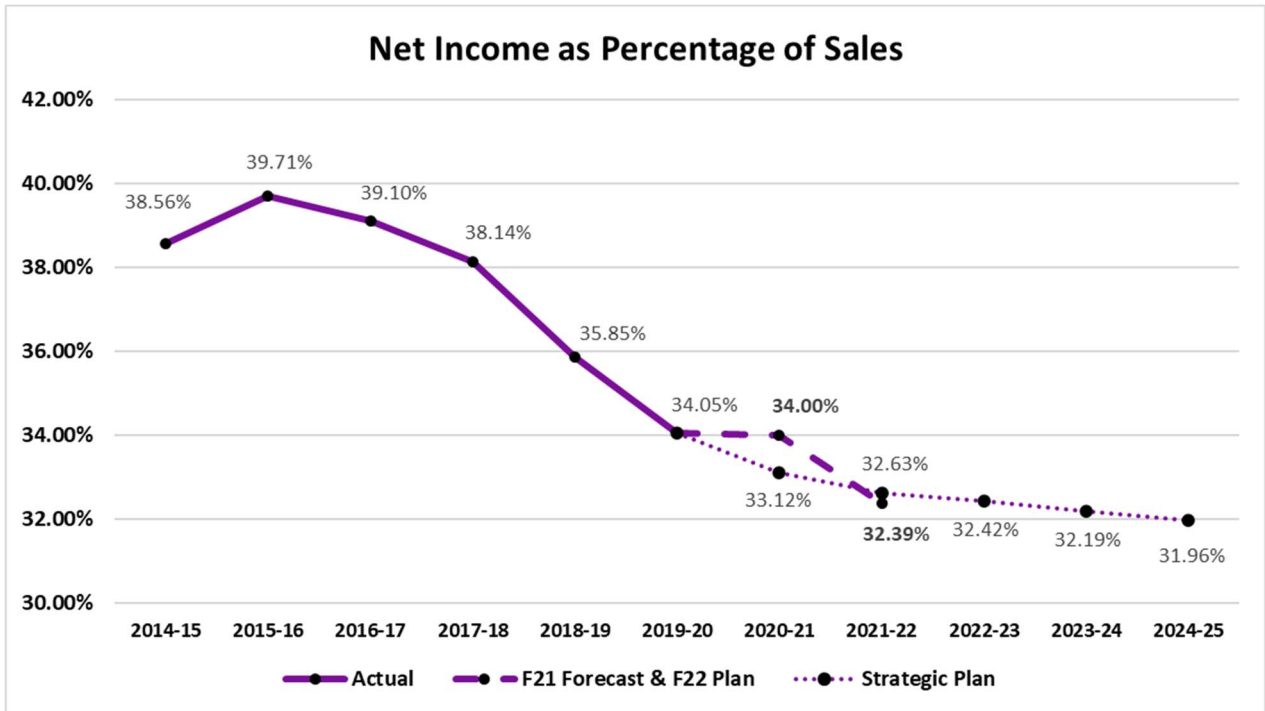
FINANCIAL



Percentage indicates the percentage change in Net Sales from previous year.



Percentage indicates the percentage change in Net Income from previous year.



BUDGET CONTEXT

	Actual 2016-17 \$	Actual 2017-18 \$	Actual 2018-19 \$	Actual 2019-20	Forecast 2020-21 \$	Sales (%)	Budget 2021-22	Change (%)
Spirits	165,837,842	168,645,797	168,613,116	176,635,246	190,621,760		177,687,218	
Wine	143,569,801	150,788,173	148,814,870	156,516,374	152,982,623		139,105,584	
Beer	278,893,578	282,066,202	279,800,490	279,469,116	276,498,216		264,641,495	
Ready-to-drink	34,962,836	37,700,822	45,145,429	56,692,947	83,935,837		101,291,030	
Non-liquor	130,786	136,211	116,991	105,531	92,007		118,783	
Cannabis	0	0	33,188,581	71,002,606	83,405,199		91,745,718	
Total Gross Sales	623,394,843	639,337,205	675,679,477	740,421,820	787,535,642	101.9%	774,589,827	-1.6%
Less: Discounts	11,549,801	13,675,313	13,595,882	14,254,443	14,483,117	1.9%	14,606,165	
Net Sales	611,845,042	625,661,892	662,083,595	726,167,377	773,052,525	100.0%	759,983,662	
Cost of Sales	274,909,681	284,136,988	311,241,996	352,856,366	377,234,943	48.8%	375,423,309	
Gross Profit	336,935,361	341,524,904	350,841,599	373,311,011	395,817,582	51.2%	384,560,353	
Less: Store Operating Expenses	61,334,942	63,555,752	69,867,242	72,682,403	77,362,459	10.0%	79,498,189	
Gross Operating Profit	275,600,419	277,969,152	280,974,357	300,628,608	318,455,123	41.2%	305,062,164	
Less: Supply Chain	7,058,180	7,216,564	9,239,509	9,426,501	9,638,811	1.2%	10,082,339	
Corporate Services	24,530,382	23,877,917	28,305,539	28,093,462	31,581,278	4.1%	33,965,776	
Other Expenses	1,729,630	4,945,050	1,486,897	5,299,322	2,898,317	0.4%	1,672,000	
Add: Other Revenue	5,565,709	5,032,858	4,498,577	4,888,070	4,445,499	0.6%	4,466,009	
Total Expenses (excl. stores)	27,752,483	31,006,673	34,533,368	37,931,215	39,672,908	5.1%	41,254,106	
Operating Income before Depreciation	247,847,936	246,962,479	246,440,989	262,697,393	278,782,215	36.1%	263,808,059	
Less: Depreciation	8,626,736	8,356,789	9,068,302	15,418,918	15,926,116	2.1%	17,681,894	
Income from Operations	239,221,200	238,605,690	237,372,687	247,278,475	262,856,100	34.0%	246,126,164	-6.4%
Actuarial Loss (Gain)	265,700	282,700	(1,487,300)	(1,428,500)	-	0.0%	-	
Comprehensive Income	238,955,500	238,322,990	238,859,987	248,706,975	262,856,100	34.0%	246,126,164	-6.4%
Total Expenses (not depreciation)	89,087,425	94,562,425	104,400,610	110,613,618	117,035,367	15.1%	120,752,295	
Total Expenses	97,714,161	102,919,214	113,468,912	126,032,536	132,961,482	17.2%	138,434,189	

						Change (%)		Change (%)
Volume (hectolitres)								
Spirits	48,171	49,360	49,039	50,968	54,476	6.9%	50,099	-8.0%
Wine	100,147	100,354	97,634	101,708	100,246	-1.4%	90,330	-9.9%
Beer	569,377	586,831	581,499	572,696	561,034	-2.0%	531,753	-5.2%
Ready-to-drink	53,925	51,817	61,851	77,762	115,694	48.8%	139,802	20.8%
Total	771,619	788,362	790,022	803,135	831,449	3.5%	811,984	-2.3%
Volume (Kilograms)								
Cannabis	-	-	3,279	6,531	9,864	51.0%	11,324	14.8%

NOVA SCOTIA LIQUOR CORPORATION

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