

**Loblaw Companies Limited**  
**Annual Meeting of Shareholders Conference Call**

May 4, 2023 — 11:00 a.m. E.T.

Length: 28 minutes

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## **CORPORATE PARTICIPANTS**

### **Galen Weston**

*Loblaw Companies Limited — Chairman & President*

### **Richard Dufresne**

*Loblaw Companies Limited — Chief Financial Officer*

### **Nick Henn**

*Loblaw Companies Limited — Executive Vice President & Chief Legal Officer*

## **CONFERENCE CALL PARTICIPANTS**

### **Chris Bergen(sp.)**

*Loblaw Companies Limited — Shareholder*

### **Catherine Thomas(sp.)**

*Loblaw Companies Limited — Shareholder*

## PRESENTATION

**Galen Weston** — Chairman & President, Loblaw Companies Limited

Good morning and welcome to the 67<sup>th</sup> Annual General Meeting of Loblaw Companies Limited. I'm Galen Weston, the Chairman and President of the Company. Today's meeting is being held as a virtual meeting by way of a live webcast. Joining me this morning are Richard Dufresne, Chief Financial Officer, and Nick Henn, our Executive Vice President and Chief Legal Officer. The nominee directors, auditors, and other members of the Loblaw management team are also attending remotely.

I would now like to call to order this meeting of shareholders of Loblaw Companies Limited. I will begin today's meeting by outlining how voting and questions will be addressed. Usually, and this year is no exception, the majority of shareholders submit their proxies or voting instructions in advance of the meeting. Voting during today's meeting will be conducted through this online platform. When we're ready to table an item of business for a vote, you'll see voting options appear on your screen, and if you have voted in advance of the meeting and do not wish to revoke your previously submitted proxies, then you don't need to do anything. The scrutineers will tabulate all of the votes cast during the meeting and we will report on the results of each resolution towards the end of the meeting.

To submit a question, click on the Q&A messaging icon at the top of the online platform window. When submitting a question, please identify whether it relates to a motion being considered as part of the formal business of the meeting or whether it is general in nature. We'll address questions directly related to a particular motion at the appropriate time of the meeting and then we'll save general questions until the end of the meeting. Please note that if you're logged into the virtual meeting as a

guest, you will not be able to ask a question. Only registered shareholders and duly registered proxyholders may do so. Nick Henn will read the questions aloud when requested and either I, Richard, or Nick will respond. We will make every effort to answer all of your questions during today's Q&A period.

Today's remarks may include forward-looking statements. Details regarding forward-looking statements can be found in the Company's 2022 annual report and first quarter 2023 report to shareholders.

We entered the year with momentum and a key [inaudible] to our fundamentals. For two years, retail excellence has been our focus and the team continued to deliver against it in 2022. Today we have the right banners in the right communities, our services have expanded and improved, and we're delivering value when customers need it most. And we are living our purpose, helping Canadians live life well.

In our food business, our market division outperformed peers while our discount stores welcomed more customers who bought more items. Throughout the year we upgraded stores, converting many to different formats, expanding their appeal and growing sales. Similarly, we expanded our T&T chain into communities looking for authentic Asian cuisine, most recently in Montreal, where our grand opening lineups were a clear indication of customer enthusiasm.

In a year marked by historical global cost of living pressure, providing value was our most important priority. As costs from suppliers hit record highs, we invested in value. Our retail prices rose slower than our costs and our food gross margins declined below pre-inflation levels. This made a

difference. Canada continued to have one of the lowest food inflation rates in the world and Loblaw has contributed significantly to that, stopping \$500 million in unjustified cost increases, freezing the price of 1,500 No Name items, helping customers save \$1 billion with PC Optimum points, and \$1 billion more if they switched to our discount stores from other chains, all while selling many key essentials below cost. In response to our efforts, Canadians recognized Loblaw as the grocer doing the most to help battle food inflation.

Earlier in the year, lockdowns ended, and the return to schools, offices, and social settings brought more customers to Shoppers Drug Mart. This meant significantly higher beauty sales and yearlong traffic in our cough and cold aisle. As health systems struggled to recover from pandemic demand, provinces turned to pharmacists to fill essential primary care gaps. Pharmacy services expanded nationwide and the stage was set for our first-ever pharmacist-led medical clinic. Today we have 12 with active plans for 70 more this year. And Shoppers acquired Lifemark, Canada's leading physio and rehabilitation services provider. As our health services grow, convenient and accessible care is just one of the reasons Shoppers Drug Mart remains among the country's most trusted brands.

Trust in our brands is encouragingly high. President's Choice and No Name are the biggest and best-loved food brands in the country and their sales have grown at a remarkable pace, two times faster than national brands. The PC Health app has been downloaded 1.6 million times and consumers once again ranked PC Optimum among the country's top-ten most innovative brands, the only Canadian name among global giants. Our loyalty program is rapidly becoming a hub for our customers' every day needs. PC Optimum now rewards 15 million Canadians more than \$1 billion a year and they're increasingly making use of the full and combined value of our food, wellness, health, apparel, and

banking offers, with millions now using the PC Mastercard to earn points and save money, up to 10% on their grocery bill.

Our retail strategy is anchored by three themes: enhancing our core through retail excellence, driving growth through a focused group of strategic initiatives, and investing thoughtfully in ideas that have the potential to transform our future. In 2022, we delivered on all three.

I'd now like to ask our CFO, Richard Dufresne, to share this year's financial results with you.

**Richard Dufresne** — Chief Financial Officer, Loblaw Companies Limited

Thank you, Galen.

As 2022 came to a close, we marked two years of retail excellence, two years of careful cost control, and two years of outperformance through consistent adherence to our financial framework. The year began much as 2021 had ended, with omicron lockdowns impacting consumer behaviours. This benefitted grocery and slowed pharmacy, having a mixed effect on our business. Then, as lockdowns eased and consumers returned to more normal routines, global inflationary pressures impacted household spending, especially in food. Some inflation is normal in our business, so we followed our playbook. We pushed back on unjustified product cost increases, worked to minimize the impact on our prices, outperformed peers by providing the best value and services, controlled costs, and delivered our financial framework.

The success of our strategies and the strength of our diversified assets was reflected in our financial results. We recorded \$56.5 billion in sales on growth of 6.3% from the past year. Food same-

store sales was up by 4.7%. All of our banners performed very well, but we saw exceptional growth in our discount banners as consumers turned in record numbers to No Frills, Maxi, and Superstore for value. Our pharmacy business had an exceptional year. Drug retail same-store sales were up 6.9%. At our Shoppers Drug Mart and Pharmaprix stores, our higher-margin front store business led the way with exceptional same-store sales growth of 8.2%. Pharmacy same-store sales also increased as acute and chronic prescriptions returned to pre-pandemic levels and our pharmacy services continued to expand.

Our retail gross margin ended the year slightly higher than in 2021. Our retail excellence initiatives enabled us to improve our cost of goods and make smarter investments in promotional activities, reflected in improved gross margin. Our food retail gross margin peaked in mid-2021, prior to the onset of accelerating inflation. Since then, our food retail gross margin has not returned to those levels. In 2022, strong sales growth in higher-margin front store drug categories has helped to offset that margin pressure on the food side. Stability in our gross margin is always a priority and we are continuing to balance it carefully.

Our retail SG&A spending rate improved by 30 basis points in 2022. This reflected our relentless focus on cost management and the fact that pandemic costs were lower in 2022 than in 2021. This helped drive a 10.6% increase in adjusted consolidated EBITDA. In 2022, our consolidated earnings per share grew 22%. Our retail free cash flow was just over \$2 billion on the year. We repurchased over \$1.3 billion worth of common shares and invested \$1.6 billion in capital back into our business. With buybacks and annual dividend increases, we generated an impressive total shareholder return of 17.1% in 2022.

Our team's strong performance comes from disciplined pursuit of key business priorities, sales growth, stable gross margin, stronger market share, cost control, and maximizing operating leverage to grow earnings per share. We call this our financial framework. Consistent high performance against this framework has given us continued confidence well into 2023.

I would now like to welcome Galen back to address the meeting.

**Galen Weston** — Chairman & President, Loblaw Companies Limited

Thanks, Richard.

Okay. I'll now proceed with the formal part of the meeting and I'd ask Nick Henn to act as secretary of the meeting. Computershare Investor Services is acting as the scrutineer of the meeting by way of its representatives, Patty Sigiannis and Rumela Mukherjee.

Only shareholders of record at the close of business on March 13, 2023 or their proxies are entitled to take part in and vote at this meeting. To make the best use of our time, certain shareholders have been asked to move and to second the motions 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 scrutineers' report indicates that a quorum is present. I now declare that this annual meeting has been duly properly called and constituted for the transaction of the business for which it has been called.

Today's agenda will consist of the submission of the Company's 2022 annual financial statements, followed by three resolutions: First, to elect the Board of Directors for next year; second, to appoint the Company's external auditor for fiscal 2023 and to authorize the directors to fix the auditors'



remuneration; and third, to consider an advisory resolution on the Company's approach to executive compensation. We will deal with the formal items of business first and, at the conclusion of business, we will move to our question period and the announcement of voting results. I should also note that during the meeting we may pause from time to time to review as we coordinate this virtual meeting. Thank you for your patience as we do so.

So I'd now like to place before the meeting the consolidated financial statements of the Company together with the notes and auditor's report to the shareholders for the year ended December 31, 2022. These are included in the annual report which was provided to shareholders and can also be retrieved from our website or SEDAR.

Nick, were there any questions or comments submitted in connection with the financial results?

**Nick Henn** — Executive Vice President & Chief Legal Officer, Loblaw Companies Limited

No, Galen. We haven't received any questions related to the financial statements.

**Galen Weston** — Chairman & President, Loblaw Companies Limited

Okay, thank you. So we'll now move to the nomination and election of directors. Our management proxy circular contains detailed biography setting out the valuable qualifications and diverse backgrounds of the director nominees proposed. Twelve directors are to be elected and I'm pleased to report that, based on the proxies received by the scrutineer in advance of the meeting, each director nominee received votes in favour from at least 95% of votes cast. We'll now consider the

election of directors and to facilitate the introduction of the nominees, we refer you to the slide on the webcast. I declare the polls open on all resolutions.

Nick, were there any questions or comments submitted in connection with the nomination and election of directors?

**Nick Henn** — Executive Vice President & Chief Legal Officer, Loblaw Companies Limited

No, we haven't received any questions in relation to this item.

**Galen Weston** — Chairman & President, Loblaw Companies Limited

Terrific. So, could I please have a nomination for the election of directors?

**Chris Bergen** — Shareholder, Loblaw Companies Limited

My name is Chris Bergen(sp.) and I am a shareholder. 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: Scott B. Bonham, Shelley G. Broader, Christie J.B. Clark, Daniel Debow, William A. Downe, Janice Fukakusa, M. Marianne Harris, Kevin Holt, Claudia Kotchka, Sarah Raiss, Galen G. Weston, and Cornell Wright.

**Catherine Thomas** — Shareholder, Loblaw Companies Limited

My name is Catherine Thomas(sp.) and I'm a shareholder. Mr. Chairman, I second the motion.

**Galen Weston** — Chairman & President, Loblaw Companies Limited

Thank you. I now call on Chris to move that the nominations be closed.

**Chris Bergen** — Shareholder, Loblaw Companies Limited

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

**Catherine Thomas** — Shareholder, Loblaw Companies Limited

Mr. Chairman, I second the motion.

**Galen Weston** — Chairman & President, Loblaw Companies Limited

Thank you. I now ask shareholders or their appointees to cast their votes through the online portal. As a reminder, if you've already sent in your proxy, there's no need for you to do anything unless, of course, you wish to change your vote.

We'll now move to the next item of business, which is the appointment of the auditor. Nick, were there any questions or comments submitted in connection with the appointment of the auditors?

**Nick Henn** — Executive Vice President & Chief Legal Officer, Loblaw Companies Limited

No, we've not received any questions on this item, Galen.

**Galen Weston** — Chairman & President, Loblaw Companies Limited

Okay, thanks. I'll now entertain a motion then for the appointment of auditors of the Company and the authorization of directors to fix the auditors' remuneration.

**Catherine Thomas** — Shareholder, Loblaw Companies Limited

Mr. Chairman, I move that PricewaterhouseCoopers LLP be appointed auditors of the Company until the next annual meeting of shareholders of the Company and that the directors be authorized to fix the auditors' remuneration for the 2023 fiscal year.

**Chris Bergen** — Shareholder, Loblaw Companies Limited

Mr. Chairman, I second the motion.

**Galen Weston** — Chairman & President, Loblaw Companies Limited

Thank you. If you've not already done so, I'll ask shareholders or their appointees to cast their votes through the online portal.

The next item of business is the advisory resolution regarding the Company's approach to executive compensation. The resolution is more fully described on pages 17 and 18 of the Company's management proxy circular. Nick, were there any questions or comments submitted in connection with this advisory resolution?

**Nick Henn** — Executive Vice President & Chief Legal Officer, Loblaw Companies Limited

No, Galen, we've not received any questions on this item.

**Galen Weston** — Chairman & President, Loblaw Companies Limited

Okay, thanks. I'll now entertain a motion to approve, on an advisory basis, the Company's approach to executive compensation.

**Catherine Thomas** — Shareholder, Loblaw Companies Limited

Mr. Chairman, I move that the advisory resolution regarding the Company's approach to executive compensation be approved.

**Chris Bergen** — Shareholder, Loblaw Companies Limited

Mr. Chairman, I second the motion.

**Galen Weston** — Chairman & President, Loblaw Companies Limited

Thank you. If you've not done so already, I'll ask shareholders or their appointees to cast their votes through the online portal.

Terrific. Thanks, everyone. That brings us to the end of voting on the items of business that have been put before this meeting and, therefore, I declare the polls closed.

Helping Canadians live life well means more than just great retailing. It builds on our responsibly to have a positive impact in the communities we serve. And with that in mind, we've just published our 16<sup>th</sup> annual ESG report, available now at [loblaw.ca](http://loblaw.ca). It shares our commitments and our progress on key ambitions like fighting climate change and advancing social equity. Central to our environmental commitments is a pledge to eliminate our carbon footprint. It's clear that the industry is generating emissions at unacceptable levels.

At Loblaw, we've been reducing our carbon footprint for over a decade and though we've made a definitive net zero commitment last year, we actually don't know precisely how we we're going to get there. But we know it will mean embracing innovation as it takes shape. And so today we're announcing a major step on that journey with a carbon-free energy purchase using Canadian innovation. Soon, the electricity we use to operate our supermarkets, drugstores, offices, and distribution centres across all of Alberta will be powered by sun, wind, and water. In other words, we're cutting fossil fuel emissions from the electricity we buy for nearly 300 facilities, including Real Canadian Superstores, Shoppers Drug Mart, No Frills, Independent Grocers, Wholesale Clubs, our liquor stores, our offices, and our distribution centres in Alberta to zero.

Our partner on this project is Alberta's TC Energy. Using solar wind panels, solar panels, and wind turbines, they will feed the provincial energy grid that powers our facilities and then they'll supplement that power with a pump hydro station. This is a manmade system that circulates water up and downhill to create carbon-free energy, essentially acting like a massive battery. This innovation solves a longstanding problem called the intermittency challenge and answers the question where can we get renewable power when the wind doesn't blow or the sun doesn't shine.

This project will eliminate the greenhouse gas equivalent of a small city's worth of homes and, as one of the largest energy users in Canada, this one program will cut our nationwide operating emissions by 17%. This adds to the fact that we've already reduced our emissions by 8% from a 2020 baseline. I said at the start of our carbon reduction journey that we should be able to grow our business while shrinking our footprint. Similarly, we believe that our customers will not pay any more as a result of this project. Fighting climate change does not have to come at the expense of performance.

We have concrete measurable carbon and waste cutting actions live across our business. Just last month we put our first electric truck on the road with plans to decarbonise our short-haul fleet and we've been working alongside RBC, Maple Leaf Foods, and Nutrien to kick-start the Canadian Alliance for Net-Zero Agri-Food, an industry effort to make Canada a global leader in decarbonising the food sector.

We've made similar progress on advancing social equity. We continue to increase our representation of women and visible minorities from our store to our Board of Directors, with many of our 2024 goals already achieved. And, with a focus on women and children as the building blocks of a health society, we raised and donated a record \$110 million to thousands of organizations, intensifying our support for food banks and charities. We announced a pledge to donate a billion pounds of food to those charities and our PC Children's Charity is closing in on our goal of feeding a million kids annual by 2025.

We are making progress with more work ahead. We're always proud to be able to put that before shareholders, the achievements of our colleagues and our employees and everything that they've

done in their stores and communities. You may recall that, in 2021, when Richard and I returned to Loblaw, Robert Sawyer came out of retirement to join us as our Chief Operating Officer. We were motivated by a shared belief that, with good strategy and clear focus, we, all 220,000 of us, could bring retail excellence to life. And last month we announced that, having extended his time with Loblaw, Robert would return to retirement at the end of 2023. And while I look forward to recognizing him properly at the right time, he has been absolutely clear there are to be no best wishes until the end of the year, as we have lots of work to do.

And with more than a year to plan for Robert's departure, last summer we initiated a global search for the right leader to guide our everyday operations and strategy. During that search we found someone with Robert's retail skills and the experience to take on broader oversight of the enterprise. That leader is Per Bank, the outgoing CEO of Denmark's Salling Group, who will join Loblaw as President and CEO by early 2024. While Per and Salling may be unfamiliar to many Canadians, their story is very familiar. Salling is a family firm, more than a century old, and led by the founder and his son for nearly 100 years. They are the nation's leading grocer, renowned for their various banners, their great private label projects, a top loyalty program, growing online conveniences, and one of the nation's largest workforces. The parallels with Loblaw are remarkable, as is Per's record of retail excellence and growth, honed across a range of global markets. Per will have plenty of time to settle once he arrives in Canada to get to know our business and ultimately transition later this year. And as he takes over the day-to-day running of the business, I will remain chair, Richard will remain CFO, and our management board will remain the best leadership team in Canadian retail.



As always, there's a lot happening in our business and we hope that you walk away with a sense of pride for our retail excellence, our eye to the future, and our care for our communities. None of this happens without our extraordinary colleagues and I want to thank them for their work during 2022 and for their work in the year ahead.

We'll now open the meeting to questions. To submit a question or a comment, please click the Q&A messaging icon at the top of the online platform window. And as I mentioned earlier, we will make every effort to answer all the questions; however in the interest of time, we will limit the question period to about 20 minutes and then any unanswered questions will be addressed after the meeting by members of our management team. Nick, are there any questions?

**Nick Henn** — Executive Vice President & Chief Legal Officer, Loblaw Companies Limited

Galen, we've received no questions.

**Galen Weston** — Chairman & President, Loblaw Companies Limited

Okay. Thank you very much. So, have we received the voting results yet? Okay. So we have received the voting results from the scrutineer on the three items of business.

On the election of directors, the voting results show that each director nominee received votes in favour from at least 95% of votes cast. Accordingly, I declare that the proposed director nominees have been duly elected to hold office until the next annual meeting of shareholders or until they resign or their successors are duly elected or appointed.

On the appointment of auditors, the voting results show that over 98% of the votes cast were in favour of the appointment of PwC as the auditor of the Company. I declare that PwC is appointed as auditor of the Company and that the directors are authorized to fix PwC's remuneration.

On the advisory vote on the Company's approach to executive compensation, approximately 92% of the votes cast were in favour of the Company's approach to executive compensation and I declare this motion to be passed.

The final voting results will be available after the meeting and they'll be posted to the Company SEDAR profile at [www.sedar.com](http://www.sedar.com).

As there's no further business, can I have a motion to terminate the meeting?

**Chris Bergen** — Shareholder, Loblaw Companies Limited

Mr. Chairman, I move that the meeting terminate.

**Catherine Thomas** — Shareholder, Loblaw Companies Limited

Mr. Chairman, I second the motion.

**Galen Weston** — Chairman & President, Loblaw Companies Limited

Thank you. I now declare the meeting terminated and, on behalf of the Company, I'd like to thank you for taking the time to join us today. I wish you all the best to you and your families and hope that you stay safe and healthy.