

SUSTAINABILITY ROADMAP





"At The North West Company, sustainability has been a proven approach to business for more than 350 years."

A LETTER FROM OUR CEO

Our first store opened in 1668 as a trading post in the Cree Nation of Waskaganish, Northern Quebec.

Remarkably, we have had an uninterrupted commercial presence in Waskaganish since that time – which makes The North West Company one of the most historically sustainable enterprises in North America. There are dozens of other locations in Northern Canada and Alaska that we have operated in for anywhere from decades to hundreds of years – a continuity that reflects the adaptability and resilience of each community we serve, and of North West as a company.

So why, given this long history of continuous commercial and community presence, do we need to develop a Sustainability Roadmap now?

For one thing, it's because our presence in each community requires social license built on a trust that we must earn every day and developing this Roadmap is an extension of our commitment to the transparency that builds this trust.

A second reason to develop this Roadmap is to make it clear to our stakeholders the complex cultural, safety, operational, and environmental issues we face

as a Company, and to put our responses to those issues in context. Simply put, our stakeholders deserve to understand how we see and manage our business for the long haul.

The pages that follow outline a first (and overdue) sustainability framework for our Company. We will use this Roadmap format to describe what we are doing today and why, to discuss what mistakes we have made and learned from, and to set the stage for how we will measure our sustainability performance in the future. While it does not represent the full breadth of our actions or aspirations in this important area, this Roadmap is an important first step for us to build on.

In the meantime, we will continue to deliver on the same core purpose that has driven us for more than 350 years: to serve small, remote and incredibly diverse markets, and to do it in a way that makes a positive impact on the people who rely on us – and whom we rely upon – every day.

Edward S. Kennedy
President & CEO



GOALS OF THIS ROADMAP

An important goal of this Roadmap is to formalize and articulate how we manage our sustainability practices.

A natural strength of our Company's existing reporting structure comes in community relations, where we report on our local store operations, disclose on an annual (and often more frequent) basis and meet in-person with most of the communities we serve. We also have a rigorous risk management approach that captures sustainability issues related to the environment and our employees.

Where we fall short is in integrating these areas so that we can identify and manage emerging priorities more effectively, communicate them to our stakeholders, and be more transparent and accountable for our sustainability performance. This Roadmap lays the groundwork for improving in these important areas.

We also want our Sustainability Roadmap to help our stakeholders understand the unique conditions faced by remote communities we serve, and how our sustainability and management practices must take into account the realities they face every day.

For example, carbon reduction measures are a problem in locations where alternatives to diesel-generated power add prohibitive expense

to already high living costs. Our Roadmap will help us identify situations like this and reinforce our advocacy role in bringing attention to unintended but unjust economic and social consequences for the communities we serve, as well proposing options and solutions.

ABOUT OUR SUSTAINABILITY PILLARS

As a starting point for the Roadmap, we have defined four core strategic priorities – Sustainability Pillars – that will form the basis for our efforts moving forward.

These Sustainability Pillars are:

- *Stronger Communities*
- *Better Quality of Life for our Customers*
- *Empowered Employees*
- *Respect for the Environment*

In the pages that follow, these Pillars will be used to organize key issues that NWC faces, and to give a current accounting of efforts made in these areas. Moving forward, these Pillars will help us set the key measures for our success and provide context for the strategies we design.

COMMUNITY ENGAGEMENT

As a retail business that serves, employs, and relies upon the work and patronage of Indigenous peoples throughout Northern Canada and Alaska, The North West Company has a unique relationship with – and responsibility to – the remote, often income-challenged communities where we operate.

It is a responsibility we take very seriously.

The North West Company is committed to building a strong relationship with Indigenous peoples that is based on recognition of rights, respect, cooperation and partnership. To this end, we are evaluating meaningful ways to implement the Calls to Action established by The Canadian Truth and Reconciliation Commission (TRC).

While this Roadmap does mention some of our initial attempts to weave TRC principles and mandates into our Sustainability framework, it does not yet represent the breadth or depth of our plans and aspirations for doing so. Future Sustainability Reports will provide a more fulsome explanation of our intentions, strategies, and performance in this important area.

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PILLAR 1:

Stronger Communities

activities, sponsorships and donations is more significant than those made by corporations in larger towns and cities. We also go beyond these activities to help strengthen communities through needed economic investment and support for long-term community resiliency.

COMMUNITY SPONSORSHIP

Today and Everyday

- We proudly support hundreds of community events and causes – from traditional and cultural celebrations to sports teams – through more than \$1.5 million in annual donations and sponsorships, and with volunteer time from North West Company employees.

Looking Ahead

- The curriculum of our recently opened Store Management Training Centre in Winnipeg will help ensure that our sponsorship and donations are responsive to community needs, and that they are perceived this way by our customers.
- We will continue to evaluate and report on community sponsorship opportunities as they relate to the Truth and Reconciliation Commission’s 2015 Calls to Action.

COMMUNITY INVESTMENT

Context and approach

As a sizeable business operating within small, developing communities, our “brick and mortar” presence produces significant social and economic impact.

We are the largest private sector employer of Indigenous Peoples in Northern Canada and

Our Commitments

- *To provide significant social benefit by soliciting opinions from and seeking opportunities to collaborate with community leaders, groups, and individuals*
- *To advocate on issues that will improve quality of life in the communities we serve.*

Context and approach

- We operate in communities that deeply value partnerships, and we believe that building strong, healthy relationships through active listening and collaboration is a common sense approach that adds value for both our Company and the people we serve. We take every opportunity to seek input and advice from our communities, with a dual goal to improve local conditions and to advocate on their behalf in discussions with government officials and NGOs. In these respects, we are and will always be more than a “local store.”
- We are one of the largest employers in each community or territory we serve and the largest private sector employer of Indigenous Peoples



“We don’t want lead or follow on the path of community development. We want to work side-by-side with and always respect the self-determination of the people we serve.”

in Northern Canada and Alaska. We are also a major investor in these regions, with 51 ventures already established with community-based Indigenous entities and many more in progress.

- Our stores are typically one of very few local businesses; this means the impact of our business



Alaska, representing nearly 2,200 associates. In other territories and regions such as Nunavut and the British Virgin Islands, we are also the largest private sector employer. These jobs can lead to career growth within the Company and are also an important component of the local wage economy.

- Our annual capital investments in recent years have averaged about \$100 million per year – a total that often makes our capital projects a substantial material investment within the communities we serve.
- We have more than 51 store lease and business partnerships with Indigenous communities; these opportunities support economic self-reliance and often finance larger real estate investments related to store projects.
- Each year we target 100 in-person reports to community leaders and members on the socio-economic impacts of our stores. We also encourage our local store management to understand how our role in the community can be further improved.

Looking Ahead

- We are committed to strengthening our advocacy role on public policy issues that affect the customers and communities we serve, especially where there is incomplete or incorrect information available, or where important local voices are unheard.
- In 2019, we will re-launch our community supplier policy to clarify our criteria for local procurement, including goods and services provided by Indigenous businesses.
- We will continue to evaluate opportunities to incorporate principles detailed in the Truth and Reconciliation Commission's Calls to Action as they relate to community investment.

COMMUNITY RESILIENCY

Context and approach

For thousands of years, Indigenous Peoples have established vibrant and successful communities in the regions and territories where we operate – a result of their strong ties to the land, close familial bonds, and tenacity. As relative newcomers, we understand that our role is to first observe, listen, and understand so we can appreciate where and how we can best engage.

- The Company recognizes that language preservation is essential to sustaining Indigenous cultures. In September 2017 NWC launched an Indigenous language program, working with communities to translate store shelf tags and signage into more than 30 languages and dialects.

QR codes were also developed to enable shoppers to hear correct pronunciations.

- North West, in partnership with sponsored team members, has raised over \$5.0 million to support diabetes prevention and healthy living since 1997.
- Our Healthy Horizons Foundation promotes healthy living activities across the communities we serve; administration costs of the Foundation are 100% covered by NWC. We raise funds through marathon running events that bring together customers and associates from our stores; applications are received from community organizations with a focus on promoting running clubs and other school-based programs.
- In our home office community of Winnipeg, Manitoba we are a leading supporter of the United Way, with high participation levels across all associate levels generating a combined campaign total of \$432,000 in 2018.

Looking Ahead

- With the launch of our new Store Management Training Centre in March 2019, we have created a new curriculum of community-specific cross-cultural learning for all roles filled by outside individuals; our plan is to then share this curriculum with all of our associates through distance learning.
- Our Healthy Horizons Foundation (HHF) will receive additional management support so that it can reach more community applicants and partner with additional foundations and government entities that have mandates similar to HHF, but who lack our on-the-ground community presence.
- Any adjustments to our strategies regarding complimentary business development will consider opportunities for community and regional joint ventures.

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PILLAR 2:

Better Quality of Life for Our Customers

Our Commitments

- To provide reliable access to everyday products and services that are as affordable as possible and that meet the lifestyle needs of our customers.
- To advocate for policies and programs that enhance the quality of life for our customers.

Context and approach

As a business that operates in remote and often income-challenged regions, we recognize that The North West Company's role extends beyond providing basic retail services to our customers. We make every effort to provide products that our customers want, need, and can afford, working with organizations, investing in infrastructure, and advocating for policies that can assist us in these goals.

- Since 2011, Nutrition North has helped reduce the cost of nutritious foods in remote Canadian communities; North West is the largest participant in Nutrition North, accounting for more than 50%



"Our customers often struggle to cope with the high costs associated with living in small, remote communities. This goes to the heart of community and cultural sustainability, and to our role in providing socio-economic benefit in the locations where we operate."

of subsidized tonnage shipped. By cost effectively reaching low-income consumers, the program increased the consumption of healthier foods by an average of 25% over a five year period.

- Launched in September 2017, our Health Happy program has introduced 300-800 new items (depending on store size) – including “better nutrition” food items in Canada and Alaska – with a goal to make healthy food options as affordable as possible. Since that time, sale of these items is up nearly 15%.
- In June 2017, we acquired North Star Air and have invested more than \$80 million in this business to build the first all-cargo air service in Northern Canada. Our goal is to achieve a more efficient air supply chain to serve more than 37 communities that are not accessible by all-weather road.
- Launched in November 2017, our Pure Retail initiative has saved more than 297,000 store labour hours, enabling our management and associates to better focus on customer service while offsetting other store cost increases.

Looking ahead

- In 2019, we will continue to add in-store pharmacies to larger store locations, bringing an important full-time health professional into these communities to deliver an expanded scope of medical counselling and delivery services (in addition to onsite prescription drug dispensing). We also continue to be leaders in remote tele-pharmacy delivery to smaller communities.
- We will continue to advocate for the most effective delivery of Nutrition North program dollars. This includes minimizing food waste in the supply chain, managing transportation costs, and adding “country” and healthier store food products that customers want as part of their traditional and everyday lifestyles.

- We will refresh our Health Happy program in 2019 to ensure that our product options are the best and healthiest available, are priced in line with regular items, and are aligned with what our customers want to buy. We will also work to improve our informational signage.
- As we continue to develop our cost-reducing air cargo, Pure Retail and other initiatives, we will be able to lower prices further and earn more business from our customers.
- We will continue to partner with communities to educate public policy makers about the realities confronting remote and rural communities.



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PILLAR 3:

Empowered Employees

Our Commitment

- *To enhance employee effectiveness and satisfaction by imparting our Company values of customer service, trust, enterprising ideas, passion for what we do, accountability, and personal balance.*

Context and approach

- We recognize that great ideas and solutions can emerge from any level of the organization, and that information should be shared as widely as possible to encourage a common and empowering sense of purpose. We seek “best advice” from across our organization, and we foster open dialogue within our work environments through surveys, all-staff meetings, and open-access questions answered by the CEO.
- Our management approach goes further in encouraging clear roles, sound structures and tasks that are assigned with care – all geared to making job effectiveness and satisfaction as high as possible.



“We strive to provide our diverse and talented employees with the best job experiences and opportunities, beginning with key roles in our stores.”

- Flexible work hours are a feature of our employee practices – both on a daily and seasonal basis and through sabbatical options that are offered after five years of service. Accommodation is also made for the diverse cultural and lifestyle practices of our

employees, especially traditional activities within Indigenous communities that we serve.

- Workplace health, safety and ethical practices are reinforced through policies and practices that set clear expectations across the Company.

Looking ahead

- Our Store Management Training Centre in Winnipeg will improve the onboarding process for key hires; employee training is tailored to unique store, customer and community characteristics. This investment is also designed to reduce turnover and shorten the time it takes for store managers to reach full proficiency.
- Employee turnover and recruitment are ongoing challenges in the remote locations where we operate; we will continue to evaluate strategies that help us attract and retain the talent needed to provide our essential services to these communities, and to bridge employment gaps in line with TRC Calls to Action.
- In the fall of 2019, we will complete a companywide talent assessment of more than 1,000 management roles; this work will be the foundation for more robust succession planning and individual career path development, with a focus on more options and mobility for in-store roles.
- We will continue to evolve our companywide approach to health and safety, revising our policies and practices as needed to align with industry-recognized best practices.
- We will continue to strengthen our systems and ability for managers to be entrepreneurial and to be customer centric in running their business to better meet the needs of the community.

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PILLAR 4:

Respect for the Environment

Our Commitment

To continually find ways to:

- Minimize our environmental footprint
- Provide sensible, eco-friendly energy and product options whenever possible to communities we serve.

Context and approach

Our approach to protecting the environment is robust and multi-faceted, reflecting the tandem realities of operating in remote and diverse ecosystems and serving low-income communities. From training and sharing best practices to ongoing third-party monitoring and internal reporting, our environmental practices are rooted in respect for the planet and for the economic realities that face the communities we serve.

- Many of the remote communities we serve are “carbon stranded” – meaning that they rely on diesel-generated power with no viable options. We work closely with community entities to partner with providers of alternative, clean energy sources – most notably solar power in our Cost-U-Less stores



“We operate in some of the most pristine and beautiful environments on Earth, and we want to do our part to keep them this way.”

and more recently the first agreement to install solar panels to power our NorthMart store in Inuvik, NWT.

- As practiced by many jurisdictions in Europe, we encourage the sale of safe-to-eat food products that are past their ‘best before’ date, recognizing the tremendous waste created by unnecessarily

throwing away these items and replacing them with “fresher” products that must be shipped to remote areas by more costly air transportation.

- We continuously innovate to eliminate perishable food waste within the supply chains of our stores; this includes special wrapping and shipping materials and technologies.
- Our construction techniques focus on leading design and material approaches that minimize energy loss and maximize the use of ambient heat, cold and light.
- We are building resiliency into the design of our Caribbean store locations, which are most vulnerable to increased hurricane severity caused by warming oceans.
- We have worked with 77 communities to either eliminate plastic bags or significantly reduce their use through NWC’s “Greener Tomorrow” program, recognizing the high cost of waste disposal and recycling in small, remote locations. Since 2011, more than \$2.5 million in fees collected for plastic bag use have been reinvested in communities where Greener Tomorrow programs operate.
- Installing LED lamps at our stores has lowered our net energy costs by \$1.9 million – or 7.5 million kWh per year.

Looking ahead

- A comprehensive energy reduction program is being implemented across all of our stores, with a focus on northern locations. This program will use proven processes and technologies to minimize energy consumption without compromising the ability to serve our customers.
- We will continue to aggressively pursue partnerships that can provide alternative energy solutions for our



- operations, with a focus on regions where government support makes these interventions financially viable. As we gain insight about the impact of these solutions, we will develop specific objectives to reduce carbon emissions.
- As e-commerce grows, we will leverage broader and larger retailer influences on suppliers to reduce packaging. For remote communities this will reduce unnecessary transportation and disposal costs.
 - We continue to monitor and assess local approaches to food production, including the viable use of greenhouse growing techniques, to ensure that we take advantage of opportunities to source food less expensively from nearby suppliers.
 - We also see potential to reduce package waste by returning these materials to their shipping origin for recycling.



MANAGING OUR APPROACH

When we step back from the Sustainability practices already established at North West, we recognize that governance, performance measurement and stakeholder communication stand out as areas for attention.

A first step is to modify existing roles at the Company, adding new governance and reporting structures as needed at the Executive and Board levels. This process is already underway and will be detailed in future publications, including annual Sustainability Reports beginning in 2020. A broad model for this framework is our comprehensive internal Risk Management approach, where Senior Management is currently engaged in advancing our Sustainability program, leading regular presentations and reviews with the Board Audit Committee.

NEXT STEPS

We will continue to build on the structure of this Roadmap in the year ahead to:

- Improve areas where measures are imprecise or practical targets are not yet in place;
- Identify meaningful key performance indicators (KPIs);
- Set baselines for performance; and
- Ensure that information systems are in place to accurately capture the information we need.

SHARING WHAT WE KNOW

Communication is perhaps our biggest opportunity: we recognize that we have an important and largely positive story to tell, and that our customers, communities and employees desire a better understanding of how we think, what we are planning, and how we will account for the impact on people and places that our business creates.

We began taking steps to improve communications with our stakeholders in 2017 when we launched The North West Newsletter – a bi-weekly digital publication for community leaders and government officials that highlights components of our Four Sustainability Pillars. This Roadmap and subsequent Sustainability reporting efforts – including our forthcoming 2020 Sustainability Report – will extend this outreach to other important North West stakeholders, including suppliers, investors, governments and other interested community members.



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