



2017-2020

BUSINESS PLAN

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MESSAGE FROM THE BOARD OF DIRECTORS

On behalf of the Newfoundland Labrador Liquor Corporation's (NLC) Board of Directors, I am pleased to present NLC's Business Plan for the years 2017-20. While the current Board was appointed following the development of this plan by management, under the oversight of the previous Board, the current Board is assured and believes that it outlines NLC's current direction and strategic priorities for the coming three years, as well as the criteria by which the organization's results will be measured.

NLC has achieved tremendous success in delivering on the previous Strategic Plan (FYE 15 – FYE 17) commitments as exemplified by the contribution to the Province of over \$500M in dividends. This current plan is expected to further entrench NLC as a leading retailer, while demonstrating its commitment to social responsibility.

NLC is a Category II entity as defined by the Transparency and Accountability Act. NLC's 2017-20 Business Plan was developed with management's careful consideration to the strategic directions of Government as communicated by the responsible Minister. While NLC's current mandate is not directly linked to any of the stated strategic components of the Department of Finance, NLC contributes to the financial health of the Province and, through its focus on responsible consumption of beverage alcohol, also supports public health and social policy objectives.

As Chair of the Board, my signature below indicates the Board's commitment to ensure accountability for the completion of NLC's Three Year Business Plan and the achievement of the objectives and initiatives outlined within it, subject to any material changes as may become appropriate as time passes and conditions in the Province evolve. For example, the Plan does not address whether NLC will have a role resulting from the legalization of cannabis.

NLC is a Government Business Enterprise – established under the Liquor Corporation Act of 1973, NLC is a Crown Corporation operating in the private sector retail environment competing for the discretionary income of consumers while also promoting a message of responsible consumption. It is a delicate balancing act, but one that NLC has executed successfully. I am confident that the 2017-20 Business Plan will provide a road map to continuing this success.



Wayne Myles, QC
Chairperson, Board of Directors NLC

PURPOSE OF THIS DOCUMENT

This document outlines NLC's approach over the next three years, 2017-2020, to ensure the collective efforts of the organization are channeled effectively to support NLC's Mission, Vision and Values. It describes NLC's strategic priorities, performance criteria and the environment within which NLC operates. It provides guidance for all staff in their day-to-day decisions and actions. Finally, it provides a level of transparency and accountability that is meant to provide all stakeholders with confidence in NLC's ability to execute the strategy and associated initiatives that will determine NLC's success in the coming three years.

SCOPE

This submission provides a three year outlook on NLC's overall strategic direction however, because of the difficulty predicting future circumstances, including whether or not NLC will have a role resulting from the legalization of cannabis. This plan does not identify the specific initiatives that will be undertaken after 2018. Specific initiatives and priorities in 2019 and 2020 will be determined as dictated by circumstances at the time and will be referenced in NLC's annual reports. Further, this document focuses on high-level issues of concern at the Board level – it is not meant to cover operational or business unit level issues.

DESCRIPTION OF THE BUSINESS PLANNING PROCESS

The Business Planning process approved by the Board was an inclusive participatory process. The process is endorsed by the Board, and included Executive, Directors and select Managers. Finally, the results and learnings gained from the development and execution of NLC's 2014-2017 Business Plan were used to guide development of this plan. The process for developing NLC's 2017-2020 Business Plan (the Business Plan) commenced in September 2016. The Business Plan will be reviewed regularly to ensure its relevance in guiding NLC's success in the coming three years.

The Executive, Directors and select Managers held in-depth, internally facilitated discussions that identified

the key issues facing NLC and the environment in which it operates and revised the Corporation's mission, vision and other high level strategic elements accordingly.

In total, 23 people were included in the Strategic Planning initiative. The group was engaged on several occasions to provide input on NLC's mission, vision, values, strategic themes and results, objectives, initiatives, measures and targets.

A listing of the Executive Management and contributors to the Strategic Planning process are provided in Appendix I.

MANDATE

The mandate of NLC is to manage and oversee the importation, sale and distribution of beverage alcohol within the Province of Newfoundland and Labrador. This also includes enforcement of all relevant legislation. This mandate is codified in legislation, namely the Liquor Corporation Act, the Liquor Control Act and the Liquor Licensing Regulations. While not specifically mandated in legislation, NLC takes a leading role in protecting the public by promoting socially responsible distribution, sale and consumption of beverage alcohol as exemplified by the fact that our employees challenge approximately 9% of transactions annually.

OVERVIEW

ORGANIZATION

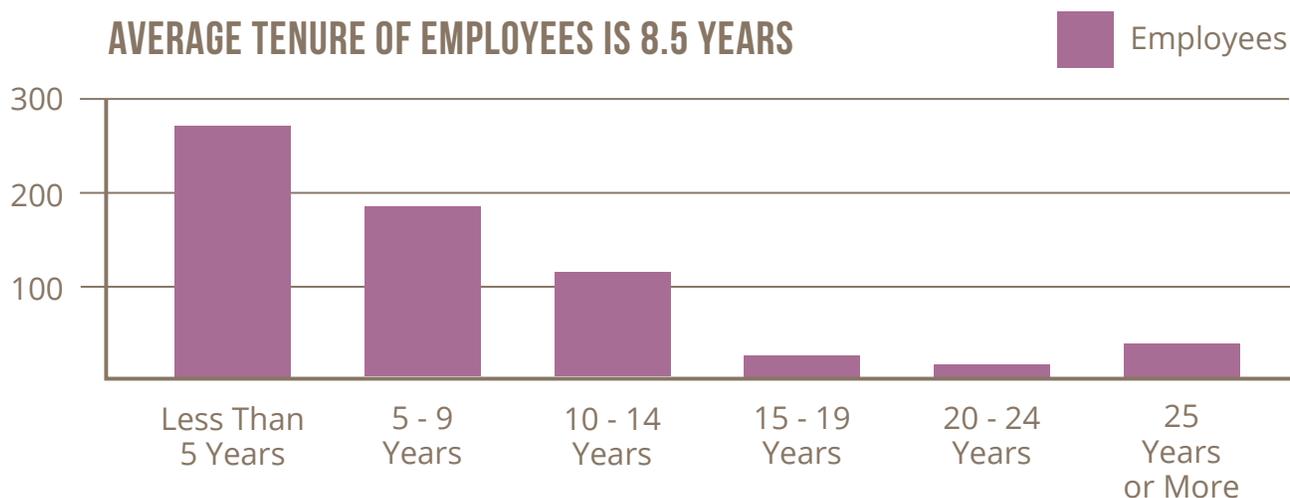
As of February 21, 2017 NLC directly employs approximately 552 employees (full time equivalents) and operates 25 Liquor Store locations and 3 Satellite Stores, located in most major centers throughout the Province. In addition, the Corporation supplies 144 Liquor Express outlets, located primarily in rural areas of the Province and over 1,400 licensees. The Corporation operates a centralized warehouse facility in St. John's. Also, in St. John's, NLC operates a bottling and blending plant which produced approximately 350,000 cases of spirits in fiscal 2017.

MANAGEMENT STRUCTURE

NLC oversight is provided by a Board of Directors, appointed by the Lieutenant Governor in Council – normally for a term of three years. The Board composition includes the Chair Person, the President and Chief Executive Officer and other members as appointed. The President and CEO of the Corporation is responsible for the day-to-day management of NLC and other duties as assigned by the Board. Reporting to the Board, the President and CEO is also appointed by the Lieutenant Governor in Council.

NLC's Executive Management consists of the following: President and CEO, Senior Vice President and Chief Financial Officer, Vice President Supply Chain Management, Vice President Sales, Vice President Human Resources, and Chief Information Officer.

See Figure 1 for NLC's Organization Chart, Appendix III.



EMPLOYEES

The NLC provides employment to 552 full time equivalent employees (FTEs) throughout the Province. Approximately 72% of NLC's employees are unionized, 66% of which are full time; represented by the Newfoundland and Labrador Association of Public and Private Employees (NAPE). The labour-management relationship is one of respect, collaboration and open communication, as demonstrated by NLC's recent internal employee survey, completed on February 14, 2017, where 86% of employees were proud to be a member of NLC. The average tenure within the organization is 8.5 years and average age is 41 years.

Emerging trends and demographics continue to influence human resources service delivery. NLC will remain committed to pursuing progressive employment practices and engaging its workforce and will build on the foundations of existing human resource programs. Moving forward NLC will focus on implementing a comprehensive Human Resources Management System (HRMS) solution that will help minimize costs through the simplification of business processes and improvements in efficiency in areas such as time and attendance

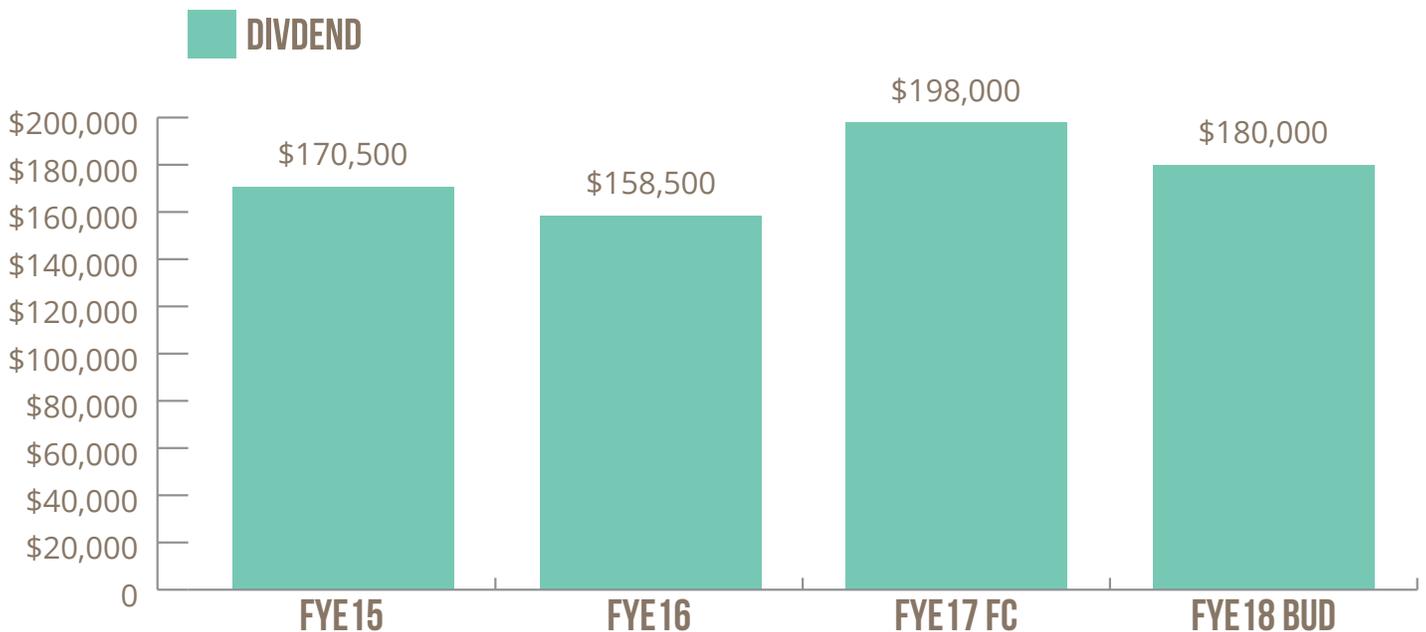
management and recruitment. The HRMS will also support increasing employee engagement through improvements in onboarding, performance management and self-service.

NLC is committed to promoting Occupational Health and Safety for all individuals on its premises. Over the last five years lost time injury rates per employee have decreased by 46% and NLC will continue to work toward zero injuries and reduced illness in the workplace by providing a healthy and safe work environment through regulatory compliance and the integration of proactive safe work practices into all operations.

FINANCE AND ECONOMICS

NLC is a stable, dependable revenue generator for Government and delivers a sustainable dividend to the Province by successfully navigating the economic variables that directly influence NLC revenues. These variables include, but are not limited to, weather, population size, unemployment rate, the economy, the collective agreement, disposable income, tourism and the age of the population.

The forecast for economic indicators for the Province represents major challenges in the short term. Lower levels of capital investment due to winding down of major project development, the decline in commodity prices, continued Government deficit reduction measures and demographic shifts point to a further decline in economic activity. Based on Government's current economic forecast (source: 2017 Economy), by 2021 economic indicators such as employment and real compensation of employees will be lower by 9% and 17% respectively when compared to 2016 levels. Provincial retail sales (adjusted for inflation) are expected to decline by 7% during this time. NLC has taken these factors into consideration when establishing its commitments to the Province over the course of the 2017-2020 planning period.



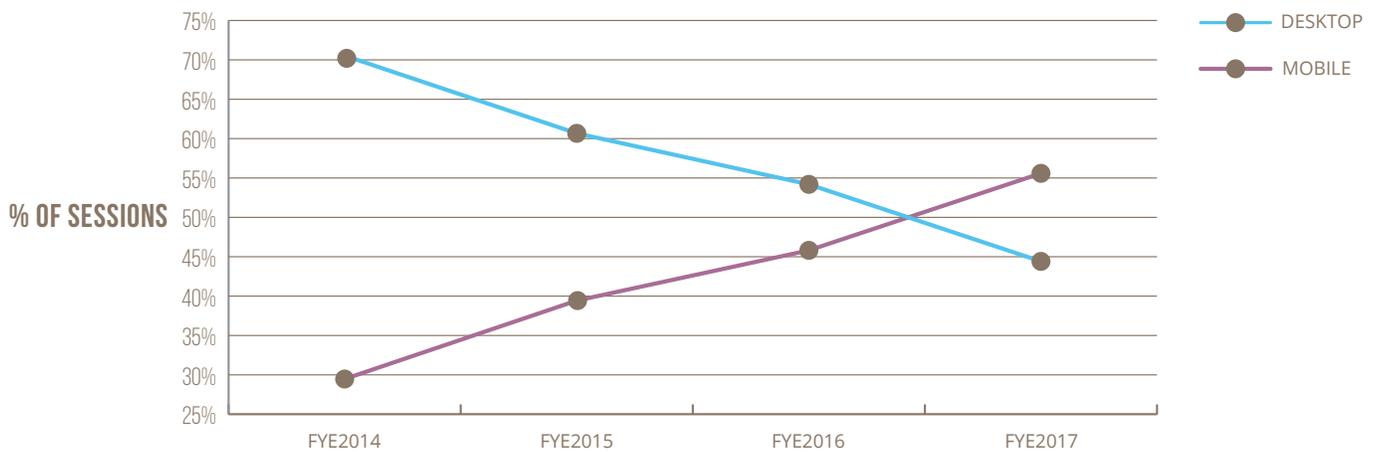
TECHNOLOGY INFRASTRUCTURE

The operational improvements generated by new technology initiatives have been significant at NLC, and this trend is expected to continue over the course of this plan. NLC will continue to focus on leveraging technology to provide easy access to information, increase accuracy and timeliness of critical data, automate processes, enable necessary communication with staff and improve decision-making and operational efficiencies.

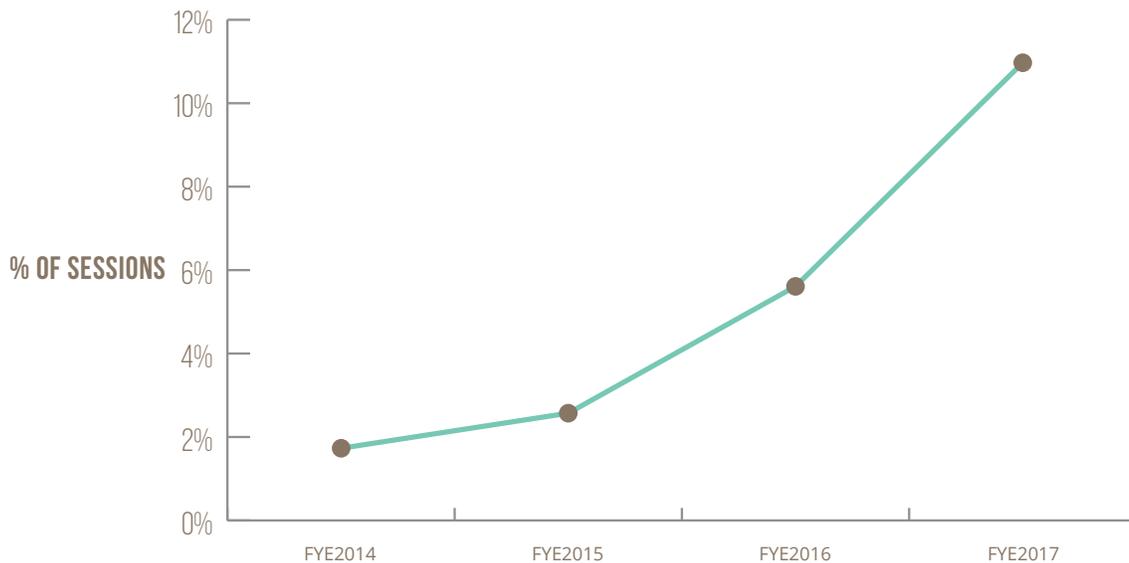
The significance and opportunity of digital media, including social media and mobile technology as a means of connecting with people continues to grow. To take full advantage of this trend, NLC will continue to explore opportunities these forums may present to various facets of its operations.

In the four year period from FYE 2014 through FYE 2017, mobile traffic (shown as sessions in the graph below) has gone from 30% of total traffic to more than 55%, surpassing desktop in 2017. More customers now access nliquor.com on a phone or tablet than on a desktop computer or laptop.

DESKTOP VS. MOBILE TRAFFIC, FYE 2014-2017



PERCENTAGE OF WEB TRAFFIC ORIGINATING FROM SOCIAL MEDIA, FYE 2014-2017



CORPORATE CULTURE

NLC's culture is one where the status quo is constantly challenged in order to improve the business and meet changing consumer demands. Improved communication to engage staff and to help staff understand organizational strategy, priorities and expectations while also creating a sense of camaraderie will continue to be a priority over the course of this planning period. NLC will continue to be focused on customer service, employee engagement, strong business performance and social responsibility.

LINES OF BUSINESS

The lines of business (LOB) for NLC are:

- Retail Sales
- Wholesale Sales
- Blending/Bottling
- Regulatory Services

RETAIL SALES

The most visible component of NLC's operations to many is the retail sale of beverage alcohol through its 25 Liquor Store locations and 3 Satellite Store locations. Population dictates the location of corporate Liquor Stores. Currently, these are located in the following localities:

- St. John's
- Mount Pearl
- Long Pond
- Paradise
- Bay Roberts
- Grand Falls-Windsor
- Corner Brook
- Carbonear
- Placentia
- Marystown
- Clarenville
- Gander
- Stephenville
- Happy Valley-Goose Bay
- Port aux Basques
- Labrador City

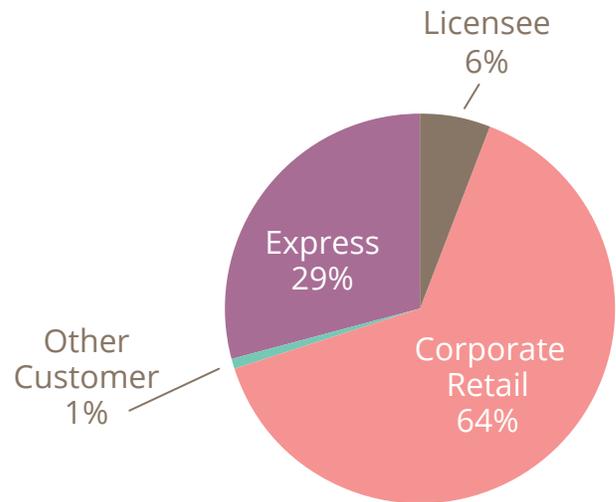
Liquor Store outlets carry an extensive selection of spirits, wine, beers and ready to drink (RTD) alcoholic beverages, imported from within Canada and around the world, as well as, locally produced spirits, wine and beer. Liquor Store staff members are all direct employees of NLC. All aspects of store design, sales, marketing, merchandising and human resources fall under NLC jurisdiction.

WHOLESALE SALES

NLC's Wholesale operations supply 144 Liquor Express locations and over 1,400 licensees. Liquor Express accounts for 29% of NLC's annual sales revenues while licensees account for 6%. Liquor Express stores are often located in areas where population density would not likely support a corporate store and involves an arrangement whereby a business entity competes to sell beverage alcohol in a retail environment, receiving a commission from NLC on its product sales.

Licensees include bars, lounges and restaurants that are licensed by NLC Regulatory Services to purchase product that is resold to customers for profit.

SALES DISTRIBUTION BY CUSTOMER TYPE



BLENDING/BOTTLING

Rock Spirits is NLC's manufacturing operation, and consists of a blending and bottling plant which employs over 45 people. NLC has developed formulations for various spirits, owns the rights to certain brands, and blends and bottles product at its facility in St. John's. These products are sold in Newfoundland and Labrador and are marketed to other liquor jurisdictions in Canada and the northeast United States. NLC also blends, bottles, and distributes spirits on behalf of other suppliers. NLC's manufacturing plant offers both high speed bottling as well as the ability to support the intricate bottling required of niche brands. NLC has secured new contracts and maintains current relationships through exceptional customer service and diligent investments in its manufacturing operations.

Rock Spirits owns, produces and markets the following products:

- | | |
|--------------------------|----------------------------|
| Screech Rum | Shiver Vodka |
| Screech Spiced Rum | Shiver Gin |
| Screech Honey Rum | London Dock Rum |
| Screech Gingerbread Rum | Cabot Tower Rum |
| Old Sam Rum | Newfoundlander's White Rum |
| Old Sam 5 Rum | Ragged Rock Rum |
| George Street Spiced Rum | |

And contract bottles the following products:

- | | |
|--------------------|---------------------------------------|
| Iceberg Vodka | Golden Wedding Whisky |
| Iceberg Rum | Liquormen's Ol' Dirty Canadian Whisky |
| Iceberg Silver Rum | Smugglers Cove Rum |
| Iceberg Gin | White Star Amber Rum |
| Crystal Head Vodka | Hounds Vodka |

REGULATORY SERVICES

Regulatory Services division is responsible for regulation of all licensed establishments in the Province in accordance with the Liquor Control Act and Regulations, the Liquor Corporation Act and the Smoke Free Environmental Act. Regulatory Services is actively involved in the design and implementation of NLC's Social Responsibility programs while promoting social responsibility in all areas of business within the Corporation and with our stakeholders.

There are two divisions within Regulatory Services: Licensing and Regulatory Administration which oversees all licensing and administrative matters and Regulatory Compliance which ensures compliance with governing legislation.

Licensing and Regulatory Administration issues and maintains all liquor licenses in the Province. Licensing information is stored and maintained to assure data accuracy promoting operational efficiency in support of Regulatory Compliance. The division is accountable for the development, implementation and maintenance of policies and procedures, as well as advising and providing information to the Province in regards to governing legislation.

Regulatory Compliance seeks to educate all interested and vested parties in the relevant laws and regulations promoting voluntary compliance. Where voluntary compliance is not achieved this department is responsible to take steps to ensure violations are addressed and ultimately public safety is assured.

ADDITIONAL INFORMATION

For more information on NLC and its operations, see NLC's website at www.nliquor.com.

OUR KEY CUSTOMERS AND STAKEHOLDERS

There are several customer types and stakeholders critical to NLC's success - all with differing needs and expectations. NLC is committed to customer service and delivering products and services that universally meet customer and stakeholder expectations.

CUSTOMERS

Retail Customers purchase beverage alcohol for the purpose of personal consumption. As in any retail environment, individual consumer tastes vary with regards to specific products, however, attributes important to all customers include; easy access to product, product selection, value, quality, demonstrated product knowledge and personalized customer service. NLC customers are becoming increasingly sophisticated in their knowledge and tastes in beverage alcohol. They have come to expect an engaging, pleasant shopping experience. NLC's focus in this area has been successful as evidenced by consistently high results from retail customer satisfaction surveys.

Wholesale Customers within the Province include Liquor Express stores and licensees that purchase beverage alcohol for the purpose of re-selling it to the end consumer. These Customers play a crucial role in distribution of and access to product, and provide NLC with a distribution network throughout the Province. Liquor Express locations are selected by NLC through formal application while licensees are regulated licensed establishments. Both of these customer types want a simple and straightforward application process, fairness in the issuing of licenses and enforcement, clear information and guidance with regard to the legislation governing them, a selection of product, access to marketing and merchandising expertise and timely distribution and delivery. These operations must comply with the legislation and regulations associated with NLC's regulatory responsibilities.

Brewers, Brewer's Agents and Local Producers, licensed by NLC to produce local product, must remit a commission to NLC on all product distributed throughout the Province for resale. Brewer's Agents are primarily convenience stores that are licensed by NLC to resell product sold to them by brewers. Brewers and Brewer's Agents expect NLC to ensure the relevant legislation and regulations are enforced appropriately. Local producers expect responsiveness from NLC, in a business-friendly environment that is helpful, efficient and cooperative.

Co-packers are customers for which Rock Spirits, NLC's manufacturing operation, blends, bottles and distributes spirits. Co-packaging partners expect flexibility, quality and good customer service from Rock Spirits. NLC's ability to supply niche markets and its positive brand image combined with a relationship that is responsive, co-operative as well as being customer-focused enables the Corporation to help them build a quality brand that matches their marketing vision.

Customers outside the Province include customers that provide sales opportunities beyond the Province's borders, including the various liquor jurisdictions throughout Canada that purchase NLC product for resale. These customers represent revenue growth potential, with NLC successfully marketing local brands to other liquor jurisdictions. These customers judge NLC on product availability, quality of product, customer service and timely distribution.

Suppliers and Agents represent the various beverage alcohol products sold and distributed by NLC, its agencies and licensees, as well as the providers of raw material which is used in the manufacture of spirits, and which is critical for the production of local products. Suppliers and agents provide NLC with the vast majority of the products it sells. NLC currently carries approximately 4,000 products – in the globally competitive economy this range of selection is demanded by our customers and has earned NLC accolades from customers and other liquor industry officials throughout Canada. Strong supplier relationships are critical to ensure NLC maintains access to the product mix needed to be successful. These organizations want access to shelf space and marketing opportunities, wide networks for distribution and fact-based decision making. Current relationships with suppliers are positive. Challenges include long lead times for the receipt of product from foreign suppliers and hence increased inventory levels required to satisfy sales requirements.

STAKEHOLDERS

Government holds multiple roles, as it is the shareholder to whom NLC dividends flow for reinvestment to the benefit of the people of Newfoundland and Labrador. Government expects NLC to ensure that the sale, distribution and manufacture of beverage alcohol is conducted in a socially responsible manner - directed by appropriate legislation and enforcement practices for the good of all. Government looks to NLC to meet specific financial goals, in a manner that protects the public and ensures prudent application and enforcement of relevant legislation.

The general public includes both consumers and non-consumers of beverage alcohol who want assurance that sale, manufacture and distribution is controlled to promote safe, intelligent consumption. NLC recognizes a responsibility to all people to reinforce the message, in word and act, that beverage alcohol should be enjoyed responsibly and in moderation. Further, people who are vulnerable to the negative effects of beverage alcohol must be protected. The public also has a rightful expectation of good corporate governance, transparency and accountability by those entrusted to oversee the operation of the organization and its assets.

Employees are responsible for the success of NLC. Their daily decisions and actions serve to generate desired business results. NLC is committed to providing a safe, respectful, trusting and open work environment where employees can continue to learn and grow.

Community partners such as the Royal Newfoundland Constabulary (RNC), the Royal Canadian Mounted Police (RCMP), Mothers Against Drunk Driving (MADD) and Hospitality Newfoundland and Labrador (HNL) help NLC further its mandate as a responsible retailer of beverage alcohol. It's an integral part of providing a high level of customer service, education and customer experience. As part of NLC's Corporate Social Responsibility mandate, its job is to promote the responsible use of beverage alcohol, to help reduce its impact on the environment and to give back to the communities it serves. The Corporation does this through a number of diverse regional initiatives and community partnerships.

NLC VALUES

SOCIALLY RESPONSIBLE

Promote the responsible sale and consumption of beverage alcohol.

Each NLC employee and Board member will advocate intelligent consumption by seeking to inform and educate customers and clients in the safe, responsible use of our products and by practicing intelligent consumption. NLC will also actively contribute to the communities within which it operates.

PROFESSIONAL

Perform duties with respect, integrity and commitment to safety.

Each NLC employee and Board member will develop trusting relationships with customers and stakeholders by demonstrating its values, being honest and forthright, honouring its commitments and treating people with respect and dignity. NLC staff will be knowledgeable, friendly and will engage customers thoughtfully and courteously to ensure their needs are clearly understood and serviced.

TEAMWORK

Value diversity, strong relationships and collaboration.

Each NLC employee and Board member recognizes the importance of diversity and teamwork and will encourage input from all key stakeholders to promote better decision-making and to optimize performance. NLC will recognize outstanding contributions and will seek opportunities to celebrate and develop strong relationships among our staff. The Corporation will ensure expectations are defined and communication is clear.

INITIATIVE

Encourage action to improve operations, service and business results.

Each NLC employee and Board member appreciates that leadership is not position-specific. Initiative will be encouraged and recognized throughout the organization. Staff will be expected to use good judgment and will be empowered to make decisions. NLC employees and Board members believe initiative leads to greater success – individually and organizationally.

ACCOUNTABILITY

Ensure expectations are understood and accept responsibility for honouring commitments.

NLC employees and Board members recognize that each individual is personally responsible for ensuring that expectations are understood and will take the appropriate actions to ensure that these expectations are met. These individuals will seek feedback to ensure that expectations are met, and where they are not, will take action to remedy the situation and prevent it from happening in the future.

NLC VISION

To be dedicated to our customers and communities with progressive, passionate and responsible service.

NLC MISSION

To contribute financially to Newfoundland and Labrador through responsible beverage alcohol sales.

NLC is responsible for the importation, sale and distribution of beverage alcohol within the Province – with the expectation that it will generate revenue for Government which will be reinvested for the benefit of the people of Newfoundland and Labrador. Furthermore, NLC strives to ensure its mandate is conducted in a socially responsible manner. Over the coming years NLC will continue to prioritize investment, focus resources, strengthen operations, and ensure that employees and other stakeholders are working towards the common goal of benefiting the people of Newfoundland and Labrador.

STRATEGIC THEMES, OBJECTIVES, INITIATIVES, MEASURES AND TARGETS

In order to achieve its mission and vision, the Corporation has implemented a Balanced Scorecard to help ensure successful execution of its strategy (an explanation of Balanced Scorecard is found in Appendix II). The Balanced Scorecard identifies four perspectives, representing different views of organizational performance. The strategic objectives, initiatives, measures and targets cover the perspectives.

These four perspectives are described below:

- **Financial** – defines the financial performance expected of NLC by Government. Financial objectives are established with consideration to the impact of social responsibility initiatives which may impact profit maximization.
- **Customer/Stakeholder** – defines key customer/stakeholder expectations that must be met if NLC is to be successful. NLC has several customers, both internal and external, some with differing expectations.
- **Internal Processes** – identifies the processes at which NLC must excel if it is to meet the expectations of its customers and stakeholders.
- **People, Tools and Technology** – examines tools, technology, information, leadership and corporate culture needed to ensure employees are successful in their individual roles, and which enable NLC to achieve its vision.

STRATEGIC THEMES

Strategic themes are the main focus areas of the organization; the organization's "Pillars of Excellence", used to focus staff effort on accomplishing the vision. For each theme there is a strategic result which is the desired outcome for the main focus areas of the strategy.

NLC has identified strategic themes which permeate the four perspectives. These strategic themes are:

1. Strengthen the Business
2. Operational Excellence
3. Customer Experience
4. Social Responsibility

STRATEGIC THEME 1 - STRENGTHEN THE BUSINESS

The desired outcome or strategic result from this theme is achieving our financial commitments through innovation, realizing new opportunities and building on past performance. NLC continues to deliver significant financial return to its shareholder. Given the uncertainty involving NLC's role resulting from the legalization of cannabis, any financial impact on the Corporation has not been included in this assessment. Previously outlined economic indicators for the Province including a population decline of 4.2% or 22,000 people by 2021 and an aging consumer base creates a challenging retail environment. NLC's core objective is increasing shareholder value – that is, delivering on our financial commitments through management of key measures and achieving sales targets while maintaining a strong emphasis on socially responsible operations.

NLC's sole shareholder is the Government of Newfoundland and Labrador. Government, in this case, represents the population of the Province. The expectations Government has of NLC revolve around two issues – financial return and helping to protect the public from the unintended social consequences arising from irresponsible consumption of beverage alcohol. Consequently, NLC does not seek a pure profit maximization approach but, rather one that balances operations to satisfy these two seemingly contradictory needs. NLC has established a sales and distribution network that permits consumers to access a comprehensive selection of products in a safe, controlled environment that protects the public, but also enables NLC to generate a financial return which contributes to government revenues.

NLC will achieve these objectives by also focusing on customer experience, operational excellence and social responsibility.

STRATEGIC THEME 1: BY APRIL 4, 2020, NLC WILL HAVE STRENGTHENED THE BUSINESS.

Measure: Achieved financial performance Indicators:

- Reached sales targets
- Achieved dividend
- Achieved earnings from operations

Objectives:

1. By April 7, 2018, NLC will have improved shareholder value.

Target:

- Reached sales target of \$267.9M
 - Achieved dividend of \$180M
 - Reduced inventory by \$3.2M
 - Achieved earnings from operations of \$108.5M
2. By April 6, 2019, NLC will have improved shareholder value.
 3. By April 4, 2020, NLC will have improved shareholder value.

STRATEGIC THEME 2 - OPERATIONAL EXCELLENCE

Operational Excellence is a key pillar on which NLC will achieve its mission and vision.

Operational excellence means operating in a way that is safe, reliable and cost-efficient. For customers and stakeholders, operating in this way helps NLC deliver on its commitment to the Province of Newfoundland and Labrador and the communities it serves.

The Corporation will strive to improve operational measures, streamline processes and share knowledge, while creating a committed and engaged workplace, dedicated to generating desired business results.

Operational excellence is a constant pursuit of improved performance and effectiveness in all areas of the organization and NLC has established a strategic framework that will focus on leveraging tools and resources across all departments to analyze and prioritize all opportunities for efficiencies. Negotiating a collective agreement that ensures business flexibility including store count, is essential to business success.

Cultivating teamwork across the organization through improved and enhanced communication will also reduce risk to the business through expanded knowledge and collaboration. Combined with strengthening its policies and operational flexibility,

this will ensure NLC continues to focus on customers' needs, keeps the employees positive and empowered, and continues to improve operational efficiencies and reduce costs.

A commitment to safety starts with every employee at NLC and is a key principle throughout all business units; safety excellence is the corporation's way of operating every day. NLC is not only committed to employee physical safety but psychological safety as well. A key strategy for psychological safety is to provide ways to get employees talking about mental



**Mental Health
First Aid** CANADA



health and illness and to provide support to those affected. To accomplish this NLC will continue training in Mental Health First Aid and will launch an awareness and education campaign "Not Myself Today".

To deliver on its focus on operational excellence, NLC has identified the following objectives: improve operational efficiency, enhance employee health, safety and wellness; improve communication; and enhance organizational culture.

STRATEGIC THEME 2: BY APRIL 4, 2020, NLC WILL HAVE IMPROVED ITS OPERATIONS.

Measure: Improved organizational operational measures

- Improved Retail Cases per Worked Hours (CPWH)
- Improved inventory turnover without restricting sales growth
- Improved Safety, Health and Employee Wellness measures

Objectives:

1. By April 7, 2018, NLC will have implemented programs aimed to improve operations.

Target:

- Improved Retail Cases per Worked Hours (CPWH) by 3%
 - Improved core inventory turns to 4.6
 - Increased % of employees trained in Mental Health First Aid by 2.5% (or 17 employees)
2. By April 6, 2019, NLC will have implemented further programs targeting improved operations.

3. By April 4, 2020, NLC will have enhanced its organizational programs aimed to strengthen operations.

STRATEGIC THEME 3 - CUSTOMER EXPERIENCE

The end result of a focus on the customer experience is personalized service regardless of what area the public interacts with an NLC employee, whether via NLC's retail network, Rock Spirits or Regulatory Administration and Enforcement. NLC's success rests on its ability to meet and exceed expectations of those served.

Retail Consumers seek a pleasant and rewarding shopping experience, with associates who are polite, caring and genuinely interested in helping; employees that have excellent product knowledge, offer sound advice; and an efficient shopping process, both in-store and online. NLC caters to a variety of customers – each with different needs and expectations. NLC will continue to research and implement new promotional tools that will enhance the customer experience while maximizing sales opportunities.

NLC's efforts to deliver an exceptional customer experience through professional and well trained staff from all lines of business will continue to be a key differentiator for the business over the course of this planning period.

NLC will undertake initiatives including the launch of an e-commerce enabled website and mobile application, tasting events to introduce customers to new products, and evaluate other avenues to accomplish the objectives of enhancing the customer

experience and expanding the customer base. These are supported through achievements in other objectives including improved use of technology and increases in our knowledge, skills and ability.

STRATEGIC THEME 3: BY APRIL 1, 2020, NLC WILL HAVE IMPROVED THE CUSTOMER EXPERIENCE.

Measure: Enhanced customer experience measures

- Achieved e-commerce launch
- Achieved retail customer satisfaction target

Objectives:

1. By April 7, 2018, NLC will have implemented initiatives to improve the customer experience.

Target:

- E-commerce platform launched
 - Achieved Retail customer experience satisfaction rating of 95%
2. By April 6, 2019, NLC will have implemented further initiatives directed at improving the

customer experience.

3. By April 4, 2020, NLC will have improved the customer service experience.

STRATEGIC THEME 4 - SOCIAL RESPONSIBILITY (SR)

NLC customers, and the public at large, have clear expectations of NLC to operate in a socially responsible manner. This includes the safe sale and distribution of NLC products, and ensuring that those selling beverage alcohol comply with Provincial legislation.

Due to the need for operational transparency and accountability, NLC has adopted the use of consolidated and harmonized sets of compliance controls and methodologies. This approach is used to ensure that all necessary governance requirements can be met with the optimum level of resources.

NLC will implement initiatives, individually or in partnership with other organizations, that reach out to the public, engaging and educating them. NLC's role of "educator and promoter of responsible consumption" and its commitment to the communities in which it operates goes hand in hand with the sale of product. Programs will be strategically aligned so that NLC's reputation as a socially responsible organization reinforces its reputation as an excellent retailer. Additionally, NLC marketing and media messaging will continue to have integrated social responsibility messaging.

To deliver on NLC's commitment to social responsibility, NLC has identified initiatives including: automation of the Challenge and Refusal process for Liquor Express and refreshing training for all retail staff on Challenge & Refusals, including Sobriety training for Regional Managers and Store Managers. In addition NLC has identified new programs with its community partners including Keep it Social, Safe Summer Season, and

Stay Safe Campaign and is working with its partners to refresh the Server Training and Best Bar None programs. Implementation of these initiatives, as well as continued risk based inspections and the Check 25 program, maintain our focus on SR.

STRATEGIC THEME 4: BY APRIL 4, 2020, NLC WILL HAVE IMPLEMENTED INITIATIVES TO STRENGTHEN ITS COMMITMENT TO SOCIAL RESPONSIBILITY.

Measure: Implemented programs

- % of Community based partnership initiatives completed
- % of licensed establishments inspected
- Achieve Challenge and Refusals targets as a % of transactions

Objectives:

1. By April 7, 2018, NLC will have implemented initiatives to enhance its leadership role in social responsibility.

Measure: Implemented initiatives

Targets:

- Community based partnership initiatives completed 100%
 - Licensed establishments inspected 90%
 - Challenge and Refusals Rate 9%
2. By April 6, 2019, NLC will have further developed and enhanced its SR programs.
 3. By April 4, 2020, the NLC will have implemented programs to enhance our leadership role in social responsibility.

APPENDIX I – STRATEGIC PLANNING PARTICIPANTS

EXECUTIVE

- Steve Winter
- Sharon Sparkes
- Ed Brenton
- Trevor Burnell
- Wally Dicks
- Kevin Kelly

DIRECTORS

- Andrew Bruce
- Greg Eddy
- Greg Gill
- Peter Murphy
- John Pinto
- Sean Ryan
- Dana Smallwood
- Andrew Vavasour

MANAGERS

- Stephanie Barrett
- Harold Kelly
- Doyle Lewis
- DJ Murphy
- Abe Pike
- Nancy Powell
- Darrell Smith
- Kristina Stevenson
- Derek Taylor

APPENDIX II – NLC'S BALANCED SCORECARD

The Balanced Scorecard is a proven performance management system adopted by NLC. It is particularly effective because it leads an organization to identify those areas that will ensure the success of the organization going forward and is an excellent tool to communicate corporate, departmental and individual initiatives and performance measures.

One of the tools used in the Balanced Scorecard is a Strategy Map – this “map” is an illustration of the key objectives (or “focus areas”) that are thought to be critical to the Corporation’s success. Anyone viewing an organization’s Strategy Map would see exactly how the organization intends to achieve success – for employees, this should make it easier to understand why various initiatives are being implemented and how they build on one another to ensure corporate success. All employees should be able to see how their individual job responsibilities add value to their department’s objectives, and how their department’s objectives contribute to NLC’s overall success. When employees understand the expectations placed on them and their department, then there is a much greater likelihood of the Corporation’s strategy actually being executed and its objectives being achieved.

The Balanced Scorecard is considered “balanced” because it encourages the organization to look at key success factors from four perspectives, not just a single perspective. With the Balanced Scorecard, organizations look to identify key performance indicators in finance, customer service, internal business processes and employee learning and growth.

- **Financial** – if NLC is successful, what does this look like, financially, to shareholders?
- **Customer/Stakeholder** – to achieve its vision, what must be provided to customer?
- **Internal Processes** – to meet the expectations of shareholder and customers, at what business processes must NLC excel?
- **People Tools and Technology** – to achieve its vision, how does NLC sustain its ability to change and improve; to enable employees to be successful in their roles?

NLC’s Strategy Map contains defined objectives. Each of these objectives also has key performance measures attached to it – these measures help gauge success in achieving the objective. These objectives outline the key indicators of NLC’s future success. Going forward, corporate and departmental initiatives will be designed to support the achievement of these objectives as will individual job responsibilities and expectations.

The strategy map defines the causal relationships among strategic objectives driving strategic results. It tells the story of how shareholder value is created for NLC’s Customers and Stakeholders. It shows an upward flow of value creation from performance (people tools and technology and internal process) objectives to results objectives (customers/ stakeholders and financial) It is constructed by if-then logic and shows only the predominate links not every imaginable connection.

Objectives connected with large arrows work in conjunction with each other to drive the objectives above. Large arrows indicate that this objective(s) drives everything in the perspective above.

STRATEGIC THEMES

STRENGTHEN THE BUSINESS

Strategic Result: Achieved financial commitments through innovation, realizing new opportunities and building on past performance.

OPERATIONAL EXCELLENCE

Strategic Result: Improved operational measures, streamlined processes, shared knowledge, and engaged work force.

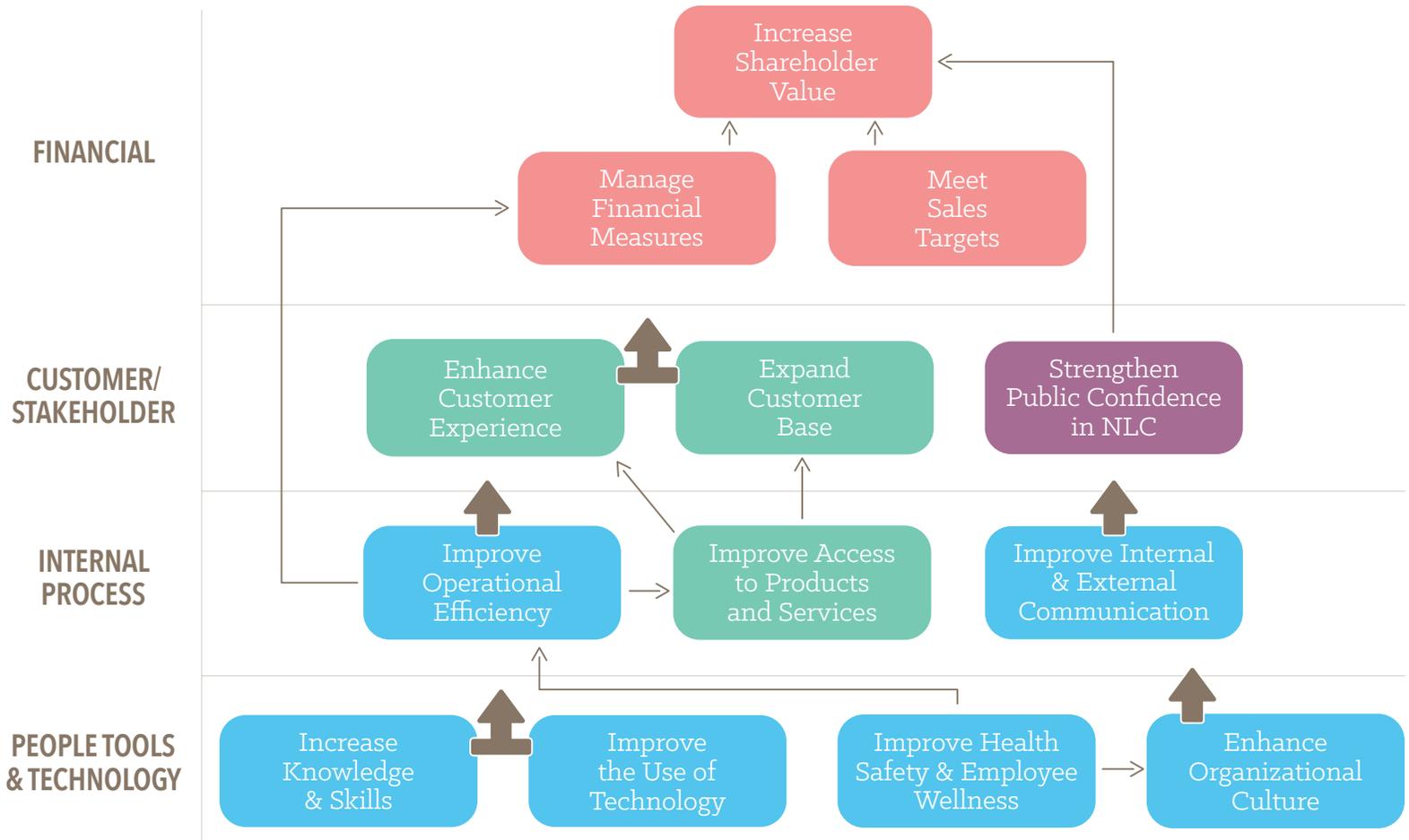
CUSTOMER EXPERIENCE

Strategic Result: Personalized service resulting in an enhanced experience.

SOCIAL RESPONSIBILITY

Strategic Result: Increased awareness of responsible choices through education and public partnerships.

CORPORATE STRATEGY MAP



APPENDIX III – EXECUTIVE & DIRECT REPORTS

Organizational Chart

