

**Speaking Notes For  
Bret Mitchell  
President & CEO  
Nova Scotia Liquor Corporation**

**To the  
Halifax Chamber of Commerce**

***Balancing profits with Corporate Social Responsibility***

September 16, 2010  
CHECK AGAINST DELIVERY

Thank You for the kind introduction, Wade.

When I was preparing this speech I thought long and hard about the topic. For me, retail has always been an exciting business and one that I could spend hours talking to you about passionately.

Many of you here today are familiar with our industry. Nova Scotians seem to have a unique affinity to the industry and I do have to admit I do get lots of advice on an ongoing basis. But to be fair everyone has experienced first hand the dramatic changes the NSLC has made over the last five years.

We have just completed our first five year strategic plan and surpassed all our objectives. Customer response has been wonderful, service and satisfaction scores through the roof, and the overall performance in sales and profit has been strong.

We really have transformed from simply being a place to buy something into a place to shop. Now we are in the first year of our second strategic plan. Our vision now is to again transform, this time from a place to shop into a personal experience. We keep very aware of the emerging trends in retail-like evolving role of digital media, smart phones and mobile devices- and will make every effort to be in front of the trends to continue to deliver exceptional shopping experiences. As I said I could spend most of my time on these aspects of the future of retail.

But with my 20 minutes today I decided instead to share with you our approach at the NSLC on how and why we ensure we balance profit generation with our corporate responsibility efforts. This is a subject that I feel is just as important as our top and bottom line performance. Corporate Social Responsibility is managing the business with a focus on improved performance that includes sustainability and community.

I believe that the most successful companies- those respected by employees, customers and stakeholders- are the ones people want to do business with. Not just because they are the most innovative. Or, because they offer the best pricing or value proposition- but because they stand for something more. They strive to make the communities they do business in better places to live, work and play.

That is at least my definition and that is the kind of company that I want to work for and the kind of company that I want to lead.

Many businesses today, share in this broader approach. This new expanded role for business is centered on a commitment to Corporate Responsibility. We are just at the beginning of our journey, but we are going to keep at it until we are considered a leading corporate citizen.

Three years ago, I decided to extend our corporate social responsibility efforts beyond our legislated mandate. Social responsibility, “the promotion of social objectives around responsible drinking” is really the heart of who we are- it’s the reason we exist and why we have been in business since 1930. But we are developing a comprehensive Corporate Responsibility framework that goes beyond the required elements of our operation.

Our approach is once again dependent on our people. One of our fundamental goals of this strategy is to do something meaningful of which our employees, customers and stakeholders can be proud.

I said that customers want to do business with admired companies. People also want to work for admired companies. And employees are proud to work for admired and respected companies.

So how do we at the NSLC define Corporate Social Responsibility?

For us we look at four specific areas:

1. Environmental: What is the environmental impact our business has from our carbon footprint through to our operating standards.
2. Community: Are we making a difference for the better in the communities in which we operate.
3. Social: How well are we doing on our social responsibility mandate
4. Economic: Like any business we need to be financially sustainable.

In the next few weeks, we will be issuing the NSLC’s first Sustainability report. This public document will be an annual accounting of how we are doing on these four areas. Let me give you a sneak peak at what we will be reporting.

First on the Environment:

We have assessed the impact that our daily business operations have on the environment and are looking for ways to reduce our carbon footprint.

We have been measuring our carbon footprint by analyzing our green house gas emissions for the past two years. We have taken a leadership position by measuring both the direct emissions such as oil and other fuel consumption in stores and indirect emissions caused by supply chain transportation requirements.

In 2008/09 our carbon footprint was 27,000 metric tonnes. 74% of that is represented by our buildings. I am pleased to report that our second year of measurement saw a reduction of 494 metric tonnes.

And to give you some perspective, 1 metric tonne is enough gas to fill an average two story, three bedroom house.

So 494 less houses full of emissions is good news for us and for all Nova Scotians. This savings is as a direct result of more efficient fuel energy consumption.

The second area is Community:

Are we making a difference for the better in the communities in which we operate?

A vibrant brand personality doesn't come from the numbers- it comes from, in our case from our people. Our people give the company personality and I am delighted to say that I have 1500 exceptional Nova Scotians on my team. They are engaged, optimistic and passionate about getting better every day in providing excellence in service.

Our employees already give a considerable amount of their time to volunteer in their communities so all our Community efforts are designed to create opportunities for our employees to contribute.

Our employees are a powerful force and when they get behind something- they really are impressive. Our employees work diligently every year to raise money for the IWK Health Centre. This past year they raised more than 125,000 for this great cause. Over the past 12 years they have raised over 1.5 million.

We also support the United Way campaign every year and have received the Quantum Leap Award for increasing donations by 25% each year for the past two years.

Recently we created the NSLC Adopt a Stream Program with the Nova Scotia Salmon Association to improve water quality in our province. Water is near and dear to the hearts of all Nova Scotians. We are in a province where every community is located on or near water. We are an industry that requires great water to make the products we sell.

As a result, the entire industry cares deeply about the quality of water that goes into the products. And each April we join forces with our industry partners for the ECO Sale in all NSLC stores. A portion of the proceeds from featured products are directed to this program. I would like to share with you a video we used at our program launch last April that also includes some of our other environmental efforts.

Our involvement in the community does not stop there. The final component of the community relations strategy is supporting the development and sustainability of local musical talent. Music is a fundamental element in the culture and heritage of NS.

Through the Celebrate Nova Scotia Talent Program we support community music festivals across the province and have as the cornerstone, our relationship with Symphony Nova Scotia, all focused on cultivating and sustaining the talent located here at home.

The third area is Social or Social Responsibility:

For us at the NSLC, we see our legislated responsibility to control the sale of beverage alcohol as having two fundamental aspects.

The first is how we deliver on the control aspect of the sale of this restricted product in our retail stores and why.

The second, aspect of our approach is external advocacy. I am going to come back to these in a moment.

Fourth area is "economic":

Like any business we need to be financially sustainable if we are going to manage the first three components of the strategy. But it is more than just managing the financial health of the business- it is about creating a performance focused culture that incorporates sustainability.

Over the past five years the NSLC has produced a 29% growth in the profits that we returned to our shareholder- the Government of Nova Scotia.

Generating more than 1 billion of direct profit over those five years has enabled them to improve roads, schools and our healthcare system. The indirect benefit which we rarely talk about is in the many billions of dollars.

Now back to the Social area and why we do what we do. Allow me to explain how I see the NSLC from a public policy perspective.

Since 1930, the NSLC has been the only organization with a legislated mandate charged with deciding how the sale of this restricted product should occur in the province and balancing that with the public's demand for access to it.

We have done this in many different ways evolving with the changing needs of society. In 2001, the NSLC was given a commercial mandate requiring it to operate more as any other business would. Some critics have seen this new mandate as contradictory to the NSLC's fundamental control responsibilities. We see that it simply reflects those responsibilities in a modern, moderate context.

The NSLC is the body that sits in the middle of a continuum. On the one end is a completely privatized or free market philosophy where beverage alcohol is sold in every corner store or supermarket.

The opposite end is prohibition where beverage alcohol is eliminated. There are those that still argue for both and degrees of both. I fully understand the

value that a free and open market can create for consumers. I spent my entire career in extremely competitive retail markets.

I also understand that beverage alcohol can harm society and cause great personal and community harm. This is not milk and cookies we are selling.

Therefore the NSLC is the referee, the balance between these two perspectives, between immoderate health advocacy agencies and private retailers and overly aggressive product suppliers. We balance society's desire for access to the product with approaches to retailing that moderates access while optimizing, not maximizing, service, selection and revenue.

Let's consider one end of the continuum for a minute- beverage alcohol sold in every store in Nova Scotia. That is a risky proposition on a number of levels. NSLC retail employees are retailers but they are different than the clerks at Walmart or Superstore.

First they are all over 19 years of age. They are selling a potentially dangerous substance and they take it seriously. It is their responsibility to make sure beverage alcohol does not fall into the wrong hands. This isn't always a glamorous job.

It's not always the older couple coming into our stores to pick up a bottle of wine or sherry on Saturday afternoon. Sometimes people are under the influence of alcohol and other substances. We have theft, threats, and break and enters. Sometimes we need additional security services to make sure our employees and customers are safe. NSLC employees are trained to deal with these difficult situations.

So if we put beverage alcohol in every store in Nova Scotia, the risk to community members increases. Is the clerk behind the counter safe? Are they 19? Do they understand the responsibilities involved in selling beverage alcohol. We know that in jurisdictions with private retail, access to alcohol is greater and easier when you are underage. We also know that consumption and societal harms are higher.

Even our strongest health adversaries agree that this model would not be good for Nova Scotians. It would not bring better product selection. There is a myth around selection and private retail. The 4 Private wine stores in Nova Scotia each stock between 300 and 400 products. The smallest NSLC store stocks 1000. The NSLC sees 6000 different products flow through it's offering every year.

On pricing, the average retail price in Alberta is similar to the NSLC. Yes they do deep discount when they put products on sale, much deeper than we do. But we limit how cheap alcohol can be sold in this province because excessively low pricing creates many societal issues around the abuse of alcohol.

Let's look at some research. According to Health Promotion and Protection research, 70% of junior high and high school students report that they have consumed alcohol. The average age in this province of first consumption is 13. Twenty eight percent of students also reported that they have consumed 5 or more drinks at one sitting- that is the definition of binge drinking.

So at what age does this happen? Four percent of grade 7 and 52% of students in grade 12 report having consumed alcohol at this level. Furthermore, 15% of grade 7 students, 50% of grade 9 and 81% of grade 12 reports having consumed alcohol. So how do they get access? Fifty seven percent get it from friends, 20% from their parents and 13% took it from home without permission.

So we know it is illegal for people under 19 to drink in this province. We all know it. The NSLC does not have to tell us this right? Wrong. We may know it but we don't respect the impact that this can have. 20% get alcohol from parents.

So when it is asked "why is the NSLC ID'ing all customers for a week in a couple of stores? Isn't that silly" No it is not silly. Obviously we know if someone is 50 years old. However we need to send a strong message to everyone including adults about how they facilitate underage drinking and why it is wrong and harmful. This is a community issue not just an NSLC issue and we need all members of our community engaged in preventing underage drinking. As an industry, if you are a manufacturer, an agent and yes even the NSLC...we need to do better.

Externally, in fulfilling our legislated mandate, the NSLC focuses on advocacy campaigns by raising awareness of the impact of irresponsible behavior regarding alcohol consumption. Our approach includes numerous creative and innovative campaigns and powerful partnerships with other businesses and community groups. We have received national and international awards for our work but it isn't about the awards. Yes they are nice but we do it not for awards we do it because we are passionate about responsible retailing and we believe it is the right thing to do.

My call to action here is that as an industry as a business and as a community of people who live in this beautiful province, we need to care more about the issue of underage drinking and the unacceptable practices of drinking and driving and binge drinking. All of us care about our customers and our employees.

But at the NSLC we need to do so in a way that is a reflection of the special responsibilities we have around the product that we sell. Our industry needs to care enough that we are protective of the community and recognize that a safe and healthy lifestyle is how we choose to work and how we choose to live.

The NSLC is open for business on many levels. We work hard with our suppliers and business partners to be viewed as a jurisdiction of choice in our industry.

We don't claim to be perfect. We will make mistakes.

But we are willing and we have the courage to try new things and to push the envelope sometimes- just like the we ID campaign. We are also willing to try new products, new promotions, new store designs and new training programs for our employees.

We are on a continuous journey of improvement and growth so that we can be in a position to deliver a shopping experience that exceeds the customer's expectations each and every time.

But more than that we will always do it respectfully and responsibly through a lens of our desire to be recognized as a leading corporate citizen in this province.

We are going to be a strong environmental steward and good neighbor.

We are going to work to improve the communities in which we operate.

We are going to produce strong financial results while at the same time focusing on a sustainable approach to running the business.

And yes, we are going to continue to be a strong, unrelenting, and unapologetic advocate for the intelligent and legal use of the product we are charged to sell.

Thank you.