

**ANNUAL BUSINESS PLAN  
FISCAL YEAR 2020-2021**



## AN INTRODUCTION TO A NEW CHAPTER

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### 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.

Through these shifts, our anchor has always been our people. Our aim is to create exceptional employee experiences, which in turn create personalized customer service 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, this strategic plan and this annual business plan, will focus on our people, our commitment to corporate social responsibility and continuing to deliver 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 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.

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## 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

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## 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 first year of our new Five-Year 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 launching a new Five-Year Strategic Plan in the 2020-2021 fiscal year, where we will continue our focus on becoming a customer-first organization. We will continue to work hard to create exceptional experiences for our customers and take our role as the responsible steward of beverage alcohol and cannabis sales in Nova Scotia seriously. The foundation for both these responsibilities is anchored in trust and connection – and 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.

### 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 engagements 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 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.

### 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 and reliable service. Supporting all employees through their entire employment life cycle will be a priority during the life of this plan.

### 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 communities and ensure responsible environmental and industry stewardship for Nova Scotia. To celebrate the good that we do for our province, we plan to develop programs and initiatives our employees are proud of and share our corporate story outside the organization 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, but this is just the beginning of the story.

## 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
<b>Listen to our customers, understand and respond to their needs to drive exceptional experiences</b>	<ol style="list-style-type: none"><li>1. Create new paths to listening and feedback loops</li><li>2. Align the organization to drive actionable insights</li></ol>
<b>Ensure Nova Scotians can responsibly purchase the products they want through an evolved channel and distribution strategy</b>	<ol style="list-style-type: none"><li>1. Develop a channel optimization strategy in support of a holistic experience, balancing digital and physical, enabled by a strategic supply chain</li></ol>
<b>Empower our people to deliver authentic, consistent and exceptional customer experiences</b>	<ol style="list-style-type: none"><li>1. Define and align organizational approach to exceptional customer experience</li><li>2. Develop new approaches for training to drive consistency – Leadership, Service and Product training</li><li>3. Provide appropriate tools and support to our teams to enable them to meet customers on their terms</li></ol>
<b>Continue to create moments of meaningful discovery and engagement for customers across all channels</b>	<ol style="list-style-type: none"><li>1. Assess program effectiveness and streamline activity that drives engagement and return on investment</li><li>2. Update our customer segmentation to grow and support effective customer programs</li><li>3. Identify optimal engagement touchpoints to improve performance of effective programs</li></ol>

## 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
<b>Build programs and a culture that attracts, develops and retains talent &amp; celebrates the contributions of our people</b>	<ol style="list-style-type: none"><li>1. Implement the Human Resources Transformation Roadmap to create a greater impact in support of attraction, retention and employee development</li><li>2. Implement Human Resources Information System (HRIS) foundations project</li><li>3. Develop employee engagement strategy</li></ol>
<b>Build a purposeful leadership orientation within the organization</b>	<ol style="list-style-type: none"><li>1. Define leadership for the NSLC and develop training supports and culture integration tactics</li></ol>



## RESPONSIBILITY

Fully integrate corporate social responsibility 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.

STRATEGIES	ACTIONS
<b>Deepen CSR function across the organization and build ambassadorship among our people, customers, partners and stakeholders</b>	<ol style="list-style-type: none"><li>1. Identify meaningful points of engagement with our partners and throughout the organization</li></ol>
<b>Strengthen our community partnerships to drive knowledge and awareness of moderate consumption</b>	<ol style="list-style-type: none"><li>1. Build on intra and inter provincial partnerships to align and extend messaging</li><li>2. Expand and strengthen young adult focused SR education</li></ol>
<b>Celebrate the Good – demonstrate the value of the NSLC as a leading corporate citizen</b>	<ol style="list-style-type: none"><li>1. Develop a multi-year internal and external communication strategy</li></ol>
<b>Balance social, environmental and business needs to create sustainable success</b>	<ol style="list-style-type: none"><li>1. Develop a holistic measurement approach to the business, including CSR dashboard</li><li>2. Define and align environmental sustainability commitment and goals and ensure integration into the organization</li></ol>
<b>Clarify and evolve our role in regulatory framework as a responsible steward of the Nova Scotia industry</b>	<ol style="list-style-type: none"><li>1. Evaluate the current oversight framework related to local production and sales. Explore opportunities to streamline regulatory processes to provide more consistency and efficiency.</li></ol>

## 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
<b>Sustainably grow our trusted local partnerships</b>	<ol style="list-style-type: none"><li>1. Create innovative opportunities to showcase local products across our channels</li><li>2. Continue to invest in Retail Product Education in support of local category focus areas</li><li>3. Enhance local partnerships and increase outreach to local industry associations to better support growth strategies</li></ol>
<b>Share best practices to support industry evolution and knowledge</b>	<ol style="list-style-type: none"><li>1. Share and leverage our expertise as a retailer and share best practices</li><li>2. Celebrate local success stories</li></ol>

## 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
<b>Invest strategically in our technology and retail network to support the foundations of our business and positive customer and employee experiences</b>	<ol style="list-style-type: none"><li>1. Execute IT Roadmap foundational items such as SAP and SRS Upgrades</li><li>2. Establish a retail network maintenance roadmap</li></ol>
<b>Balance investments in our key focus areas with operational efficiency to drive ease of doing business &amp; ensure consistent returns</b>	<ol style="list-style-type: none"><li>1. Focus on efficiency and process improvement in key areas of product listings, technical supports to aid mobility for store teams and HR foundations</li></ol>
<b>Enable business strategy across our key focus areas – Customer, People, Local and Responsibility</b>	<ol style="list-style-type: none"><li>1. Align our insights foundation and organizational focus on <u>Customer-First</u> initiatives that drive sustainable profitability</li><li>2. Invest in developing our <u>People</u> and support them to drive exceptional customer experiences</li><li>3. Continue to strategically support <u>Local</u> industry through the NSLC's expertise</li><li>4. Continue to support <u>Corporate Social Responsibility</u> initiatives</li></ol>

# 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:

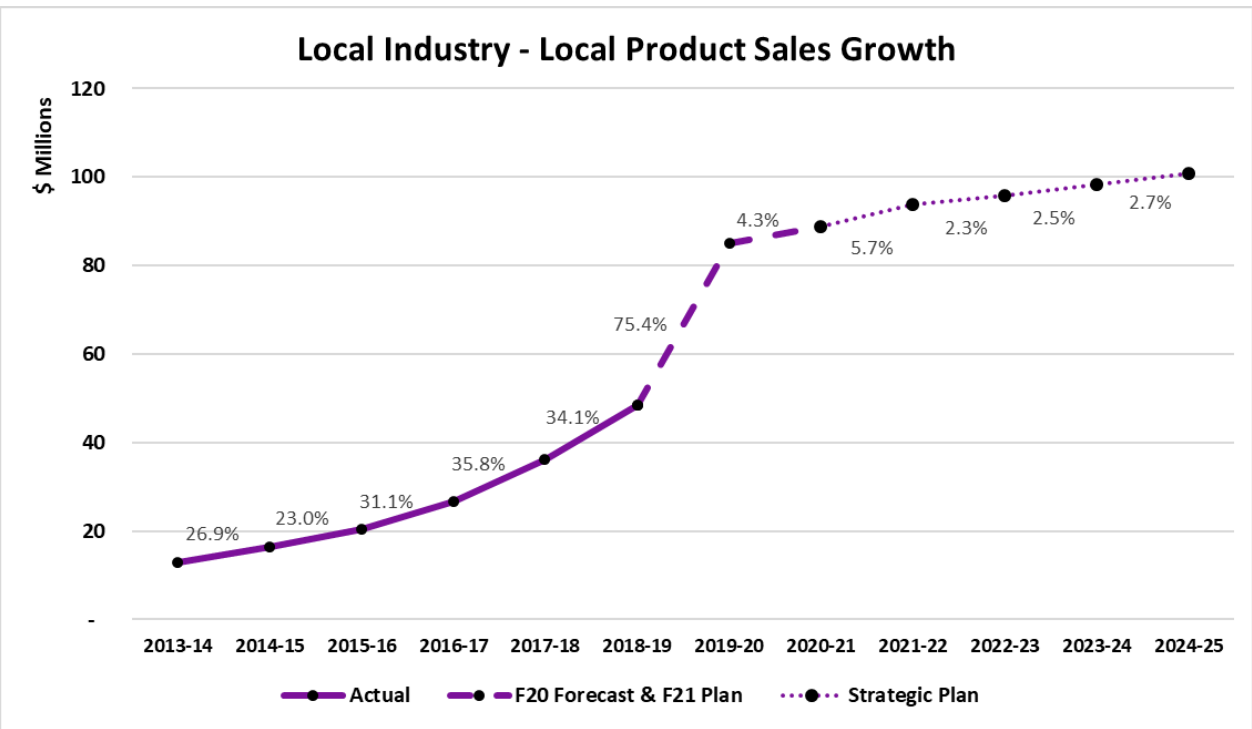
2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Ongoing Target
83%	85%	89%	87%	86%	88%	88%	88%	90%	90%	89%	89%	88%	90%

## PEOPLE

Employee Engagement:

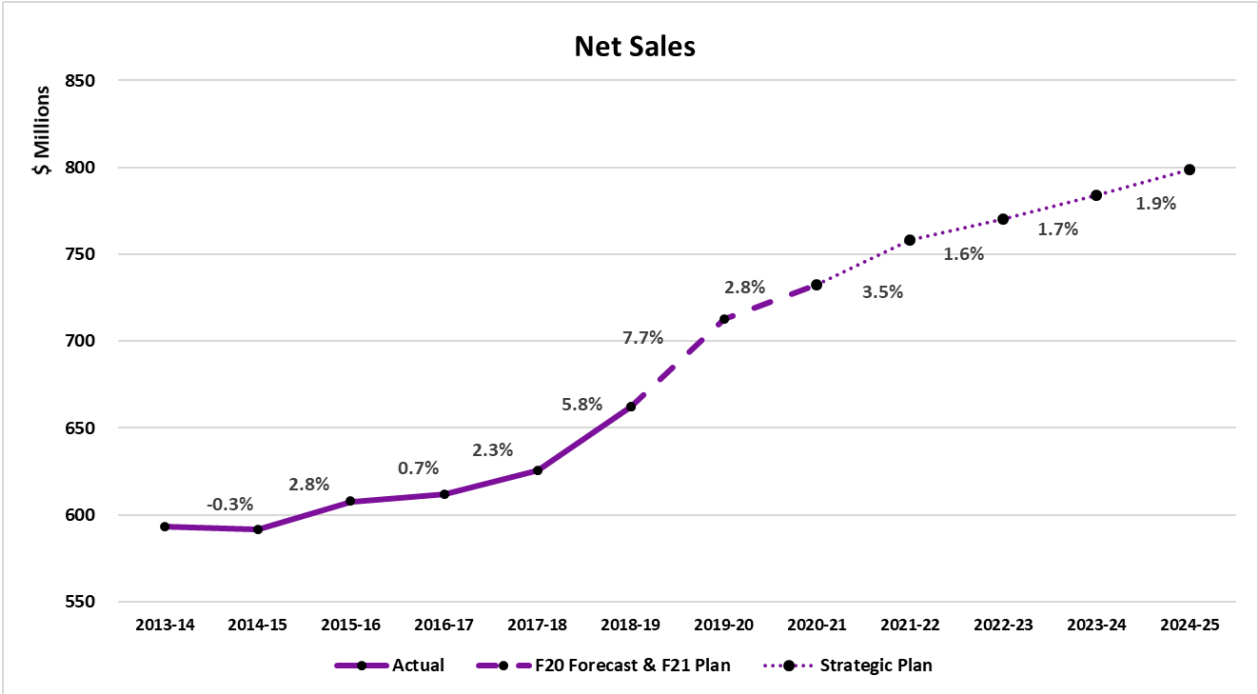
2003	2005	2008	2011	2013	2015	2017	2019	Ongoing Target
75.8	76.6	73.7	72.8	76	76.3	76.1	76.1	80.0

## LOCAL INDUSTRY

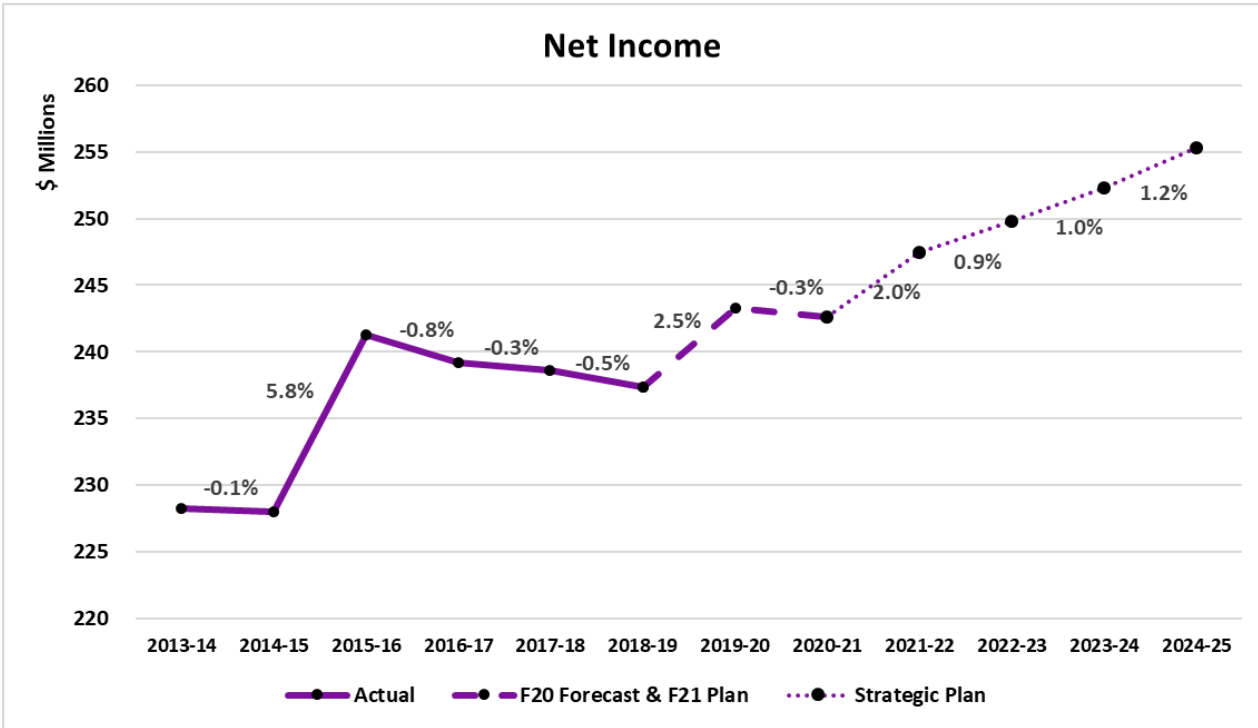


Excludes sales of commercial wine & beer.

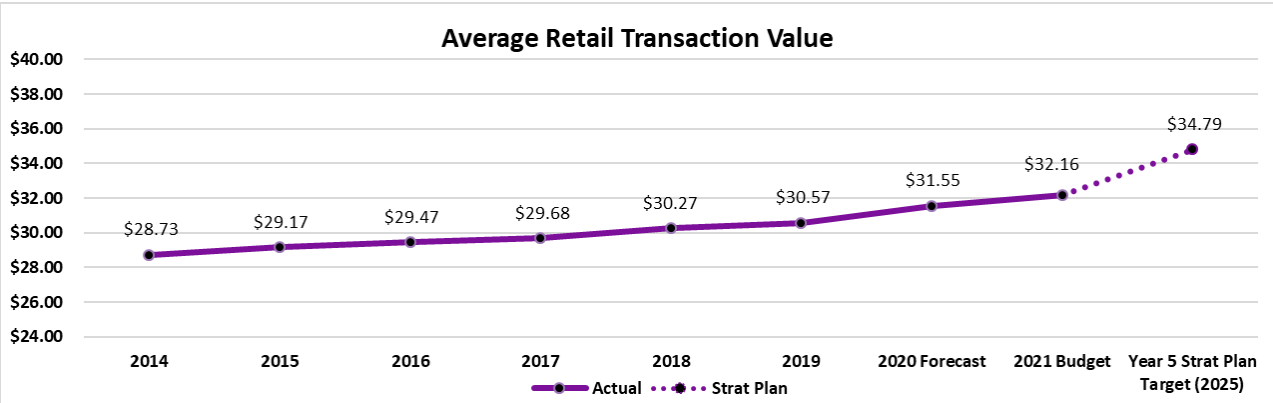
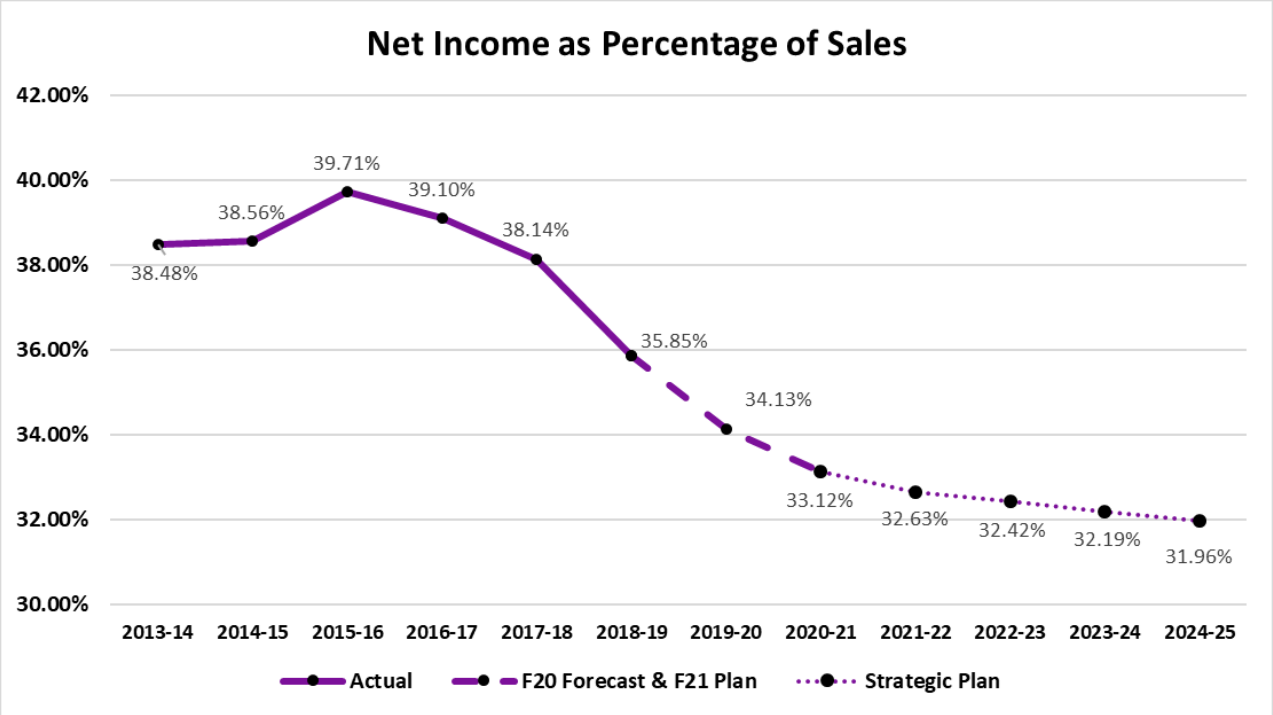
# FINANCIAL



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 2015-16 \$	Actual 2016-17 \$	Actual 2017-18 \$	Actual 2018-19 \$	Forecast 2019-20 \$	Sales (%)	Budget 2020-21 \$	Change (%)
Spirits	165,636,957	165,837,842	168,645,797	168,613,116	172,293,960		172,988,708	
Wine	141,348,224	143,569,801	150,788,173	148,814,870	152,675,916		153,803,598	
Beer	281,484,342	278,893,578	282,066,202	279,800,490	277,684,122		272,605,269	
Ready-to-drink	30,557,393	34,962,836	37,700,822	45,145,429	55,620,585		64,129,348	
Non-liquor	121,396	130,786	136,211	116,991	118,782		118,782	
Cannabis	0	0	0	33,188,581	68,697,318		83,405,199	
<b>Total Gross Sales</b>	<b>619,148,313</b>	<b>623,394,843</b>	<b>639,337,205</b>	<b>675,679,477</b>	<b>727,090,683</b>	<b>102.0%</b>	<b>747,050,904</b>	<b>2.7%</b>
Less: Discounts	11,563,725	11,549,801	13,675,313	13,595,882	14,250,200	2.0%	14,437,363	
<b>Net Sales</b>	<b>607,584,588</b>	<b>611,845,042</b>	<b>625,661,892</b>	<b>662,083,595</b>	<b>712,840,483</b>	<b>100.0%</b>	<b>732,613,541</b>	
Cost of Sales	269,611,009	274,909,681	284,136,988	311,241,996	346,938,981	48.7%	360,793,068	
<b>Gross Profit</b>	<b>337,973,579</b>	<b>336,935,361</b>	<b>341,524,904</b>	<b>350,841,599</b>	<b>365,901,501</b>	<b>51.3%</b>	<b>371,820,473</b>	
Less: Store Operating Expenses	61,231,677	61,334,942	63,555,752	69,867,242	71,321,227	10.0%	73,947,869	
<b>Gross Operating Profit</b>	<b>276,741,902</b>	<b>275,600,419</b>	<b>277,969,152</b>	<b>280,974,357</b>	<b>294,580,274</b>	<b>41.3%</b>	<b>297,872,604</b>	
Less: Supply Chain	7,048,509	7,058,180	7,216,564	9,239,509	9,406,237	1.3%	9,583,962	
Corporate Services	24,697,017	24,530,382	23,877,917	28,305,539	28,467,368	4.0%	31,631,875	
Other Expenses	-40,017	1,729,630	4,945,050	1,486,897	1,939,179	0.3%	1,712,000	
Add: Other Revenue	5,387,396	5,565,709	5,032,858	4,498,577	4,109,272	0.6%	4,035,716	
<b>Total Expenses (excl. stores)</b>	<b>26,318,113</b>	<b>27,752,483</b>	<b>31,006,673</b>	<b>34,533,368</b>	<b>35,703,512</b>	<b>5.0%</b>	<b>38,892,121</b>	
<b>Operating Income before Depreciation</b>	<b>250,423,789</b>	<b>247,847,936</b>	<b>246,962,479</b>	<b>246,440,989</b>	<b>258,876,762</b>	<b>36.3%</b>	<b>258,980,482</b>	
Less: Depreciation	9,166,691	8,626,736	8,356,789	9,068,302	15,562,745	2.2%	16,355,737	
<b>Income from Operations</b>	<b>241,257,098</b>	<b>239,221,200</b>	<b>238,605,690</b>	<b>237,372,687</b>	<b>243,314,017</b>	<b>34.1%</b>	<b>242,624,745</b>	-0.3%
Actuarial Loss (Gain)	(3,297,500)	265,700	282,700	(1,487,300)	-	0.0%	-	
<b>Comprehensive Income</b>	<b>244,554,598</b>	<b>238,955,500</b>	<b>238,322,990</b>	<b>238,859,987</b>	<b>243,314,017</b>	<b>34.1%</b>	<b>242,624,745</b>	-0.3%
Total Expenses (not depreciation)	87,549,790	89,087,425	94,562,425	104,400,610	107,024,739	15.0%	112,839,990	
Total Expenses	96,716,481	97,714,161	102,919,214	113,468,912	122,587,484	17.2%	129,195,727	

						Change (%)		Change (%)
<b>Volume (hectolitres)</b>								
Spirits	49,240	48,171	49,360	49,039	49,649	1.2%	49,302	-0.7%
Wine	97,056	100,147	100,354	97,634	98,138	0.5%	97,928	-0.2%
Beer	599,552	569,377	586,831	581,499	567,392	-2.4%	550,296	-3.0%
Ready-to-drink	42,909	53,925	51,817	61,851	76,345	23.4%	87,810	15.0%
Total	788,756	771,619	788,362	790,022	791,524	0.2%	785,336	-0.8%
<b>Volume (Kilograms)</b>								
Cannabis	-	-	-	3,279	6,564	0.0%	7,983	21.6%

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