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EDITED TRANSCRIPT

L.TO - Loblaw Companies Ltd Annual Shareholder Meeting

EVENT DATE/TIME: MAY 01, 2014 / 3:00PM GMT



CORPORATE PARTICIPANTS

Galen Weston *Loblaw Companies Limited - Executive Chairman*

Holger Kluge *Shoppers Drug Mart Corporation - Chair*

CONFERENCE CALL PARTICIPANTS

Paul Durnon

Linda Haswell

Victoria Hall

Anne Sutherland

Ron Weston

PRESENTATION

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Welcome, everyone. Good morning. Have we shut the doors? Have we -- Vince, you're late. We got everybody in here from the hallway? Janet? Okay? Very good. I'm trying to see, there's a few other people I recognize. No, mostly bankers, lawyers.

Good morning, ladies and gentlemen. Welcome to Loblaw Company's 58th annual general meeting. Before we get started, I'd like to extend a very special welcome to the students from Emery Collegiate Institute's accounting and investment class. If you'd kindly -- actually, before you stand, I just want to -- I want to say two things. I think -- a little bird told me -- that it's your teacher's birthday today, so happy birthday. And thank you for spending it, at least the first part of it, with us.

The second thing that everybody here should know, a little something about dedication, their school bus broke down on their way here today, and the intrepid troupe decided to take the streetcar to make sure that they made it here, you know, on time. So that must mean they had some very difficult questions to ask us, so I'm a little anxious, but we'll wait to get there.

I hope you will feel free to ask questions at question time and ask -- and ask whatever you like after the meeting. Whether it's our company, our stores, our products, we'd be delighted to answer them.

Now, as you may recall, when we gathered here one year ago, it was under very somber circumstances. Our company was in the midst of determining our place and our response to an industrial tragedy, the collapse of the Rana Plaza in Bangladesh. And while we will never forget the tragedy, I am proud to say that we have spent the last 12 months delivering on the three commitments that I pledged at last year's AGM.

First, we have committed \$5 million in relief and compensation, which makes us the second-largest contributor, not just in Canada, but worldwide, to the workers and families affected by the Rana collapse. Second, we increase our factory standards, conducted our own audits, and became the first and only Canadian signatory to the Accord for Fire and Building Safety in Bangladesh, which legally binds us to factory inspections and to improvements.

And finally, we have our own Loblaw people now on the ground reporting directly to us. We relocated one of our most seasoned supply chain experts to that region, and he has begun the process of assembling a team of locally engaged experts to ensure that products that are brought to Canada are done so in an environment that reflects Canadian values. Appropriately, the first to join the team was a young woman who is not just an industry expert, but who, in fact, lives near the community where the Rana Plaza once stood.

One year later, I am proud of our response to an issue that our industry continues to ignore. One year later, I continue to express my condolences.



I'd now like to call to order the annual meeting of shareholders of Loblaw Companies Limited. I would ask Mr. Rob Balcom, the secretary of the company, to act as the secretary of the meeting. Computershare Investor Services, Inc., is acting as the scrutineer of the meeting, and by way of its representatives, Kate Stevens and Roxanne Parsaud.

Only shareholders or their proxies are entitled to take part in and to vote in this meeting. To make the best use of our time, certain shareholders have been asked to move and to second the proposals which are called for in the notice of the meeting.

A copy of the notice of the meeting and proof of its mailing has been filed with the company. The scrutineer's report indicates that a quorum is present, and I now declare that this annual meeting has been properly called and constituted for a transaction of business for which it has been called.

In proceeding with the meeting, I proposed to conduct the vote on each matter by a show of hands. And we will deal with the formal items of business first, and at the conclusion of that -- of that business, we will move to our question period.

I now place before the meeting the consolidated financial statements of the company, consisting of the consolidated statements of earnings, the consolidated statements of comprehensive income, the consolidated statements of changes in shareholders' equity, the consolidated balance sheets, and the consolidated statements of cash flows, together with the notes and auditor's report to the shareholders for the year December 28th -- the year ended December 28, 2013. These are included in the annual report, which was provided to shareholders, and copies have been made available here today.

And at last year's meeting, I called 2012 a pivotal year, and it was. It helped to create the framework that has led to stronger results across the company. But if 2012 was pivotal, then 2013 was the beginning of a new chapter for our company.

Vicente and the management board made significant progress implementing our strategy in stores and across the business. Most notably, our strategy delivered same-store sales growth of 1.1%, revenue growth of 2.4%, and 3.2% in adjusted basic net earnings per share. We raised the dividend 9.1% in the second quarter of 2013, after a 4.8% dividend increase in 2012.

At the same time, the management team generated more than \$100 million in annual savings by reducing our supply chain, shrink, and administrative costs. We launched Joe Fresh online, our first venture into e-commerce, and introduced PC Plus, the first all-digital intelligent retail loyalty program. In the short time since the national launch of PC Plus, we had gained over 4 million members at year end. It's quite a bit higher now.

President's Choice Financial recorded 1.2 million new President's Choice MasterCard applicants, and our financial services business recorded an almost 50% gain in operating income. And we executed two very important strategic initiatives.

First, we created Choice Properties REIT through a successful IPO of \$460 million, which unlocked significant value for shareholders and, more importantly, created a new and efficient growth platform for this company. And we announced the combination of Loblaw Companies with Shoppers Drug Mart, the largest M&A transaction involving retailers in Canadian history.

This transaction enables us to harness the complementary strengths of Canada's number-one food retailer and Canada's number-one pharmacy chain to meet the two most important consumer trends in the country -- urbanization and health and wellness. We now have close to 2,400 stores, convenient locations, and unmatched store formats that put our trusted brand and services within reach of more Canadians.

Now, I've believed for a long time that you cannot be in the food business without being in the health business and that you cannot be in the health business without also focusing on food. And I'd like to encourage you to imagine a world where fresh fruits and vegetables outsell packaged groceries in our stores, where all our meat is free of hormones and antibiotics, and all President's Choice products are free of artificial flavors and colors, where our pharmacists are also nutritionists, and nutritional information can be customized to you with the touch of a button on your phone, where customers can earn PC points, not just for shopping, but for doing exercise, for taking the stairs at work instead of riding the elevator, where pharmacists can provide basic medical diagnostics and write simple prescriptions, where each one of our stores support a local breakfast club, ensuring children in the community have access to a nutritious breakfast.



Now, the amazing thing about that list is we are making headway today on every one of those initiatives. So while it represents the future, it is not that far away. This is where we're going. This is the future. And through the combination of Loblaw and Shoppers Drug Mart, we will deliver on our purpose of helping Canadians live life well.

Now, before moving to the director election process, I'd like to acknowledge our board of directors for their support and for their decisive actions. 2013 was an important year for the company as we undertook those two large strategic initiatives. And following the Shoppers Drug Mart acquisition, we reconstituted the Loblaw's board to include four new directors from Shoppers. To make way for the new directors, four directors from the former Loblaw board are not standing for re-election -- Gordon Currie, Anthony Fell, Christiane Germain, and John Wetmore.

And I would like -- we would like to take a moment to express our sincerest appreciation to these directors for their exemplary service. They have each made a significant contribution to Loblaw, and we are grateful for their dedicated service. Two of those directors are in the audience today, and I'd ask them to stand to be recognized.

Now, Shoppers also had an impressive board, with deep experience, and to ensure that we continued to benefit from that experience, four Shoppers directors have joined the Loblaw board and will be put forward for election today -- Mr. Dominic Pilla, Beth Pritchard, Sarah Raiss, and Holger Kluge.

Dominic Pilla brings his critical and valuable retail pharmacy experience to us as both -- at both the executive and board level. He will continue to run the Shoppers Drug Mart business as its president.

Ms. Beth Pritchard has impressive retail experience at both the executive and board level. Beth currently sits on a number of retail boards and formerly served as the chief executive officer of Dean and DeLuca, Bath and Body Works, and Victoria's Secret Beauty. In fact, Beth was the founding CEO of Bath and Body Works, where under her leadership the company grew from 13 employees to 3,500 and over 1,600 stores.

Sarah Raiss joins our board with deep experience in human resources, compensation, and business integration. Sarah is a former senior executive at TransCanada Corporation and currently sits on a number of public boards, including Canadian Oil Sands.

And, finally, Holger Kluge, the Shoppers Drug Mart former chairman, has agreed to join our board. He served as the former president of personal and commercial banking at CIBC, where in addition to many, many outstanding accomplishments, he was the executive who gave the green light to President's Choice Financial, so, Holger, thank you for that.

Holger, Dominic, Beth and Sarah, we welcome you to our board, and we look forward to your essential contributions as directors. Thank you very much.

Now, you know, joining two large, proud and ambitious companies is not an easy thing to do. And Holger was my counterpart in our merger talks with Shoppers. And he without question was one of the major reasons that this deal actually happened.

And given the significance of this transaction for both sets of shareholders, I asked Holger if he would take a few moments this morning to share some of his thoughts. So, Holger, can I ask you to come onstage and share some of your own experiences? Thank you.

Holger Kluge - *Shoppers Drug Mart Corporation - Chair*

Actually, it's nice that we're still talking to each other after having concluded this transaction, because it's never easy to get it done.

First of all, thank you, Galen, for your kind comments, but also thank you, Galen, for your vision and the courage to create a company that combines nutrition, health and beauty, and to help Canadians live life well. That was the key part to us that we shared that same vision, that enabled us to do the transaction with you.



I also would like to thank the two respective boards, the old Shoppers board and the Loblaw board, for having the courage, doing the diligence, and a lot of work to get the transaction done, not only at the time of signing, but it took another nine months to get it through the competition bureau approval, and both boards did an exceptional job, and I'd like to thank both sides of the directors for having done it.

I'd also like to thank the Loblaw directors and the Shoppers directors -- now they're 30% of former Shoppers directors, directors of Loblaw -- I'd like also to thank you for your tremendous support in approving that transaction.

We at Shoppers, both management and the board, looked at many alternatives prior to concluding this transaction. We looked at expanding the company in our line of business to grow bigger and better and also looked at strategic partners that could make our company stronger, but in the end, we decided that Loblaw offered the best long-term future because we shared the same vision of nutrition, health and beauty, and our CEO, former CEO, Dominic, now with the company, he was, when he came into the company, he said those are the three important ingredients. And so it was great for us to see that Galen shared that vision with us.

We felt as a company that both of us being Canadian-owned and leaders in our respective fields would provide us with complementary strength to make us not only stronger, but much better. A lot has been written by analysts and journalists about our strength, namely our urban footprint, our leadership position in pharmacy, health and beauty products, our brand, our loyalty program of over 10 million active customers, and also the Canadian demographics. Just in a few years, seniors will represent 25% of the Canadian population, but 45% of the health care expenditures.

But really what makes Shoppers a great company and a great partner for Loblaw are our people, from our associates to our front store people, from our central management office to our senior management team. So the -- to me, the success of this transaction will be if we can harness the talent of both companies, the innovation that both companies have, and also adapt the best practices from both companies. If we do that, we will be unbeatable in the market. And to my mind, that will be the secret to our long-term success for our shareholders, our customers, and our employees. And it will be one of the greatest Canadian success stories. Thank you very much.

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Thank you, Holger, so much. And, you know, you quite rightly point out -- and I think it's a subject well understood and appreciated by Dominic and Vicente -- how important the people of this -- these two and now one great company are.

There are a number of members of the senior management team from both business in the audience today. They are very, very welcome, particularly those who have never been here before and those who have been here many years. I'd like to ask the senior leadership from the management team to stand up and be recognized.

Now, the strength of our governance structure starts with a board of directors. Your directors are responsible for overseeing Loblaw's management on behalf of shareholders. And they are extremely well qualified for this role. This board has an impressive skill, including expertise in retail, consumer packaged goods, financial services, and health and wellness. Those skills are complemented by strong strategic thinking to ensure that Loblaw is well positioned for future success.

The board has been actively engaged in reviewing our strategic direction, overseeing the company's risk management processes, and evaluating the company's internal controls over financial reporting. During the past year, the board remained committed to ensuring that sound corporate governance practices are in place, and the board oversees the company's management so that it conducts business with integrity and an environment that values colleagues' contributions to the overall corporate responsibility.

Our management proxy circular contains detailed biographies setting out the professional qualifications and experience of the nominees proposed by management. Fourteen directors are to be elected, and in keeping with the best governance practices, shareholders voting by proxy vote for directors individually, rather than by a full slate. And I am pleased to report that, based on proxies received by the scrutineer in advance of the meeting, that each director nominee received votes in favor from at least 93% of votes cast.



We will now consider the election of directors. As mentioned, I've taken the liberty of asking certain shareholders to make the motions for the election for the directors and other motions today. Could I please have a nomination for the election of directors?

Unidentified Company Representative

Mr. Chairman, I nominate the following persons for election as directors of the company to hold office until the next annual meeting of shareholders or until their successors are duly elected or appointed -- Stephen E. Bachand, Paul M. Beeston, Warren Bryant, Christie J.B. Clark, Anthony R. Graham, Holger Kluge, John S. Lacey, Nancy H.O. Lockhart, Thomas C. O'Neill, Dominic Pilla, Beth Pritchard, Sarah Raiss, Vicente Trius, and Galen G. Weston.

Galen Weston - Loblaw Companies Limited - Executive Chairman

Are there any further nominations? If there are no further nominations, will someone please move that the nominations be closed?

Unidentified Company Representative

Mr. Chairman, I now move that the nominations be closed.

Galen Weston - Loblaw Companies Limited - Executive Chairman

Thank you.

Unidentified Company Representative

I second the motion.

Galen Weston - Loblaw Companies Limited - Executive Chairman

Thank you. You have now heard the motion. I'll call for a vote by a show of hands. All in favor? Contrary, if any? Thank you. Motion carried.

As there are 14 directors to be elected and the same number of nominees, I now declare that the proposed nominees have been duly elected as directors of the company by acclamation to hold office until the next annual meeting of shareholders or until their successors are duly elected or appointed.

I will now entertain the motion for the appointment of auditors of the company and the authorization of the directors to fix the auditor's remuneration.

Unidentified Company Representative

Mr. Chairman, I move that KPMG, LLP, chartered professional accountants be reappointed auditors of the company until the next annual meeting of shareholders of the company and that the directors be authorized to fix the auditor's remuneration for the 2014 fiscal year.

Unidentified Company Representative

Mr. Chairman, I second the motion.

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Thank you. You've now heard the motion. I'll call for a vote by a show of hands. All in favor? Any contrary? Thank you. I now declare the motion carried. I declare the motion carried and that KPMG, LLP, chartered professional accountants, are appointed auditors of the company and that the directors are authorized to fix the auditor's remuneration.

Loblaw released its first quarter results yesterday, and this will be the last quarter before we include Shoppers Drug Mart results on a consolidated basis. We began 2014 by making steady progress in all areas of our business, our core grocery operations, President's Choice Financial, and Choice Properties. In our grocery business, we stayed on strategy, improving our competitiveness against growing retail square footage and intense competition. We grew same-store sales while investing in the customer proposition and achieving incremental efficiencies in our business.

This resulted in increased adjusted operating income. For the balance of 2014, in our grocery business, we will continue to execute against our proven strategy. We will keep investing to improve our customer proposition and focus on creating a leaner, more responsive, and more efficient company.

We look forward at our business with the addition of Shoppers Drug Mart as one with great opportunity as we start to reveal the synergies of the combined companies. But we know that the real work is just beginning and it will be a complex and difficult process.

Yesterday, we reported our Q1 results, and we were pleased to announce a 2.1% increase to our quarterly common share dividend. And if I may just share a couple of numbers with you, in Q1, same-store sales grew by 90 basis points, up 1.1% when normalizing for the shift in Easter, for those who know retail. Total revenue was up -- was \$7.3 billion -- I wish it was up \$7.3 billion. It was \$7.3 billion, up 1.2% from a year ago. Adjusted operating income, \$268 million, up 3.9% from a year earlier, and adjusted EBITDA was \$463 million, up 5%. Adjusted basic net earnings per common share were \$0.49 compared with \$0.48 from a year ago.

Our long-term business strategy is to build a portfolio of strong, independent, but complementary businesses. With our market, discount, Shoppers Drug Mart, emerging grocery formats and drug stores, Joe Fresh, President's Choice Financial, Choice Properties, we are well on our way to accomplishing this vision.

Now, before I turn the meeting over to questions, I would like to make one last announcement of what -- of something that has been a very important initiative for our company, for our customers, and, I believe, for Canadians. It used to be that the tastiness of a snack or a meal could be measured in its saltiness or its sodium content. And to some degree, that hasn't changed. And while many Canadians have learned to better control their own salt shaker, food manufacturers still wield an industrial-sized shaker, controlling the unseen sodium that seasons the Canadian diet.

Now, while sodium is important for the human diet, reducing sodium is important for the national diet. In fact, we believe that it is a Canadian imperative. Sodium plays a positive role in the taste, in the safety, and even in the cost of food, but it plays a negative role in heart disease, stroke, kidney disease, and other serious health conditions. And this means that food manufacturers must strike a balance in the products that they create.

Over the last 30 years as an industry, we have been too far on the wrong side. Today, I pledge that our company is moving to the right side of that balance. We will reduce sodium levels by an average of 20% across all our President's Choice line of products by 2014 and 2015.

When Loblaw began this initiative in 2010, we've assigned significant resources, assembled dedicated experts, and scientists, and established a very specific mandate. We've already made enormous progress, eliminating 150,000 kilograms of sodium across hundreds of our products.

By the end of 2015, we will have put every single President's Choice product under the microscope and removed every extra bit of sodium, while maintaining the food's safety and taste our consumers expect. Our focus will be on the categories of processed and prepared foods, where sodium levels are highest.

This is not easy. It requires new ingredients, new formulations, new packaging, and new food technology. But as is the way with President's Choice and Loblaw's, innovation will feature heavily. Our recent -- okay. I was actually just going to get to some really amazing statistics, in terms of what the team has been able to achieve so far.

Some of our recent successes just tell you the scope of the opportunity. Our President's Choice crumpets, we cut one-third of the sodium. For our seven varieties of oatmeal, we cut 43% of the sodium. Tortillas and soy beverages, we cut sodium already by 50%. The point is that when we set our sites on something, we make progress.

Now, we won't be paternalistic about sodium. We'll be wise. Where it can be removed without effect, it will be gone. Where it's fundamental and cannot be significantly reduced, it will stay in the lowest quantity possible. And where the cost of substitutes, often many times more expensive than sodium, drastically impact consumer prices, we will have tough decisions to make.

Over the past couple of years, the government of Canada has taken a stand itself on sodium consumption, establishing voluntary reduction targets for the industry, while at the same time acknowledging the clear and evident challenges. We applaud the government, and we are committed to being an industry-leading champion of these efforts in support of the Canadian consumer. Thank you very much.

Okay, we will now address questions from the audience. If I can just request that we have one question at a time and there are microphones, as usual, set up in the middle of each of the aisles.

Unidentified Participant

Hi.

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Hi.

Unidentified Participant

My question is, I was recently at the store at -- on Young Street, on Young Boulevard, just south of the 401. I felt that to be a great store. It's one of your innovations. Are you planning to have more of those stores set up? And how do you come up (inaudible)

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Yes, great question. So I would encourage -- actually, encourage everybody, if you have a few minutes after the meeting, to pop down to the Maple Leaf Gardens Loblaw's. Francesca, the store manager there, is really excited that you guys were coming and wanted to put absolutely her best foot forward. That is ground zero for what we call the Inspire Loblaw's supermarket format.

I think -- Vicente, am I right in saying we have 13 or 14 Inspire stores across Canada today? Just to put that in perspective, we've done that in two years. That's more, you know, top-end, fresh supermarkets than Whole Foods has in the entire country. And you should expect a significant acceleration of that number of -- that type of store across the country. We have one in Vancouver already. We have four or five in the Quebec market, where we've received a tremendously positive response, and equally so here in the Toronto area and Ottawa.

Unidentified Participant

I got one last question. I know you're a supporter, a belief -- that's why we're here -- Maple Leaf supports it, Gardens -- now that I see we have a member of the Blue Jays staff here, I'm just wondering, are we going to partnership with them and do some promotions?

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

What do you think, Paul? Yeah, we'll have a conversation a little bit later. Actually, slightly more seriously, we were -- it was President's Choice Raptors basketball, I think, for about six years, right, Jane? So we do have a history of partnering with different sports teams.

And not to discriminate, you know, about sports fans -- Paul will know a lot more than me -- there tends to be a strong element of men who support sports teams. Most of our consumer constituents are women. So we haven't seen quite the level of alignment supporting sports franchises as some others, but you never know. If the offer was right, you know, we could -- we might be able to strike a deal.

Unidentified Participant

Thank you.

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Thank you very much. Okay, over this side?

Unidentified Participant

Hi. I don't know if you guys are aware that the organic food market is increasing at a phenomenal rate. More and more people had that vision of healthy foods. And I was just wondering if you would consider joining the Organic Food Council of Ontario, because they can lead us down the right path.

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Well, I can tell you that we have an enormous amount of enthusiasm for organic fruits and vegetables, organic product across all of our categories. I think you'll see what we believe is the largest selection of organic fresh produce in any grocery store in Canada right downstairs. And every summer, we have -- we are developing more and more direct relationships with organic growers and, frankly, non-organic growers so that they can deliver their Ontario-grown or Quebec-grown, or whatever province you might think of in Canada, growing fruits and vegetables straight to our stores.

So it's a great question. Should we be part of the Organic Council? We'll take that away. But I'm certainly very confident in Loblaw's commitment to organic food and, I will say, to fresh food in general. You know, I often say to folks, you know, from a health perspective, you know, yes, you can buy organic fruits and vegetables, but by and large, that's probably not your nutritional challenge. Your nutritional challenge is probably that you don't eat enough fruits and vegetables, period.

And under the management team's leadership, we have an aspiration to have our fresh food departments grow at three times the rate of our -- he's scowling at me -- two times, two times -- two times the rate of our dry grocery business, so lots more to come on that.

Unidentified Participant

Just a quick follow-up from last year. I brought up the GMO issue, and at the time you weren't certain what kind of research and it was good or bad. But I was just wondering, for those who are conscious about that issue, is it possible to ask the producers to label products that are GMO, so the consumer has a choice? Because right now, people don't know what has GMO, and GMO is -- like you said -- you're not sure. You got both sides. So is it possible to get labeling done?

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Yeah, so that's a conversation that's been ongoing in our industry for, you know, probably as long as the GMO issue has been out there. I'd say it's beginning to pick up steam. You're starting to see some American retailers announcing that they're going to label their product GMO or GMO-free, so we're thinking about it very seriously.

And I continue to remind you and others that, if you are concerned about a genetically modified food, then by choosing organic in any capacity, you are de facto making sure that you're not consuming any GMO product.

It is also important to say, you know, that there is no research at this stage out there that conclusively demonstrates that there is a problem for human health associated with GMO product. That's not the only reason that we should make sure that we have a wide and diverse source of seed going into the ground, growing our food, but it is not something that people need to necessarily be frightened of.

Unidentified Participant

Thank you for your vision.

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Thank you. Yes?

Paul Durnon

Okay, I have three questions, Mr. Weston. My name's [Paul Durnon]...

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

If I can suggest -- I know you've all asked a few questions...

Paul Durnon

I'll go in rotation. I'll go in rotation.

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Yeah, if you don't mind, that would be fair to everyone else.

Paul Durnon

That's fine for me.

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Thank you.



Paul Durnon

The first one, what's the basic formula for acquiring the Shoppers Drug Mart stock? Is that partly cash, partly shares? Are you watering the Loblaw flows a bit?

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Yes, we issued a tremendous amount of new shares in order to facilitate this particular transaction. I'd say it was about, by and large, 50/50 cash and shares, a little bit different to that. And I'd suggest that you connect with Sarah Davis, who's our CFO, if you'd like more specifics on that.

Paul Durnon

Okay, then I'll go back to the line.

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Yes, thank you.

Linda Haswell

Hi, everyone. Can you hear me? Hi, my name is [Linda Haswell]. I'm a shareholder. It's -- actually, I've been a shareholder of Loblaw's since I was 2 years old, which doesn't matter. My concern now is, okay, you're reducing the salt. It's wonderful. Thanks very much. Next one is cholesterol. All those lovely ads on the TV, you know, those fancy foods that you're advertising, oh, I want to buy it, because it's -- wow, it sounds great, looks good. No. That's the highest cholesterol level -- those ones on the TV, highest.

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

I can tell you, we don't do that on purpose. They are delicious, don't you think.

Linda Haswell

Oh, they're deadly and delicious, yes.

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

So your question?

Linda Haswell

My question is, can you please reduce the cholesterol level?

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

So -- so we believe that we're the most forward-looking, forward-thinking in terms of understanding the diet-related issues for Canadians in terms of the food that we sell, but we also believe -- we do also believe in choice. We believe that people have the capacity to make decisions around

the product, you know, that they choose to eat. Sometimes we might want a little bit of indulgence. If the course -- over the course of the week, you're eating very well, it might be a nice, you know, way of recognizing.

So there is room for both here. This is about balance. It's not about, you know, taking, you know, what we think are the indulgent sins off the table. If that's your choice, you know, then you should be able to do that, and that's what we try and make possible in our stores.

Linda Haswell

Unfortunately, I did find the PC products as very tasty, the tastiest and the highest cholesterol.

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Thank you very much. Yes?

Victoria Hall

I'm [Victoria Hall] from Emery Collegiate. Now that you have acquired Canada's leading retail pharmacy, are there any plans to expand further into the health care industry?

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Oh, goodness me. There's a question, right, Dominic? So let's begin by sort of reiterating what we've said on a number of occasions. We think that these two businesses are incredibly complementary and that there is great potential for us to sell some of Shoppers Drug Mart's strongest and most-loved brands in our stores and vice versa.

And so we -- on the day we closed, we had Shoppers Drug Mart's number-one-selling men's multivitamin available in our Loblaw's stores. The sales response was astonishing. We also had President's Choice decadent cookies available in -- across Canada in Shoppers Drug Mart stores, and there the sales results were astonishing. And we also had the President's Choice organic baby food pouches available in the baby sections of the Shoppers Drug Mart stores, and we saw fantastic response.

So we think that indicates to us a very, very exciting platform moving forward. I think it's also true to say that Dominic Pilla, you know, and his leadership of Shoppers has been commenting for a number of years about the opportunity that the pharmacy industry and the food industry has to work with the public policymakers, to work with government to improve the Canadian health care system. And in that respect, pharmacists should perhaps be doing more, you know, in expanded scope of practice, writing simple prescriptions, giving inoculations, and we're beginning to see that happening.

So will we be involved in changes in the health care system? Will we begin to see this business do more? Yes, absolutely. But it's going to take time, and ultimately we're really excited about the potential.

Victoria Hall

Okay, thank you.



Unidentified Participant

Hi, I'm [Ayez Ahmed] from Emery Collegiate. What job opportunity/training programs do you have for young people to seek out your company to start their careers?

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Wow. We have -- I think it's recognized as the best college graduate program in the country. How many students do we have this year? Sarah or Vicente, does anybody know? Do you know? A hundred -- I was going to say interns. They're not interns. They are paid. A hundred students, graduates who are working in our business, doing a full around-the-business training program, and we believe that they will represent the next generation of leaders in the organization, so it's a really, really important part of making sure that the Shoppers, Loblaw business has the best management for many, many years to come.

Unidentified Participant

Thank you.

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Thank you.

Unidentified Participant

Good morning, everyone.

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Good morning.

Unidentified Participant

There will be a question, but first a couple of comments, if I may. Loblaw is a leader in many areas, as we've heard today, about the -- used to be more the environment, but they still are strong there. You still are strong. Health and welfare, very important. And farmed animal welfare, you've become a leader, which is very good.

There's been a lot happening as we've seen on television recently, with some very difficult exposes of the treatments of farmed animals in Canada, but the tide is turning, as Canada and seven important retailers, led by Loblaw, have joined together to make a decision to not purchase pig meat that has come from mother sows kept in crates. And it's a very good step that we approve.

What you've shown is that the retail sector has the key role in bringing change for farmed animal welfare. So now it's time to make some advances in the area of egg-laying hens, to get the cages gone once and for all. And right now, you may or may not know that 95% of Canada's laying hens are kept in cages so small, where they cannot nest, they cannot perch, they cannot spread a wing.

So to continue these improvements for farm animals and welfare, I would encourage Loblaw to -- and other food retailers, too, to phase out all cages for laying hens, including the so-called enriched cages and, second, to provide clear labeling on all meat products based on the systems used to produce the animals.

So, Galen, what do you think?

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

I agree with you. I agree that animal welfare is fast becoming an issue of consequence to the Canadian consumer. And we've always believed that our role and our opportunity was to lead change when the Canadian consumer was ready.

So it has moved up significantly on our priority list, and you have commented today on some of the actions that we have taken across the full spectrum of animal welfare issues, and we have to continue with a methodical, step-by-step approach. And, you know, we are probably talking -- what would you say, Bob -- you know, probably once a month about caged hens and the opportunity to change that system or to help change that system. And if we can get the rest of the industry united behind us, you know, I think there's a good possibility that we'll be able to get there.

You know, it's always a question a time and always making sure that we don't destroy, you know, important industrial -- or agricultural businesses inside Canada by pushing them faster than they're economically able to manage, and that's really what we have to work our way through. Thank you.

Unidentified Participant

Thank you. You've made great strides. Keep it up.

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Thanks.

Anne Sutherland

My name's [Anne Sutherland]. I'm a beneficial shareholder. I know that you've made efforts -- a lot of efforts in the past to green your stores, to implement various energy-saving methods. I wondered what you had done in the past year and what you have planned for this next year.

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Well, what I will suggest, to get a full, you know, list of the things that we have done -- and it has been significant -- is that you connect after the meeting with Bob Chant. Bob, can you -- Bob's just standing over there.

A couple of things, though, that we're very proud of is we continue to work to put solar panels on the roofs of our stores, and that project has been extremely exciting. I think we're in the process of working with the provincial government to expand the number of locations that participate in that green energy program. You know, who would know that in Ontario we produced quite that much sun? But we do. It's worked extremely well for us.

And one of the other areas that is of tremendous excitement I would say right now, as we merge the idea of energy conservation, transport conservation, and local growing of produce, we are involved with a really interesting company to develop LED-based indoor growing systems that can grow a wide range of particularly leafy greens, but we're getting ever so close to being able to do a fuller range of popular product, and we're expecting to open one of those facilities ideally right next to one of our distribution centers.

The reason that that's good is because we can take the excess heat from our refrigeration compressors and convert that into energy that helps produce that product. And then, of course, if it's right next to a distribution center, all you have to do is pick it up, walk it over to the truck, and off you go.



So we're seeing some very, very, very innovative breakthroughs on the agricultural production side that are addressing some of the critical long-term sustainability issues for food production around North America. And, as always, you know, we think we're well positioned to help bring those ideas to a commercial, scalable reality.

Anne Sutherland

Are you able to do anything about waste reduction, also, in packaging, perhaps?

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Yes. We -- well, you know what? I'm going to ask you to talk to Bob, but we continue to reduce packaging and we continue to reduce organic waste, and in many cases taking organic waste and converting it into energy.

Anne Sutherland

Great. Thank you.

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Thank you. Okay.

Unidentified Participant

Okay, when I heard about the merger, the first thing that -- what was in my mind, how are you handling the Shoppers drug stores' food -- the ones that do have food -- are there a whole lot of suppliers that are gone and all Loblaw's food is replacing what's gone in Shoppers drug stores? Or maybe you're already providing a percent of Shoppers Drug prior to the merger. So what's that pattern look like? Will there be a lot of food suppliers released from Shoppers Drug? And also, is it -- the fact that you can buy Loblaw's food at Shoppers Drug from the other Loblaw's stores in basis of common sense.

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Yeah, so I think that's a fair question. And it's one of the more interesting ideas that comes out of a combination of two businesses like this. And it starts with the consumer. And the consumer is spending -- more and more Canadians are living in the downtown centers. That's where most of the population growth is in Canada. So downtown access points for buying food conveniently is something that the Canadian consumer has a very, very significant interest in.

Shoppers Drug Mart has a successful food business today with quite a narrow range and very focused assortment of product. The question that we're asking ourselves -- and Dominic and Vicente and the team over there are working their way through right now is -- can we sell more? Can we sell some fresh food? Could we sell bananas? Could we sell meals that are ready to go? And is that something the Canadian consumer would embrace or would be interested in?

So I think Vicente mentioned yesterday that we're going to pilot five or six of these particular stores across Toronto over the next -- I think we'll probably try and get it done by the end of the year. And we'll see, you know?

But the key idea here is that we are here to serve the consumer, and we need to be innovative in bringing things to them that they want and giving them more of what they want. And if they don't want it, then, you know, we will pursue something different.



Unidentified Participant

But...

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

There -- so...

Unidentified Participant

There's a percent of food suppliers now supplying Shoppers Drug that will be gone. Is that correct?

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Well, ironically, in our business, most of the branded manufacturers are the same, so I don't imagine a major delisting of manufacturers who would be losing significant amounts of business. However, you will see changes in assortment. You will see President's Choice products showing up there that weren't there before. But I wouldn't expect any major turmoil on that basis.

In terms of what you were describing as cannibalization, we don't think there's a significant issue with cannibalization, because the shopping occasion of going in for a convenience purpose versus going in and doing a long weekly shop, you know, means that customers are doing things quite differently. And hopefully they'll end buying more, because we have more to offer.

Unidentified Participant

Thank you.

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Thank you.

Unidentified Participant

Hello. Hi, Mr. Weston. My name is [Dean]. We met earlier. Thank you very much for the picture. My question was just about -- I know -- I think in years past, maybe the company had certain delays with implementing the SAP system from -- to replace the old Elvis system and things like that...

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Yeah.

Unidentified Participant

I'm just wondering if you could elaborate a bit more on why it was delayed so much? And I guess, how -- what -- how far along the company is with implementing that and how long it'll be until it's chain-wide, I guess?

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Yeah, good question. So we proceed cautiously on implementations that have significant risk to the business. And that is certainly the case when you put in a new system.

So we have proceeded slowly, methodically. Vicente reported yesterday that the team is very confident that we now have a scalable model for the implementation of SAP. That means we're rolling out as many as 10 or 15 stores per week. Is that right, Vicente? And by the end of the second quarter, we'll have close to 300 stores complete on SAP. And so we're going as far as we can.

And the good news is, by most accounts, not all accounts, but by most accounts, the folks in the stores, like you, are feeling good about that systems implementation. It's not causing the frustrations that it did when we began the rollout a year ago. So all systems are green at this stage, and we expect to be finished all of our corporate stores by the end of this year and then finished all of our franchise locations, excluding Shoppers Drug Mart, by the end of 2015.

Unidentified Participant

Okay, thanks. And what kind of system is Shoppers on right now? Or do you see their systems changing to be SAP? Or...

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

If they do change, it's going to be quite some time in the future, but certainly we're going to take a good, hard look at it, see whether there is any potential for that system to bring value to the Shoppers Drug Mart platform.

Unidentified Participant

Thank you, sir.

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Thank you. Okay, just a couple more questions.

Unidentified Participant

You're reducing the sodium. Could you also reduce sugar in some of your products? Some things are sweeter than they need to be, I think. I think (inaudible)

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Well, I wouldn't -- I wouldn't want to spoil next year's announcement, now would I? That's a great point. You know, enormous amount of preliminary research coming out about the detrimental impacts of sugar or too much sugar, obviously, its relationship to diabetes, obesity, so on and so forth. So suffice to say, it's an area of very, very serious consideration for us. And, you know, if we believe that we can make a fundamental difference, you know, this meeting will certainly be a place to hear of it.

Unidentified Participant

Thank you.



Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Thank you.

Unidentified Participant

Okay, last question. I saw the headline in the paper yesterday, didn't get a chance to read it, so you can tell me about it. There seems to be some kind of a problem in the merger of unions because Loblaw's and Shoppers Drug. Can you say something about that, please?

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Yeah, there is -- in the province of Manitoba, there is a case that's been brought by the UFCW to the labor board, suggesting that they should automatically have the right to unionize all the Shoppers Drug Mart stores in Manitoba.

We strenuously disagree. And so we expect to have that matter resolved at the labor board or in another judiciary fashion. And at this stage, you know, we feel comfortable with our position and that we will be successful.

Unidentified Participant

What -- what's -- what's the name of the...

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

The UFCW.

Unidentified Participant

What's their penetration right now in the Loblaw system (inaudible)

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

They are our largest union.

Unidentified Participant

Okay. But they're not at all in Shoppers Drug? Is that it? Or they're...

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

A couple of stores.

Unidentified Participant

And they want to extend it to all of the...



Galen Weston - *Loblaw Companies Limited - Executive Chairman*

In Manitoba.

Unidentified Participant

In -- to the whole Shoppers Drug system of Manitoba?

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

That's right.

Unidentified Participant

Thank you.

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Thank you.

Ron Weston

Good morning. My name is [Ron Weston]. I've been a Loblaw shareholder for over 50 years. About 20 years ago, as I was leaving the annual shareholders meeting, I was provided with a tiny pine tree about three inches high in a little cardboard box. I would like you folks to know I took that tree home, planted it, and today it's a beautiful 30-foot-high pine tree. I want to thank you very much.

Galen Weston - *Loblaw Companies Limited - Executive Chairman*

[Ron], thank you very much. I remember that meeting. I wasn't standing up here, but that's really, really, truly great to hear. And welcome to the meeting.

Okay. Well, I think that's a good note to end question period on, don't you? Okay. So I must say, before we terminate the meeting, I would like to personally recognize our committed and loyal colleagues all across Canada and to thank you as our shareholders for your continued support and your continued confidence in our company. So there being no further business, I'd ask for a motion to terminate.

Unidentified Company Representative

I move to terminate the meeting.

Unidentified Company Representative

I second the motion.



Galen Weston - *Loblaw Companies Limited - Executive Chairman*

Thank you. You've all heard the motion. All those in favor? Any contrary? I declare the motion carried, and I now declare the meeting terminated. Thank you.

And by the way, we have got a spectacular array of product -- nothing that we can plant, Ron, but some very, very delicious things out there. I hope you will take advantage. And please do pop down into Maple Leaf Gardens. We're enormously proud of the team and that store, and see what the future of food retail is all about. Thanks.

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