

# THE WAY WE DO BUSINESS



## MESSAGE FROM OUR EXECUTIVE CHAIRMAN

“We are driven to act because we care, and are mindful of our opportunity to make a difference with simple, but committed actions because of our size and impact.”



Galen G. Weston  
Executive Chairman

## The Way We Do Business

Loblaw Companies Limited is Canada's largest retailer, with more than 1,000 stores across Canada serving 12 million customers each week. We are also one of the nation's largest employers, with more than 140,000 colleagues across the country. We are focused on being Canada's best food, health and home retailer, dedicated to exceeding our customers' expectations with innovative products at great prices. This is driven by our social responsibilities to the communities in which we operate, and we embrace our role as a leading corporate citizen in Canada.

It is clear that global warming and other environmental and health challenges are going to require fundamental changes in the way we live and work as a society. It is no longer a matter of choice or opinion, but of survival. This, our first Corporate Social Responsibility report, provides insight into what part Loblaw can play in these crucial issues and how we intend to tackle these challenges. We are driven to act because we care, and are mindful of our opportunity to make a difference with simple, but committed actions because of our size and impact.

The new Loblaw team has inherited a strong legacy and the core pillars of social responsibility have been embedded into our organization. Meeting our obligations, in addition to those of creating value for our shareholders, has been a long and proud tradition at Loblaw. In the past year we have undergone tremendous change. We embarked on an ambitious turnaround with a simple, yet powerful objective – **Making Loblaw the Best Again**. One area that remained constant was our commitment to social responsibility.

What we have done as the new leaders of Loblaw is bring this proud history to the forefront. We have established a framework through which our CSR activities will be pursued and linked our commitments to our business plan through our five pillars:

1. Respect the environment
2. Source with integrity
3. Make a positive difference in our community
4. Reflect our nation's diversity
5. Be a great place to work

A walk through the ages

It all started here in 1919

First Loblaw Groceries store opens in 1919 by T.P. Loblaw and his partner J. Milton Cork



1978

The no name® brand is introduced



## MESSAGE FROM OUR EXECUTIVE CHAIRMAN, CONT'D

When these five pillars are assessed in conjunction with our Mission Statement, it is the most pure expression of our leadership, outlining our intentions with respect to the stewardship of this company. For many of our customers and colleagues Loblaw is the store in their community. Our relationship with Canadians is by definition “local,” and as a result of the products we sell “personal.” It is on this basis that we built our pillars.

To understand these pillars, they need to be considered from the point of view of our customers and colleagues: *Respecting the Environment* means reducing our carbon footprint, from the lighting in our stores to the fuel in our fleet to the packaging on our products; *Sourcing with Integrity* means striving to ensure that the highest ethical and safety standards are met with every product we sell; *Making a Positive Difference in Our Community* simply means being a good neighbour, participating and investing in the communities our stores serve; *Reflecting Our Nation's Diversity* is rooted in our devotion to being customer focused, reflecting the awesome diversity of our nation – both in the products we offer and our colleagues; and *Being a Great Place to Work* is not only a responsibility at Loblaw, but a necessity – we are dedicated to being the employer of choice in Canadian retail.

**This report is an important, early milestone in the enduring and integrated way of doing business at Loblaw. This year we are providing specific progress and measurements on the pillars of *Respecting the Environment*, *Making a Positive Difference in Our Community* and *Being a Great Place to Work*. For our remaining two pillars of *Sourcing with Integrity* and *Reflecting Our Nation's Diversity*, we will provide insight into our approach and specific intent for 2008 and beyond. We are confident this report will reflect the efforts of a company committed to progress and transparency, as well as demonstrate our focus on embedding CSR into our business.**

In our first CSR report we acknowledge the most important partner we have on this journey – our customer. Loblaw's enduring success is directly related to our devotion to meeting and exceeding customer expectations. Our overall approach to CSR will not deviate from this clear mandate and the pillars on which our CSR strategy is built are based on what is meaningful to our customers. Simply stated, the Loblaw approach to CSR will never be pursued in isolation of our customers, and it will only be successful if it is accepted and understood by our customers. That is just the way we do business.

Yours truly,

Galen G. Weston  
Executive Chairman  
Loblaw Companies Limited



1984

The President's  
Choice® brand is  
introduced

President's Choice

1988

The Decadent™  
cookie is introduced



## ABOUT LOBLAW COMPANIES LIMITED

### Fast Facts

Number of corporate and franchised stores: **1,036**

Number of colleagues: **more than 140,000**

Number of customers that shop our stores each week: **12 million**

National head office and Store Support Centre: **Brampton, Ontario**

### WHO WE ARE:

Loblaw Companies Limited is Canada's largest food retailer and a leading provider of general merchandise products, drugstore and financial products and services, with stores in every province. While food is at the heart of our offering, we also provide a wide, growing and successful range of products and services to meet the everyday household demands of Canadian consumers.

### OUR MISSION:

To be Canada's best food, health and home retailer by exceeding customer expectations through innovative products at great prices.

### 2007 Financial Highlights (IN MILLIONS):

Sales **\$ 29,384**

Net Earnings **\$ 330**

### DRIVEN BY OUR RESPONSIBILITY TO:

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1989

The PC® Green™ brand is introduced



1989

President's Choice Children's Charity launches



1991

Too Good To Be True® launches as Loblaw's healthier-for-you brand



## ABOUT THIS REPORT

This report is issued  
as a PDF on our  
corporate web site:

[www.loblaw.ca](http://www.loblaw.ca)

Loblaw Companies Limited is proud to present our first Corporate Social Responsibility (CSR) report. It introduces our readers to the Company's approach to CSR initiatives and our plans for 2008 and beyond. As Loblaw continues to incorporate CSR into our daily decisions and actions, this report will chart our longer-term initiatives and measure our progress towards them.

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Our reporting  
will be based on  
our five pillars:

1

Respect the  
environment

2

Source with  
integrity

3

Make a positive  
difference in  
our community

4

Reflect  
our nation's  
diversity

5

Be a great  
place to work

## Our audience

We wrote this first report with two key stakeholders in mind: our customers and colleagues. We believe it will also be of interest to others, including: our shareholders, suppliers, government partners, non-government organizations, the media and our industry. We look forward to understanding more about what each of our stakeholder groups would like to learn about our activities as we refine our commitments and develop future reports.

This report is issued as a PDF on our corporate web site, [www.loblaw.ca](http://www.loblaw.ca), as is our 2007 Annual Report. For more information on our CSR strategy, initiatives or targets, please contact Daniel Tremblay, Senior Vice President, Corporate Social Responsibility at [csr@loblaw.ca](mailto:csr@loblaw.ca).



1998

President's Choice  
Financial® services  
are introduced



2001

The Presidents  
Choice Organics™  
brand is introduced



2005

The Too Good to be True®  
brand is reintroduced as the  
PC Blue Menu line of products



## OUR 2007 ACHIEVEMENTS AND 2008 TARGETS: A SNAPSHOT

### Respect the environment

The importance of global warming and society's negative impact on the ecosystem is undisputable. Loblaw is committed to making a positive difference by reducing our impact on the environment, both through our operations and the products we sell.



### 2008 Targets

#### Our Products:

- Establish baselines, priorities and five-year targets for reduction of packaging on our control brand products
- Continue the *PC Green* brand's environmental leadership position in Canada

#### Waste:

- Divert one billion plastic shopping bags from landfill in 2009
- Divert 70% average overall waste generated by our stores from landfill in fourth quarter 2008

#### Energy:

- Reduce corporate store and support centres' electricity use by 1.5% per square foot in fourth quarter 2008
- Implement two renewable energy pilots

#### Sustainable Construction

- Develop sustainable construction standards for the development and retrofitting of new stores and distribution centres
- Launch our second environmental flagship store

### Carbon Emissions Reduction

- Reduce transport fleet fuel consumption by 2% per kilometre
- Reduce carbon emissions as a result of electricity consumption by 3% per square foot in fourth quarter 2008
- Identify areas of our business with carbon emissions implications, including fleet emissions, electricity consumption and refrigerant leaks, and set reduction benchmark for 2009
- Work with industry partners to develop an industry-wide carbon footprint measure that is based on Scope 1 and Scope 2 criteria set by the Carbon Disclosure Project

### 2007 Achievements

- The *PC Green* brand's continued leadership in environmentally responsible product development
- Announcement of plastic bag diversion commitment
- Launch of Canada's first national chain "bagless" retail store
- Pilots: Zero-Waste to landfill, reclaiming heat from refrigeration system to heat our stores, wind generation for electricity supply
- \$8.1-million support of recycling stewardship programs
- Launch of Demand Response initiative in Ontario to reduce electricity demand
- Development of Four-Point Transportation Plan to reduce fuel consumption
- Continued leadership in combating refrigerant leaks and associated greenhouse gas emissions

### Source with integrity

Canadians are increasingly aware of and concerned about food safety, the source of the food they put on their table and products they use in their homes. Loblaw has a long history of ensuring food safety and the responsible sourcing of our products. We commit to meeting consumers' concerns in this area and to strive to constantly evolve our policies and practices to comply with the highest standards in our industry.

### 2008 Targets

Building on our existing initiatives in the area of Sourcing with Integrity, in 2008 we will develop specific targets to continue our focus in this area.

### 2007 Achievements

- The *PC Organics* brand's continued leadership in certified-organic product development and offering
- Introduction of our first Fair Trade product – *PC Organics* Fair Trade Coffee
- Purchase of \$750 million of local produce
- Partnership with the Ontario Cattlefeeders' Association to offer corn-fed beef
- Launch of *Free-From*™ products

2005  
(September)

Loblaw National Head Office and Store Support Centre opens in Brampton, Ontario. Integration of Loblaw offices into one building begins Loblaw's road to becoming a Great Place to Work



2006

Joe Fresh Style®  
is launched



## OUR 2007 ACHIEVEMENTS AND 2008 TARGETS: A SNAPSHOT, CONT'D

### Make a positive difference in our community

Inspiring healthy living and supporting the communities across the country in which our colleagues work and live is a proud tradition at Loblaw. We will continue to invest our share of profits back into the community and President's Choice Children's Charity remains dedicated to making difficult lives a little easier.

#### 2008 Targets

##### Inspire Healthy Living

- Continue the *PC Blue Menu* brand's healthier leadership position in Canada

##### Charitable Giving

- Give \$10 million to support programs and organizations aligned to our focused donation and sponsorship plan serving the communities in which we operate
- Raise \$10 million for President's Choice Children's Charity and help more than 1,000 families across Canada

#### 2007 Achievements

- The *PC Blue Menu* brand's continued leadership in "healthier-for-you" product development
- Development of our Community Investment strategy
- \$8 million granted across Canada by President's Choice Children's Charity to more than 1,000 families with kids with disabilities
- Alpine Canada Alpin sponsorship with the *President's Choice* brand, supporting Canadian athletes' financial and nutritional needs

### Reflect our nation's diversity

Loblaw has always considered Canada's diversity as a source of national pride and strength. We reflect this in the products we sell and the people that serve our customers.

#### 2008 Targets

We are developing Reflect Our Nation's Diversity pillar targets in 2008.

#### 2007 Achievements

- Development of a strategy to cater to the ethnic consumer throughout our stores by increasing the ethnic assortment of our products and speaking to them in their voice.

- Promotion and subsequent success of *PC Naan Bread* – close to one year's worth of *PC Naan Bread* sold in the first four weeks following the promotional campaign, with interest from every corner of the country
- Development of Diversity and Inclusion strategy

### Be a great place to work

As one of the largest private-sector employers in the country, "Making Loblaw the Best Again" means being the retailer of choice for our colleagues. "Friendly Colleagues Motivated to Serve" is at the centre of our strategic growth plan and we are committed to unrivalled excellence as an employer.

#### 2008 Targets

##### Our Culture of Engagement

- Roll out "Tell It As It Is" national colleague survey
- Implement Air Traffic Control Planning and identified store communications initiatives

##### Rewarding Our Colleagues

- Roll out colleague discount plan

##### Colleague Health, Safety and Wellness

- Implement the Health, Safety & Wellness strategy
- Reduce workplace injuries by 15% within three years

##### Our Talent

- Reduce annual colleague turnover by 10% within three years
- Train 52,000 colleagues
- Open 6 new Learning stores

#### 2007 Achievements

- Introduction of new tools to support enhanced internal communication
- Launch of national colleague survey pilot
- Launch of Loblaw's Air Traffic Control process for stores
- Expansion of the Colleague Assistance program
- Launch of a new national training program



2007  
(April)

Loblaw, through its *PC Green* brand, launches Canada's Greenest Shopping Bag™



2007  
(September)

Loblaw is Canada's first national retailer to launch a "bagless" store in Milton, Ontario



## Our Store Formats

### SUPERSTORE



### GREAT FOOD



### HARD DISCOUNT



### WHOLESALE



## Our Brands

no name®

President's Choice

President's Choice  
GREEN

President's Choice  
Organics

President's Choice  
FINANCIAL

President's Choice  
BLUE MENU

Joe  
FRESH STYLE FRAYS

2007  
(December)

Loblaw, through its *President's Choice* brand, introduces its first Fair Trade product – PC Organics Fair Trade Coffee



2007

Loblaw, through its *President's Choice* brand, introduces PC Free From pork and chicken



2008

Loblaw will launch its second environmental flagship store in Scarborough, Ontario





**Mario Fatica – 14**

Vice President, Planning Development & Approvals, Loblaw Properties Limited

**Andrew Flemming** (not pictured)

Senior Director, Atlantic Distribution Operations

**Robert Fortin – 8**

Vice President, Transport, Quebec

**Eric Gallant – 6**

Senior Vice President, Deli/HMR/Bakery

**Claudio Gemmiti – 12**

Vice President, Loblaw Brands, HBC, Household & GM

**Larry Griffin – 11**

Vice President, Food & Safety

**Peggy Hornell – 5**

Director, Fundraising & Administration, President's Choice Children's Charity

**Walter Kraus – 10**

Senior Director, Environmental Affairs

**Christena Manley – 9**

Non-Food Segment Planner

**Elizabeth Margles – 2**

Vice President, Public Relations & Public Affairs

**Nan Oldroyd – 4**

Senior Director, Talent & Diversity

**Danielle Rouleau – 13**

Director, Corporate Public Relations

**Mark Schembri – 3**

Vice President, Maintenance & Procurement

**Daniel Tremblay – 7**

Senior Vice President, Corporate Social Responsibility

**Todd Warnell – 1**

Director, Operations Development

## Loblaw's CSR Committee

### A cross-functional team committed to driving innovation through corporate responsibility

In 2007 Loblaw laid the foundation for a sustainable, integrated, national CSR strategy. This, our first CSR report, shares the stories of where we've come from and where we're heading. We took this responsibility on with dedication and enthusiasm, and we are committed to ensuring it resonates across every aspect of our business. We are a passionate group, and we're excited by the fact that this work is a key priority for how we are going to "Make Loblaw the Best Again."

Throughout this initial foundation-building year, we worked steadily to set our strategy and confirm our approach. We reviewed our current initiatives, mapped our stakeholders and engaged with some of them. We benchmarked ourselves against international CSR retail leaders and we discussed and debated our commitments. Most importantly, we were buoyed by the work we already have underway.

But we are committed to do more, and in 2007 our Executive Chairman showcased this commitment by first embedding our responsibilities into our corporate mission statement and then putting in place an individual to lead our efforts – the newly

established post of Senior Vice President of Corporate Social Responsibility, reporting directly to the Executive Chairman.

As members of Loblaw's CSR Committee, we champion our responsibilities across all of our business operations. With input from customers and colleagues, we work in teams covering each of our areas of responsibility to develop the priorities, metrics and reporting responsibilities within our five pillars. Each member works with their executive sponsor, who is responsible for ensuring our commitments are achieved and to work with the CSR committee to develop goals that are achievable and accountable.

Our goal in writing this report is to provide a complete, honest account of where we stand today and where we are headed. We are excited to report on the work we've done and immensely proud to be a part of the work we are undertaking. We invite you to please email us at [csr@loblaw.ca](mailto:csr@loblaw.ca) to tell us how we are doing and what we can do to make our CSR activities and our reporting more meaningful to you.



At Loblaw we appreciate that CSR is a journey and not a destination. The approach to CSR in our business can be traced through four phases: our vision – as established by our leadership; the pillars that define and support our responsibilities; review and assessment of our operations against these pillars; and ongoing reporting and a commitment to communicate our progress.

## The Way We Do Business

CSR is a key element in our company-wide commitment to “Making Loblaw the Best Again.” We are committed to progress, accountability and transparency. Our pillars of responsibility will guide our work and will support the integration of our CSR objectives and activities into our everyday business processes and communications.

At Loblaw we appreciate that CSR is a journey and not a destination. The approach to CSR in our business can be traced through four phases: our vision – as established by our leadership; the pillars that define and support our responsibilities; review and assessment of our operations against these pillars; and ongoing reporting and a commitment to communicate our progress.

As expected, our progress within each pillar varies. In this 2008 report we provide in-depth reporting on Respect the Environment, Make a Positive Difference in our Community and Be a Great Place to Work. Next year, in our 2009 report, we intend to do the same with Sourcing with Integrity and Reflect our Nation’s Diversity.

According to Jantzi Research, it’s been demonstrated that superior sustainability performance is linked to enhanced share value over the longer term. The commitments outlined in this report are pursued with a full appreciation of the positive and strategic impact they will have on our business results.

**Ultimately, this CSR report is an important next step in the ongoing dialogue with our stakeholders on our commitments to citizenship and responsibility beyond the fiscal mandate of any public company. We welcome this dialogue as we are proud of our legacy and look forward to now building a record of accountability.**

### Global Reporting Initiative

In the development of this report, we reviewed a number of external resources, including the Global Reporting Initiative’s *G3 Sustainability Reporting Guidelines*. The Global Reporting Initiative (GRI) is a multi-stakeholder organization that, for the last decade, has provided guidance to promote relevance, transparency and comparability in corporate sustainability reporting. Although this report does not report against the GRI, it was used as a benchmark and we will consider reporting against it in the future.

### Governance

We are reporting on our first year of formalized CSR activity at Loblaw. The vision that forms our commitment is from the Executive Chairman. The CSR committee and the integration of our commitments in the business are led by the newly established post of the Senior Vice President of Corporate Social Responsibility, reporting directly to the Executive Chairman. Our CSR committee is a cross-functional team

covering each area of responsibility linked to our five pillars. The committee’s responsibility is to develop the priorities, metrics and systems to report on our progress and identify our gaps.



### The Best 50 Corporate Citizens 2007

Loblaw was included in *Corporate Knights* Magazine's ranking of the top 50 corporate citizens.

**“Loblaw offers the broadest selection of environmentally friendly food of any Canadian grocer, complete with a collection of *President's Choice Green* products, hundreds of *President's Choice Organics* products and *PC Blue Menu* products which are lower in fat, calories and sodium and higher in fibre.”**



## CSR AT LOBLAW

### Engaging with Our Stakeholders and Assurance

It is fundamental to any meaningful corporate citizenship initiative to engage in a genuine dialogue with those individuals and groups impacted by the company's activities. We welcome stakeholder input and realize the importance of listening and obtaining both positive and negative feedback. We are engaged with credible organizations and individuals both inside and outside of the grocery industry on an ongoing basis, and we incorporate their input into our business decisions. Stakeholders provide us their knowledge and perspective, helping us gauge our critical issues and our success in responding to these issues.

In setting the foundation for our CSR strategy, we mapped dozens of stakeholder groups – those which are impacted by our decisions and those who play or could play a significant role in our decision making.

Our customers and colleagues represent our most critical stakeholder groups as they have the most significant impact on our operations. We consider them first when we develop our CSR commitments and communications.

Formal third-party verification of our reporting is critical. We partnered with Canadian Business for Social Responsibility (CBSR), a national not-for-profit member organization of businesses committed to implementing corporate social responsibility in Canada. CBSR assisted Loblaw, assessing our current practices and identifying the gaps we need to work toward closing, as well as reviewing our strategy and providing input into our identified priorities for 2008.

### Our Reporting Structure:



### Jantzi Social Index

Since 2004 Loblaw has been a constituent of the Jantzi Social Index, a socially screened, market capitalization-weighted common stock index modeled on the S&P/TSX 60. The Index consists of 60 Canadian companies that pass a set of broadly based environmental, social and governance (ESG) criteria. Jantzi Research created the JSI to be a benchmark for money managers and other investors against which they can measure the performance of socially screened portfolios. The JSI is not meant to reflect the 60 best companies in Canada, nor does it presume to represent the only 60 companies that meet ESG criteria. Jantzi Research rates Loblaw as one of the top overall performers in the Food and Drug Retailing industry.



## CSR AT LOBLAW, CONT'D

# How Loblaw Is Viewed on Its Social and Environmental Performance:

### Our Corporate Reputation

Canadians rank the *President's Choice* brand as a corporate leader among more than 200 of Canada's leading brands included in the *Angus Reid Corporate Reputation & Sponsorship Index (CRSI)*™.

- Ranked among the top 10 brands on Overall Corporate Reputation
- Ranked number 1 among both the Retail and Food & Beverage sector brands as being Environmental or Environmentally Responsible



Note: CRSI percentage data represents fourth quarter October 1 to December 31, 2007. This ranking is based on perceptions and opinions of Canadians from coast to coast

## The *President's Choice* Brand

One of the world's most successful control brands – and the number 1 consumer packaged goods brand in Canada and one of the fastest growing\* – The *President's Choice* brand was launched in the early-80s and will celebrate its 25th anniversary in 2008. In addition to the thousands of *PC* products on our shelves, the *PC* brand has expanded its line to include specialty brands that respond to Canadians' growing desires for environmentally responsible and healthier products.



Launched more than 20 years ago, we remain one of the only Canadian retailers offering a control brand committed to caring for our earth, waterways and energy supply.

**PC Green products: 30+**

### Our *PC Green* Clumping Cat Litter

is made from recycled corn cobs, taking advantage of an agricultural waste product and keeping one of our valuable natural resources – clay – from going to landfills.



\* ACNielsen MarketTrack, 52 weeks ending November 24, 2007

## OUR PRODUCTS

# Our Products Reflect Our Responsibilities

Our products help feed, home and style the nation. The impact of the decisions we make in product development are significant because we own two of Canada's biggest brands – *President's Choice* and *No Name* – which are continually striving to meet customer expectations.

These brands influence many of our CSR business pillars and strategies. Our commitments are being ingrained into the way we do business and the way we think about innovation. Our customers will see our commitment to CSR coming alive in our products as our developers continue to frame their creativity around environmental, sourcing, health and wellness and diversity considerations.



Offering product choices across virtually every food category, *PC Blue Menu* products meet at least one of six healthier living benefits: lower fat, lower calories, high fibre, omega-3, soy protein and/or lower sodium.

**PC Blue Menu products: 350+**

One cup of our *PC Blue Menu Oh Mega j Orange Juice* features 0.05g DHA and EPA omega-3 fatty acids from fish oil (DHA supports the normal development of the brains, eyes and nerves) and 100 per cent of the daily value of Vitamin C and 30 per cent of folate.



The *PC Organics* brand is the country's largest organics line of products available. Using holistic and sustainable agricultural practices, as certified by Quality Assurance International, the true and natural flavours of these products come to life.

**PC Organics products: 300+**



**PC Organics 7 Reasons™ Multigrain Cereal** features super crunchy flakes from a mix of wholesome grains. It's low in fat and has no sugar added – it's sweetened with juice.

The *PC Organics* brand is your assurance that this product has been "certified organic" by an independent third party in accordance with the pillars of organic agriculture.



The *Joe Fresh Style* brand is Canada's fun, fast and affordable fashion line. Designed by Canada's own Joe Mimran, the line first launched in 2006 and now offers our customers women's, men's, kid's and intimates lines.

In 2007 the *Joe Fresh Style* brand launched a 100-per-cent certified organic collection for babies, including bodysuits, blankets, scratch mitts and hats, stylized hoodies, playwear sets and pull-on breeches.



# Case Study: The Anatomy of a Reformulation

## PC Ultra Liquid Laundry Detergent with Enzymatic Action

Our enzymatic formula delivers outstanding cleaning performance for white and colour-fast fabrics, is phosphate free, tough on stains, helps keep cottons looking like new longer by reducing fuzzing and gradually enhances the look of cottons.

Reformulating a product to make it more environmentally responsible requires extensive research and development. The following outlines the development process of taking our **PC Ultra Liquid Laundry Detergent to 2x and 3x concentrated**

### The Challenge:

### The Solution:

- Create an environmentally responsible detergent without losing effectiveness
  - Will consumers understand what a concentrated detergent is and how to use it? How can we motivate a change in behaviour?
  - What we know: Consumers are extremely brand loyal when it comes to detergent
- How do we motivate consumers to take notice of this new, more compact packaging and understand that it's just as effective but friendlier to the environment?**
- Concentrating products, like detergents, can cause ingredient instability – colour changes, precipitation, etc.



#### PC 2x Concentrated Ultra Coldwater High-Efficiency Detergent

2x concentrated = 42% less water and 23% less packaging per dose (generating less waste)

Packs all the cleaning power of our regular PC detergent



30% less volume than a box of regular PC liquid laundry = 30% less space required to ship the product

#### PC Green 3x Concentrated Laundry Detergent – Coldwater

3x concentrated = 66% less packaging than conventional liquid laundry detergent



would eliminate 24,000 tonnes of waste if every Canadian household used it!

Cold-water capabilities help reduce total annual household energy use by 8%

### Applicable to Both Concentrated Detergents:

- ✓ Provides the same number of washing loads in a smaller, more convenient package
- ✓ Cold-water washing = 85% reduction in energy per load versus hot-water washing
- ✓ We added icons on the packaging to attract consumers and help them easily understand the environmental benefits and effectiveness
- ✓ We wrapped the cap with messaging that educates consumers on the fact you only need half the amount of detergent
- ✓ The smaller packaging = easier to move and store
- ✓ We offered customers our **PC Guarantee** – If any of our PC products don't perform to expectations, simply return it to the store within 14 days of purchase for a full refund or exchange

More on next page

Continued from page 13

## Innovative Learnings:

As a result of customer reviews on *PC.ca*, we improved *PC Green 3x Concentrate Coldwater Laundry Detergent* so it was no longer sensitive to cold storage areas, such as a basement or trunk.

These customer reviews provided significant input. When developing the product, we realized that concentrating the detergent's ingredients three times and removing chemical compounds (volatile organic compounds) could impact the detergent's viscosity (colour, texture, etc), but we didn't realize this would have varying impact at different storage temperatures. Following launch, we began to receive customer comments that low storage temperatures caused the detergent to gel. We immediately reformulated the product (without adding in volatile organic compounds), overcame the challenge and the product on the shelf was quickly replaced with the new formulation.



## Telling our Stories

In July 2007 Galen G. Weston, our Executive Chairman and company spokesperson, kicked-off a multi-media campaign which not only promoted our *President's Choice* products, but also told the stories behind them. Based on the premise that the Canadian consumer not only seeks value in selecting their supermarket, but also **shared values**, these five campaigns showcased great products and our commitments supporting them.

### **PC Green Reusable Bag:**

Helping divert one billion plastic bags from landfill with "Canada's Greenest Shopping Bag"

### **PC Blue Menu Thick & Juicy™ Lean Burger:**

Boldly asking Canadians to knock the *PC Thick & Juicy* out of the number 1 position and replace it with our healthier option

### **PC Indian Naan Bread:**

Offering Canadians foods that reflect our diversity

### **PC 2x Cold Water Concentrated Liquid Laundry Detergent:**

Less packaging, less energy consumption and more efficient shipping

### **PC Organics Baby Food:**

Line of baby foods offered at a competitive price to conventional baby food



## Our Commitment

We are committed to reducing the environmental impact of our products and operations by driving innovation in product development, waste reduction, energy efficiency and sustainable construction. We employ the best economically achievable technologies, processes and tools that inspire our colleagues to develop solutions, influence our suppliers and continually improve our performance.

## What's in Store: Our 2008 Targets

### Our Products:

- Establish baselines, priorities and five-year targets for reduction of packaging on our control brand products
- Continue the *PC Green* brand's environmental leadership position in Canada

### Waste:

- Divert one billion plastic shopping bags from landfill in 2009
- Divert 70% average overall waste generated by our stores from landfill in fourth quarter 2008

### Energy:

- Reduce corporate store and support centres' electricity use by 1.5% per square foot in fourth quarter 2008
- Implement two renewable energy pilots

### Sustainable Construction:

- Develop sustainable construction standards for the development and retrofitting of new stores and distribution centres
- Launch our second environmental flagship store

### Carbon Emissions Reduction:

- Reduce transport fleet fuel consumption by 2% per kilometre
- Reduce carbon emissions as a result of electricity use by 3% per square foot in fourth quarter 2008
- Identify areas of our business with carbon emissions implications, including fleet emissions, electricity consumption and refrigerant leaks, and set reduction benchmark for 2009
- Work with industry partners to develop an industry-wide carbon footprint measure that is based on Scope 1 and Scope 2 criteria set by the Carbon Disclosure Project

Our Executive Leader Responsible for Meeting Our Targets:  
**Dalton Phillips,**  
Chief Operating Officer





## RESPECT THE ENVIRONMENT: ROLLING OUT OUR RESPONSIBILITIES

### Offering Responsible Product Choices

**Target:** Our goal is to reduce the packaging on our branded products. In 2008 we will establish baselines and metrics that will allow us to set five-year targets to minimize packaging, and we will continue our strong commitment to the *PC Green* line of products.

### Auditing Our Packaging

In 2008 Loblaw initiated a packaging audit of its approximately 8,000 control brand food and non-food products across 850 vendors. This year-long project will help us develop a packaging material database, enabling us to form a baseline and set targets for establishing a Sustainable Packaging Platform for our control brand products.

The audit investigates both the inner and outer packaging materials, as well as the shipping case in which the product is delivered. In total, approximately 23,000 individual component specifications will be identified. It will be expanded in 2009 to include our non-food products, which we expect to take approximately 18 months to complete.

### PC Green Products

In 2007, almost two decades after the *PC Green* brand's first introduction, we revitalized the line with new and reformulated products, including lawn-and-garden care, paper and household-cleaning products that are designed to reduce environmental impacts without compromising performance and, in most cases, costing the same as conventional products. Today the *PC Green* family of products continues to grow, with more than 30 products designed to help reduce our impact.





## Colin Isaacs – Our key environmental advisor to the PC Green brand

Since the launch of our *PC Green* brand in 1989, all products undergo rigorous third-party review by Canadian environmental scientist and independent advisor to the brand, Colin Isaacs. Colin has been a recognized consultant in the area of the environment for more than 25 years, participating on key government and private sector advisory bodies that consider environment, sustainable development and international trade issues. He is President of *CIAL Group*, a consultancy which specializes in sustainable development, planning and implementing private and public sector projects which link environmental, social and economic objectives.

## RESPECT THE ENVIRONMENT: ROLLING OUT OUR RESPONSIBILITIES

Offering Responsible Product Choices Cont'd

### Our *PC Green* Products Eco Index\*

In just one year, users of our following *PC Green* products helped reduce our environmental impact on the planet.

\*Information provided by Colin Isaacs, environmentalist and scientist and independent advisor for *PC Green*

#### *PC Green* 3x Concentrated Coldwater Liquid Laundry Detergent:

Reduced more than five tonnes of packaging waste compared to users of regular laundry detergent and saved enough energy to supply 500 average Canadian homes for one year.



#### 100-per-cent recycled *PC Green* Paper Towels and Bathroom Tissue:

Helped divert more than 3,000 tonnes of paper from landfills and saved about 24,000 trees from more highly valued uses.



#### *PC Green* Active Oxygen Bleach:

Helped eliminate more than 20 tonnes of chlorine from being released to the environment where it could have



contributed to the formation of harmful chlorinated by-products.

#### *PC Green* Landscape Mulch (made from reclaimed wood):

Helped divert 1,000 tonnes of wood waste which may have otherwise ended up in Canada's landfills and reduced the need for watering gardens.



### Environmentally Responsible?

*PC Green* is our "environmentally responsible brand." But what does environmentally responsible mean? For us, it can mean many things. Our products span across so many product categories – detergents and cleaning, paper, lawn and garden – that one definition won't fit all.

One of the features of the line includes three easy-to-spot symbols that inform consumers of the products' environmental benefits.



**Earth**  
denotes recycled products that divert used goods from landfills



**Water**  
identifies products that use less environmentally harmful chemicals



**Energy**  
denotes energy-conscious products that help reduce reliance on non-renewable energy sources

Each product carries one or more of these icons. And while we currently consider our packaging decisions when developing *PC* products, as we move forward, we will begin to develop packaging guidelines to help our product developers quantify and define how we will package our products to ensure they are responsible inside and out.

## RESPECT THE ENVIRONMENT: ROLLING OUT OUR RESPONSIBILITIES

# Reducing Our Waste

**Targets:** In 2008 we will continue our quest to divert plastic shopping bags from landfill by setting the stage to divert one billion plastic shopping bags the following year. We will also create the systems which will allow us to divert an average of 70 per cent of store-generated waste from landfill in the last quarter of 2008.

## North America's First Major Chain Retailer to Go "Bagless"

Loblaw made history on August 29, 2007 when we opened North America's first chain retail store without plastic shopping bags. The Milton, Ontario *Loblaw*® Superstore™ was soon followed by a store in each region of Canada, including Langford, British Columbia on November 11, Sherbrooke, Quebec on February 11, 2008 and Quinpool, Nova Scotia on February 21, 2008. These "bagless" stores were well received with customers, and the learnings from this pilot will determine how we can expand this initiative moving forward.



**President's Choice GREEN**  
New President's Choice® Green® Reusable Shopping Bag  
"Canada's Greenest Shopping Bag"

**Size**  
Carries the equivalent of two regular plastic shopping bags – 10 kgs

**Colour**  
Black colour, which is embedded right into the fibre, aids durability by masking marks, spills and dirt. The bag is washable

**Full Circle Recyclable**  
1. Weekly use of the bag will divert 100 plastic bags from landfill each year  
2. Purchase of one bag diverts six 500-ml beverage bottles away from landfill each year  
3. Bring the bag back to the store, and it will be re-recycled into another bag or a similar product

**The Basics**  
Sells for \$0.99 and withstands 50 round trips (or one year of shopping). The bag complements the PC® GREEN® Box™ (both promote diversion of waste)

**Incentive**  
When you pay for your groceries with a PC Financial MasterCard or bank card, reward yourself with 50 PC Points for every reusable bag or PC Green Box used at the check-out each time you shop – even when using competitors' reusable bags

**Material**  
Made from 85 per cent post-consumer recycled material – or six 500-ml or two 2-L plastic beverage bottles. It truly is the greenest reusable bag in Canada, and likely the greenest globally

**Binding**  
For added strength and integrity, binding is made of 100 per cent virgin PET

## The PC Green Reusable Shopping Bag – "Canada's Greenest Shopping Bag™"

"Loblaw's little black number (the Green Bag) quickly became the summer's hottest accessory, proving that Canada's greenest bag may also be the country's greatest marketing strategy."

Report on Business magazine, September 26, 2007

## IT'S IN THE BAG –

## We've Set the Stage for One Billion Plastic Bags to be Diverted from Canada's Landfill

In April 2007 Loblaw committed to eliminating one billion plastic shopping bags. We're pleased to announce that we were successful in selling nine million *PC Green* Reusable Bags in 2007, and more than one million more in January 2008. The use of each *PC Green* reusable bag for one year diverts approximately 100 plastic bags from Canada's landfill, equating to the possible diversion of one billion plastic shopping bags – if Canadians use reusable bags each time they shop. This strategy was further enhanced by the launch of our bagless stores and plastic bag recycling program.

# 1,000,000,000

Moving forward, we're refining our strategy to be even more successful. In 2008 we will track the number of plastic shopping bags being shipped to our stores, with a view to support the ultimate goal of eliminating one billion more bags actually being handed to our customers in 2009.

## RESPECT THE ENVIRONMENT: ROLLING OUT OUR RESPONSIBILITIES

### Reducing Our Waste Cont'd

### Recycling Plastic Bags

Even though we believe going “bag-less” is the right direction, until we can fully accomplish this we will continue to work with the industry to find a solution to the millions of plastic bags still in use. Building on our success in the Atlantic region, in 2007 we rolled out the *PC Green* Plastic Bag Recycling Program at

Ontario stores located in municipalities where curbside plastic bag recycling is not available, estimated to be more than half of Ontario municipalities.

This initiative is expected to divert more than 51 million plastic bags from Ontario landfill in year one and we are exploring opportunities to expand this program into Western Canada.



### Plastic Bags by the Numbers

5,100,000

Number of plastic bags our first bagless store in Milton, Ontario will help divert from landfill in its first year.

15,000,000

Projected number of plastic bags our four bagless stores will divert in 2008.

### Zero-Waste Pilot/Increased Diversion Initiative

Is it possible to reach zero waste going to landfill? In 2007 we conducted waste audits to determine our current waste diversion rates, identify how feasible it is to close the gap to zero waste, set best practices for roll-out to our stores nationally and develop an action plan to reach zero waste over a specified period of time.

Through the pilot, we were encouraged to learn that in Nova Scotia, which has landfill bans on organics, plastics and cardboard, we achieved a diversion-rate of 94 per cent of total waste generated in the audited store. We also learned that the diversion of organic waste and waxed cardboard represent significant opportunities across the country, and as a result, we are pursuing the opportunity to use organic waste for composting and even for the generation of electricity.

Through the audit process, we identified more than 20 materials that we will now continue to track and either improve our recycling of or find solutions to recycling them. The challenge retailers face is that the municipal recycling infrastructure varies across the country, and as a result, we are working closely with government and trade associations to find synergies to maximize diversion.

### Our Waste Initiatives in the works:

- Recycling of old fluorescent lamps from office, store and distribution operations
- Incorporation of centralized grease interceptor systems, which provide a separate sanitary line to capture grease
- Ensuring erosion and sediment control by employing mud mats and silt fencing during construction

### Recycling Stewardship Partnership

In 2007 Loblaw contributed \$8.1 million to industry-funded organizations in the provinces of Ontario and Quebec to assist in supporting municipal Blue Box or curbside recycling programs. All brand owners and first importers in Ontario and Quebec that sell consumer products with packaging that ends up in the municipal Blue Box programs participate in funding 50 per cent of the cost of these municipal programs.

### Loblaw Diversion of Waste 2007

MATERIAL RECYCLED	METRIC TONS RECYCLED
Cardboard Corrugated	117,000
Clear Plastic (Shrink Wrap and Clear Wrap)	2,700

## Energy Savings

Energy management is one of our greatest opportunities for environmental and positive economic impact. Supermarkets are a major consumer of energy as a result of refrigeration – refrigeration comprises half of the store's energy consumption. In 2008 we will invest \$5 million to reduce our overall consumption. That's in addition to the \$7 million we've spent since 2004, which has resulted in Loblaw reducing its greenhouse gas emissions by 27,898 metric tonnes. And we'll continue to invest.

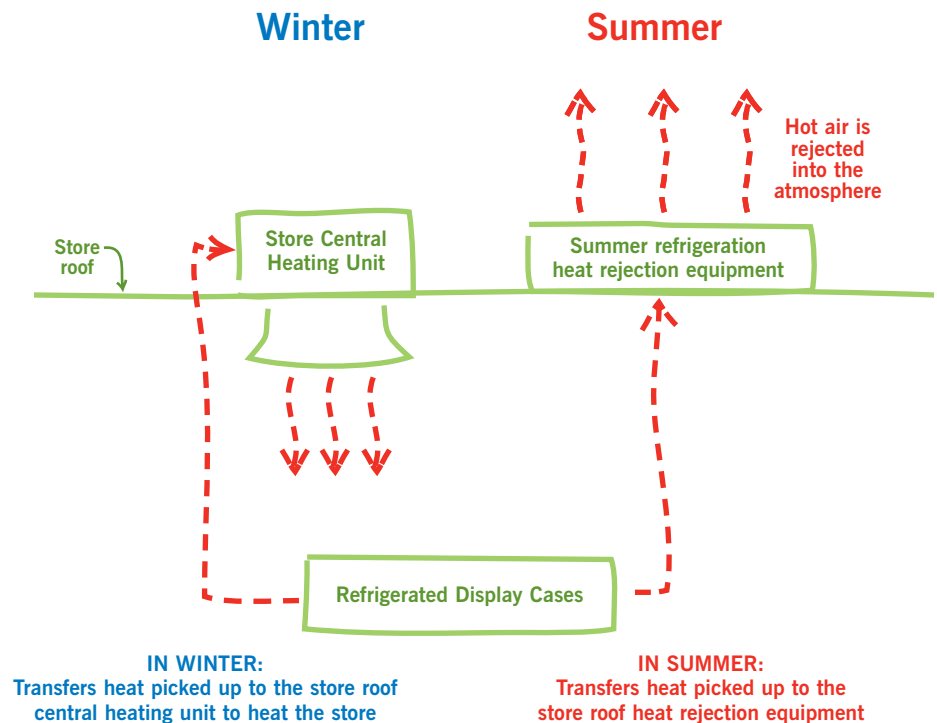


**Target:** In 2008 we will establish systems and processes that will reduce electricity use by 1.5 per cent in the fourth quarter and explore renewable energy opportunities.

## Reclaiming Heat

Approximately 50 per cent of the total energy consumption of a Loblaw supermarket goes toward operating the refrigerated systems, with heating accounting for 11 per cent of total usage. In 2006, in conjunction with Natural Resources Canada, we took the innovative move to reclaim heat rejected as part of the refrigeration cycle to heat the store; previously, this heat was simply released into the air outside the building. In 2007 we outfitted four stores with this system, and in 2008 this innovation will be expanded to one new store build and one new distribution centre.

In the summer this technology rejects the hot air captured by the refrigeration units into the atmosphere, but in the winter this innovative approach recirculates this hot air back into the store to produce heat.



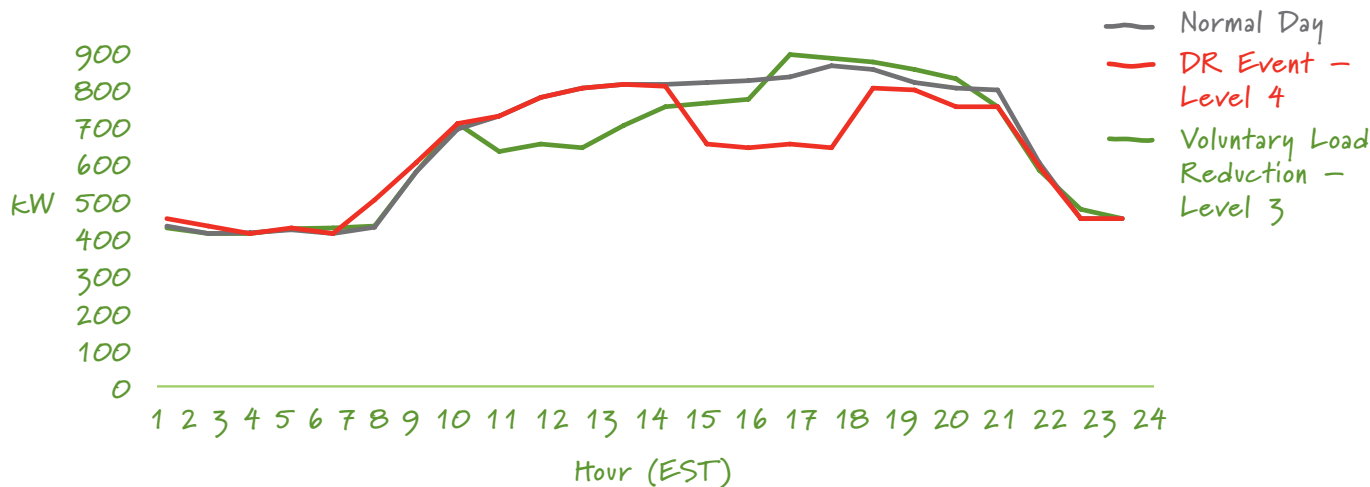
## RESPECT THE ENVIRONMENT: ROLLING OUT OUR RESPONSIBILITIES

### Energy Savings Cont'd

### Demand Response

Two years ago Loblaw was the first and only retailer to win a competitive bid to participate in the Ontario Power Authority's Demand Response (DR) initiative. Under the DR program, Loblaw's multi-level automated DR system allows the company to control lighting and HVAC demand among 110 stores across Ontario from a central server. This system is automatically put into action at its various levels based on the level of provincial demand and supply available, with the highest level – Level 4 – only initiated during periods of critical supply situations when the province's energy supply is not expected to meet demand.

In 2007 Loblaw voluntarily initiated a Level 3 action throughout July and August, Monday to Friday, 9:00 am to 4:00 pm. At Level 3, lighting is reduced by 30 per cent. In addition, the province requested Level 4 action on five occasions – June 13, 26, 27, August 2 and September 6. At Level 4, lighting is reduced by 60 per cent and air conditioning by more than half, ultimately reducing Loblaw's pull on the electricity system by 10+ MW of power. This represents an approximate 20-per-cent reduction of Loblaw's energy use, ensuring the provincial electrical grid remains stable during high-demand periods. We are voluntarily expanding the program to corporate-owned stores in Atlantic Canada in 2008.



This graph represents a true depiction of the energy reduction experienced on a typical day at our *Real Canadian Superstore* in Georgetown, Ontario as a result of Demand Response

### Our Energy Initiatives in the works:

- Fully automated Demand Response
- Fully automated energy-management system which reduces lighting and HVAC by up to 50 per cent during hours of non-operation and ensures all mechanical, electrical and refrigeration systems operate at maximum efficiency
- Induced exhaust fans, which result in a significant reduction to the outside air required to balance the exhausted air volume
- Targeted dehumidification HVAC strategy to reduce the amount of moisture in the air, which improves the efficiency of refrigeration systems
- Pull down curtains in open refrigerated cases, which provide more efficient refrigeration operation
- Full heat reclaim

### Renewable Energy

#### Energy from the Sun

In 2007 we began exploring partnerships in solar and wind power. Our goal in 2008 is to partner with a significant photovoltaic operator to establish two rooftop demonstration sites for large-scale solar-power generation. We're hopeful a financially successful pilot will lead to significant solar power installations mounted atop our supermarkets.

#### Harnessing Wind

In 2007 we established two wind-monitoring stations in Atlantic Canada. In 2008 we'll measure the results of this trial and, if feasible, establish wind generation operations for two Atlantic Canada stores. We anticipate the production of 200 kilowatts, almost enough to support half of the requirements of the stores involved in the pilot. We'll use the results to understand the feasibility of additional alternative energy opportunities.

## Carbon Emissions Reduction

### Refrigerant Leaks

To remove the heat from our chilled and frozen display fixtures, traditional grocery stores utilize a significant amount of refrigerant gas, which when leaked, causes significant greenhouse gas emissions – one kilogram of refrigerant gas leak is equivalent to almost four metric tonnes of greenhouse gas emissions.

In 2007 Loblaw continued its role as the North American leader in combating refrigerant leaks through the installation of systems that incorporate secondary refrigerant loops, bringing the total number of stores installed with this system to 60 with the addition of Milton, Ontario and Huntington Hills, Alberta.

With these systems, the refrigerant is not circulated through the store, but confined to the mechanical room with cold distribution managed through secondary loops using environmentally less harmful fluids: propylene glycol for medium temperatures. In addition, we are expanding this secondary loop refrigerant approach to our low-temperature system. At our new Scarborough *Loblaw Superstore*, opening in May 2008, we will use CO<sub>2</sub> – the same CO<sub>2</sub> that is used in soft drinks – in place of propylene glycol, which freezes at low temperatures. The use of CO<sub>2</sub> reduces the use of R507 substantially – from an average of about 1,650 kilograms in a standard store to only 160 kilograms, equating to a 90-per-cent reduction. This will be the first CO<sub>2</sub> low-temp project in Canada and the biggest in North America.

**Target:** We are currently tracking our carbon emissions in the areas of energy, supply chain fleet and refrigeration. We will expand this in 2008 to identify all areas of our business with carbon footprint implications and begin to track these and set benchmarks for 2009 and beyond. In tandem, we are working closely with our retail industry partners to develop an industry-wide carbon emission measure for the grocery industry in Canada.

### Fuel Savings through Fleet Efficiency

Loblaw operates from coast to coast across all modes of transport, including shipping lines, rail and transport trucks. The mileage we drive each week is equivalent to about 4,000 coast-to-coast trips a week. In 2007 we set out our Four-Point Transportation Plan to lessen our fleet's impact on the environment by improving our fuel efficiency:

#### Increasing Cube Per Load

In 2007 we reduced the number of outbound trips by making better use of our shipping space. In 2007 this equated to a reduction of 6,100 metric tonnes in CO<sub>2</sub> emissions as a result 6.1 per cent fewer outbound trips – a reduction of 28,643 trips. Our goal in 2008 is to achieve an additional three-per-cent reduction.

#### Nitrogen Tire Inflation

In 2007 we began piloting nitrogen-inflated tires in the Atlantic region. We expect to see tread life increase by 30 per cent and fuel efficiency by three per cent. We will use the results from this trial to determine the opportunity to expand the program nationally.

#### Biodiesel in Our Tanks

In 2007 we introduced a five-per-cent biodiesel blend to more than half of our owned fleet, representing almost 200 power units. We are exploring ways to increase the biodiesel blend in the summer months when cold temperatures won't freeze at a higher concentration. We are also encouraging our third-party operators – about half of our fleet – to introduce a biodiesel blend.

#### National Idling Policy and Fuel Efficiency Targets

We are committed to ensuring all our transport tractors, both Loblaw owned and third-party operated, feature turnpike units to ensure driver productivity and that shifting and idling time is optimized. In addition, in 2008 Loblaw will be purchasing tractors with automatic transmissions. Through these initiatives, we expect to yield up to one litre per 100 kilometres of fuel efficiency – every 0.42 litre per 100 kilometres results in an annual saving of approximately 250,000 litres of fuel.

In addition to these measures, Loblaw has entered into a partnership program with one of the largest trailer manufacturers in North America, which will provide the fleet with leading-edge trailer designs which will increase overall fuel efficiency.



## RESPECT THE ENVIRONMENT: ROLLING OUT OUR RESPONSIBILITIES

# Sustainable Construction

**Target:** We will develop sustainable construction standards for the development and retrofitting of new stores and distribution centres and launch our second environmental flagship store in Scarborough, Ontario.

## Retrofitting Our Stores and Distribution Centres

In 2008 we will bring a focus to energy retrofits to regions that are reliant on fossil fuel-generated electricity, such as Alberta, Ontario and the Atlantic – fossil fuels, like coal, produce more greenhouse gases than any other energy source. This strategy will strive to produce a five-per-cent reduction in our carbon emissions for every two-per-cent reduction in our energy use.

As part of our strategy to rebuild our national supply chain, we see this as a significant opportunity to introduce environmental building practices and are exploring ways to incorporate best practice in building materials and energy efficiency from around the world.

2 = 5

## The Launch of Our Second Environmental Flagship Store

Building on the success and learnings of our first environmental flagship store – Repentigny, Quebec, which opened April 28, 2004 – our Scarborough *Loblaw Superstore* location in Toronto, opening in May 2008, is our first building being built to LEED accreditation standards. If successful in being accredited, this will be the largest food retail store to be LEED-certified in Canada.



## LEED Building Rating System

The Leadership in Energy and Environmental Design Green Building Rating System encourages global adoption of sustainable green building and development practices through the creation and implementation of universally understood and accepted tools and performance criteria.



## Environmental Case Study: Lighting Up Your Life

The Scarborough *Loblaw Superstore* will feature a host of cutting-edge green initiatives, including LED lighting in the door cases of the frozen food aisle. Sensors will be installed, so that when a customer is detected in the aisle, the sensors turn the lights on. When they leave, the lights go out. The benefit is twofold – the energy required to run the lights is reduced and the energy required by the refrigeration plant to remove the heat produced by the lights while they are on is also diminished.

Lighting wattage reduction: 43%

Heat reduction in the case as a result of LED lighting (which reduces the need for increased cooling): 8%

Having sensors turn the lights on only when customers approach the refrigerated cases reduces the lighting usage by an estimated 50%



## Our Intent

Canadians are increasingly aware of and concerned about the source of the food they put on their table and the products they use in their homes. We have a responsibility to meet this expectation with respect to safe products, where they come from and how they are made.

Food quality and safety has always been a key priority for Loblaw. Our commitment is reflected in our interaction with suppliers, our internal assurance systems and through participation in both federal and provincial industry standard-setting initiatives.

We work with the Canadian Food Inspection Agency to ensure that our products and operations meet or exceed food safety requirements. We also participate in industry and government initiatives in the development of food and product safety programs.



Through this process, all Loblaw control brand food and health and beauty suppliers sign our co-packing agreement and are audited for food safety, manufacturing practices and adherence with all governmental standards and regulations.

Loblaw will continue to work closely with the key constituents in our Supply Chain and all regulatory bodies to ensure we are proactively and consistently increasing the scrutiny and rigour of the standards required for a product to be sold in our stores.

**IT IS OUR INTENT** as we move forward to provide clear and meaningful measurements on the following:

- **Increase local produce sourcing** by 10 per cent within three years
- **Enhance tools and processes** of our audit system and vendor compliance
- **Build on our existing CSR standards** within our Vendor Code of Conduct and audit processes that encompass environmental commitments, integrated employment practices and human rights standards
- **Develop a Fair Trade product development plan** for categories such as tea, chocolate, tropical fruits, nuts and seafood

Loblaw will continue to work within this pillar throughout 2008, set targets and report our progress in the areas of both food and non-food products in 2009.



## Our Commitment

As Canada's largest private-sector employer and retailer, with 140,000 colleagues and more than 1,000 stores from coast to coast, Loblaw has a responsibility to support the communities in which we operate. We've always recognized and acted on this – from our support for healthy living through our product offerings and education to our President's Choice Children's Charity.

In 2007 we looked at the ways in which we've contributed in the past and developed a three-point community investment strategy that focuses on making a positive difference through:

### Health & Wellness

- Continuing to inspire healthy living through our products and education
- Supporting programs that promote active, healthy kids, including our President's Choice Children's Charity
- Feeding our neighbours through local food banks
- Greening our cities by supporting local community initiatives

### Celebrating our Nation

### Colleague Volunteer Grant Program

#### Our Executive Leader Responsible for Meeting our Targets:

Daniel Tremblay, Senior Vice President, Corporate Social Responsibility

## What's in Store: Our 2008 Targets

### Inspire Healthy Living

- Continue the *PC Blue Menu* brand's healthier leadership position



### Charitable Giving

- Donate \$10 million to support programs and organizations that support our three-point community plan and the communities in which we operate
- In addition, help President's Choice Children's Charity raise and grant \$10 million to help more than 1,000 families across Canada.



## Our Products

### Inspire Healthy Living: Health, Home and Wholesome

Health, Home and Wholesome is Loblaw's goal to be recognized for making healthy living affordable for all Canadians. Loblaw offers healthy food products within our control brands, particularly *PC Blue Menu*, as well as our fresh food selection. Our *Superstore* and larger conventional stores offer pharmacies, walk-in clinics and fitness centre facilities, and we are testing consumer response to healthier home-meal-replacement products.

**Target:** We will continue to offer consumers an expanded line of healthier food products through our *PC Blue Menu* brand, ensuring continued leadership in the area of healthier-for-you product development.

### PC Blue Menu Products – Offering Great Taste and Great Choices

We know it's more important than ever that busy families marry convenience with nutritious choices. In 2005 we launched our *PC Blue Menu* line, offering more than 200 healthy choices across virtually every food category. All products contain at least one of six healthier eating benefits: lower fat, lower calories, high fibre, omega-3, soy protein and/or lower sodium. And all *PC Blue Menu* products are made without hydrogenated oils, a major source of trans fatty acids.



### Knocking out Number 1

In August 2007 our Executive Chairman asked Canadians to choose the *PC Blue Menu Thick & Juicy Lean Burger* over our number 1 top seller – the *PC Thick & Juicy Burger*. The outcome was astounding, with the healthier version achieving the number 1 position shortly following Galen's call to action.



## MAKE A POSITIVE DIFFERENCE TO OUR COMMUNITY: ROLLING OUT OUR RESPONSIBILITIES



### Dr. David Jenkins – Our key nutritional advisor to the *PC Blue Menu* brand

To ensure our *PC Blue Menu* products offer healthier choices like lower fat, lower calories or high fibre, we have a team of nutrition researchers, registered dietitians, nutritionists, product developers and quality assurance specialists. Dr. David Jenkins, our key nutritional advisor, heads up that team. He holds the position of *Canada Research Chair* in the departments of Medicine and Nutritional Sciences at the University of Toronto and *Director of Clinical Nutrition and Risk Factor Modification* at St. Michael's Hospital. For the past 25 years, he has been researching the role of diet in disease prevention and treatment, particularly the association with heart disease and diabetes.

## PC Blue Menu: Product Developer for a Day

Our “*PC Blue Menu* Product Developer for a Day” contest asked Canadians to tell us what product they would like to see developed in a healthier way. Our 2007 winner, Francine Fogel of Toronto, Ontario, worked with our Product Development team in our *President's Choice* test kitchen in Brampton, Ontario to create delicious *Two-Bite*® Brownies featuring 45-per-cent less fat than our current version. Our *Created With You*® brownies were introduced to our customers in early 2008 to rave reviews.



We invite *PC* Insiders to Rate & Review all of our products at [www.pc.ca](http://www.pc.ca). Here's just one of the amazing reviews one *PC* Insider felt compelled to share:

Overall Rating . . . . . ★★★★★ 5 out of 5  
Flavour/Taste . . . . . ★★★★★ 5 out of 5  
Value for Money . . . . . ★★★★★ 5 out of 5  
Did You Love This Product? . . . . . Yes

“I never expected a lower-fat brownie to be any good, but this one is. It is probably the best prepared brownie we have tried.”

By 2boysmom from Oshawa, Ontario



## Inspiring Through Education

We believe education is the key to action. We use the resources available through our nutrition experts, our stores, web sites and publications to help educate ourselves and the 12 million customers who walk through our doors each week.

### A Healthier Read

Our *PC Insider's Report*<sup>®</sup> publication is a consumer favourite, as are our weekly store flyers. In addition, more than five million visits to our web site ([www.pc.ca](http://www.pc.ca)) were recorded in 2007.

### Loblaw Cooking Schools

In 2007 we welcomed more than one million consumers to our Cooking Schools. Located within 202 stores across Canada – making it one of the largest cooking schools in Canada – Loblaw Cooking Schools provide a lively and innovative environment to educate and support our customers towards healthier living while strengthening our customer relationships. Featuring a full working kitchen and large seating area, programming includes a host of cooking classes for adults and children, as well as regular sessions on healthier living. In 2007, in conjunction with the *Healthy Insider's Report*, the Cooking School chefs, dietitians and GoodLife Fitness offered a four-week educational series. Sessions ranged from portion control to fitness nutrition to gaining an understanding of Canada's Food Guide, with all proceeds from the programming going to President's Choice Children's Charity. The Cooking Schools also host a variety of community-based programs that support our stores' communities. Ongoing free health and wellness programming offers consumers the opportunity to learn and ask questions on topics ranging from enhancing energy levels to stress management to improving your immune system.



## Charitable Giving

**Targets:** In 2008 we will give in excess of \$10 million in areas that support our three-point community strategy and the communities in which we operate. We will also raise more than \$10 million and assist more than 1,000 families across Canada through our President's Choice Children's Charity.

### Our Local, Regional and National Community Giving

Loblaw is committed to being active in our communities at the national, regional and local levels. We view this as an integral to the success of our business. Our refocused Community Investment fund, launching in 2008, provides a clear and identified focal strategy for our efforts.

### How We'll Support Our Community Investment Strategy

**Locally:** In 2008 our corporate stores are being provided annual community investment budgets of up to \$5,000 to support our identified focus areas. In some cases, this fund will accelerate their local community involvement by up to 10 times what they previously were able to grant. These stores will support requests of \$500 or less from local organizations, representing a \$2.5-million community investment.

**Regionally and Nationally:** Larger-scale programs and organizations that fit within our identified focus areas and are of a regional or national level will be managed by our Community Investment and Sponsorship teams.

Our Community Investment policy is found on our website at [www.loblaw.ca](http://www.loblaw.ca) or by emailing [giving@loblaw.ca](mailto:giving@loblaw.ca)

## Feeding Our Neighbours

Through the donation of food that cannot be sold and through customer drives within our stores, Loblaw is one of Canada's largest supporters of food banks across the country. In 2007 we diverted approximately 5.9 million kilograms of food to local food banks across the country, and in 2008 we will investigate how we can even more effectively support this effort.

## Healthy Active Kids



### President's Choice Children's Charity

In 2007 President's Choice Children's Charity (PCCC) increased grants to families across Canada by more than 40 per cent over 2006, granting \$8.8 million to more than 1,000 families. This brings the total number of grants since the charity's inception to \$30 million and the number of families assisted to 5,200, making PCCC one of the largest corporate charities in Canada.

The goal of PCCC is to remove obstacles that make everyday life extremely difficult for children with disabilities and their families. By providing financial assistance in the form of mobility equipment, environmental modifications and more, PCCC is able to supply much-needed resources and help provide a renewed sense of independence, dignity and freedom for children with special needs. Of the requests fulfilled in 2007, 311 were for equipment, 269 for vehicle adaptations, 193 requests for developmental therapy and the remaining requests attributed to camp tuition, home improvements, respite and physical therapy.

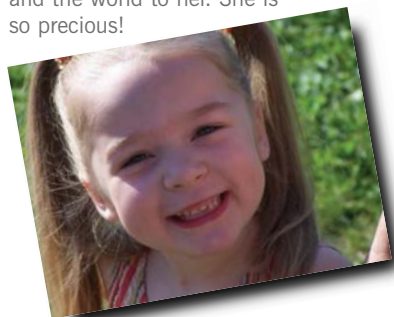
## Helping One Child at a Time

Here are just four of more than a thousand stories on how PCCC helped families across Canada last year

**Milla, seven years old, British Columbia**  
**Diagnosis:** Abnormal Cerebellum  
**Granted:** Adapted Tricycle and Stroller

#### Letter to PCCC from Milla's Mom:

Milla doesn't talk, but is trying, and she uses a walker. She is in grade two and is very popular at school; the kids love her. She has a full-time educational assistant and knows her numbers and alphabet. Milla has never been able to ride a bike, but she would LOVE to. In fact, she would love to do all the things her big brother can do and what her little brother is starting to do. It is really sad to see her watching the kids play from the side or window. A bike she could ride would mean so much to us, and the world to her. She is so precious!



**Amelie, 16 years old, New Brunswick**  
**Diagnosis:** Cerebral Palsy  
**Granted:** Dynavox Communication Device

#### Letter to PCCC from Amelie:

My name is Amelie. I am suffering from Cerebral Palsy, and I live well with my disability. I am now in the 10th grade, and I follow the regular program. I am a happy person full of life. I have great difficulties talking, and I would like to be able to communicate and talk with my family. When I want to speak, I can't make them understand me, which is very frustrating. I have so many funny things to say, but I can't. I also find it difficult to make friends and this disappoints me greatly. In the classroom, when I want to ask a question, I have major difficulties expressing myself. Sometimes, we have family gatherings and I can't say a word, because I am the little girl who can not speak. Later, I would like to study at University to become an architect. Because my mother will not be with me always, and I want to have more autonomy, I would really appreciate your help.

**Marie-Ève, 17 years old, Quebec**  
**Diagnosis:** Rett Syndrome  
**Granted:** Home Adaptation

Marie-Ève is a 17-year-old girl with Rett Syndrome. She lives in the family home and needs special care. Her home required work to make transferring from her wheelchair easier and facilitate her movements inside the house. President's Choice Children's Charity provided the funding to equip Marie-Ève's home with an elevator and a rail-mounted patient lift that greatly reduces the risks of injury and facilitates transfers to her chair, her bed and the bathtub.



**Zachary, 16 years old, Ontario**  
**Diagnosis:** Cerebral Palsy  
**Granted:** Wheelchair Accessible Van

#### Letter to PCCC from Zachary:

I am very active and like to go lots of places and take part in lots of events. I also have a lot of friends and would like to be able to bring them along with me. I can't go with them when they go somewhere since they can't accommodate my wheelchair or lift me in and out of their vehicle. My Dad does the best he can with our old van and his "portable" ramp, but the van is on its last legs and the ramp system doesn't work very well. I watch him struggle with it in the bad weather. More importantly, however, is the fact that I am getting tall and heavy, and I know that it is getting harder for Dad to lift me in and out of the front seat and to and from my chair. My Dad does not complain, but I can tell he is in a lot of pain sometimes, and I know he has to go for treatment for his sore back several times. My Dad has always been there for me and I know he will continue to struggle moving me around. I should also let you know that a couple of times while lifting me in or out of our van Dad has slipped and we both fell to the ground.

## Celebrating Our Nation

One thing we've always been proud of at Loblaw is the fact that, from the beginning, we've always been an all-Canadian company. We're deeply proud of our Canadian identity, and we believe that it is also increasingly important to our customers.

### Celebrating with Canada at Canada's National Birthday Party

In July 2007 the *President's Choice* brand celebrated Canada Day on Parliament Hill as the title sponsor of the country's biggest fireworks display. And, to sing it loud and proud, we invited Canadians to sing the national anthem in our *PC Anthem Pavilion*, broadcasted on the big screen for all to see and support.



### Feeding the Home Team™: Alpine Canada Alpin

In 2007 we announced our category exclusive sponsorship of Alpine Canada Alpin organization. This four-year, \$4-million sponsorship supports our World Cup Alpine and Para-Alpine Ski Teams, as well as providing title sponsorship to the K2 Canadian championships, the national championship race for ski racers aged 13 to 14. As the official nutritional sponsor to Alpine Canada Alpin athletes, the *President's Choice* brand will provide support for meal planning, recipe development and even product development – all of which will be available to every consumer who shops our stores nationwide.

#### Alpine Canada Alpin PC-sponsored athletes

Larisa Yurkiw (Owen Sound, ON), Emilie Desforges (Montreal, QC), Karolina Wisniewska (Vancouver, BC), Para-Alpine athlete, Paul Stutz (Banff, AB),



### Colleague Volunteer Grant Program

In conjunction with our commitment to making Loblaw a great place to work, we support volunteerism by our colleagues. Our Colleague Volunteer Grant Program, being introduced in 2008, recognizes the volunteer efforts of our colleagues by providing grants of up to \$500 to organizations they actively support. In 2008 we anticipate that approximately 2,000 employees and non-profit organizations will benefit.



## Our Intent

Canadians represent the world, originating from every corner of the globe. We need to create an inclusive workplace for our colleagues and offer products that reflect the diversity of our country.

### Definition: Diversity and Inclusion

For Loblaw “Diversity and Inclusion” means that we provide an inclusive workplace that is respectful of colleagues. We encourage colleagues to offer their various opinions and viewpoints. We value the generations, genders, ethnicities, races, languages, abilities, orientations and skills that our colleagues reflect. They, like our customers, are members of our communities; we exist to serve them, and therefore, must reflect them to be successful.

As one of Canada's largest employers in a competitive and shifting labour market, we know we need to be the retail employer of choice among Canada's diverse workforce to be successful. In 2007 Loblaw hired its first Talent and Diversity resource, dedicated to the business and our commitment to reflect the diversity of our nation. To this end, we have started implementing our strategy to attract colleagues that reflect the diverse communities we serve.

We also have a merchandising team responsible for increasing our ethnic product assortment, ensuring we continue to meet our customers' needs and desires.



**IT IS OUR INTENT** as we move forward to provide clear and meaningful measurements on the following:

- **Expand awareness and knowledge** across the business of our Diversity goals
- **Examine best practices** already in place within the organization and leverage these nationally
- **Implement focused recruitment and retention** initiatives
- **Launch an Inclusion Council**, which will guide progress and review results
- **Develop targets** to increase the number and the variety of ethnic products offered

Loblaw will continue to work within this pillar throughout 2008, set targets and report our progress in 2009.



## Our Commitment

Our 140,000 colleagues are crucial to our success and represent our greatest strength. “Being a Great Place to Work” means that our colleagues are empowered and supported to meet and exceed customer expectations. The new Loblaw is building a culture of success and pride that recognizes and rewards our colleagues.

“Being a Great Place to Work” is a journey that involves vision, commitment to change and results that can be measured. The feedback and the input that our colleagues provide in this process are invaluable.

Our Executive Leader Responsible for Meeting our Targets:

Karen Hanna, Senior Vice President, Human Resources

## What’s in Store: Our Targets

### Our Culture of Engagement

- Roll out *Tell it as it is* survey
- Implement Air Traffic Control Planning and store communications initiatives

### Rewarding our Colleagues

- Roll out colleague discount plan

### Our Talent

- Reduce annual colleague turnover by 10% over the next 3 years
- Train 52,000 colleagues
- Open 6 new Learning stores

### Colleague Health, Safety and Wellness

- Implement the Health, Safety & Wellness strategy
- Reduce workplace injuries by 15% over the next 3 years



## BE A GREAT PLACE TO WORK: ROLLING OUT OUR RESPONSIBILITIES

### Strengthening Our Culture of Engagement

We have developed new programs to promote engagement, reward great performance and provide quality training for our colleagues. In 2008 we are building on this foundation by implementing several new initiatives.

#### tell it <sup>as</sup> it is

##### National Colleague Survey

In 2007 we piloted *Tell it as it is* – our first national colleague survey – in 28 stores in Western Canada and Ontario. We've learned from this, and in February 2008 we began rolling the survey out to all Loblaw colleagues. The goal is to hear from each colleague twice over a 12-month period. Through the survey, we'll learn what our colleagues think, how engaged they are, how they view the company's leadership and the degree to which our Mission, Values and Behaviours are integrated into their day-to-day work. We will also get to hear our colleagues' practical ideas on making Loblaw a great place to work. Our commitment is to respond to this feedback through timely action plans at our stores, distribution centres and offices.

**Targets:** In 2008, we are implementing a national colleague survey – Tell it as it is. We are also launching tools to strengthen communication with and among our colleagues, and we are planning and communicating between the store support offices and our stores more effectively.

#### Open Communication

At Loblaw there has been significant change in a short period of time, and today we are focused on creating a culture that fosters open communication. Our success hinges on our colleagues feeling that they can *Tell it as it is*. To support this, we hold regular Town Hall meetings across the country where colleagues can candidly ask questions and provide comments. In 2007 we also created tools aimed at increasing colleague engagement, aligning actions around the right priorities and decreasing turnover.

#### ASKGALEN:

##### Direct Access to Our Executive Chairperson

We recognize the importance of listening and responding to the concerns, questions and suggestions of our colleagues, and we're getting better at it. Early in 2007 we launched a direct line to the corner office, where colleagues and vendors can email Executive Chairman Galen G. Weston at AskGalen. Our commitment is to provide a confidential service, swift response and prompt action – and every email is reviewed by Galen himself.

In its first year, AskGalen received approximately 2,500 emails, about five to ten a day. These emails provide a pulse on the negative and positive issues affecting our frontline colleagues, and overall themes are regularly shared with the business.



#### ASKGALEN:

*"Galen, I am a part-time employee. In our store, we have our promotional sale dates on Saturdays. If we changed the date to Wednesdays, we might obtain the patronage of stay-at-home parents and at the same time give more notice to weekend shoppers about the great products we have. This would also increase sales on Wednesday, the slowest day at my store location."*

#### Communications Zones – Boards and Colleague Huddles

Our colleagues have told us that communication with them has not always been consistent. This is valued feedback which led to the implementation of communication zones at our stores and distribution centres. Our new Store Communications Boards and three-times daily, five-minute meetings known as huddles, in place since early 2008, provide the information our store colleagues need to work effectively. They celebrate good work and highlight areas for improvement. Most importantly, for the first time we are posting the store's weekly sales against target, providing our colleagues – from shelf stocker to cashier – the information they need to understand their impact on their store's success.



## BE A GREAT PLACE TO WORK: ROLLING OUT OUR RESPONSIBILITIES

### Rewarding Our Colleagues

**Colleague Discount:** In March 2008 we began roll-out of our colleague discount plan. The program entitles employees at our corporate stores, distribution centres and store support centres, for the first time, to a 10-per-cent discount on most food and non-food items. A rarity within the grocery industry, this investment in our colleagues showcases our commitment to them and recognizes that they are integral to the success of our business.



#### Colleague Assistance Program

Our Colleague Assistance Program provides professional counselling support to colleagues and their immediate families through a toll-free, 24-hour, confidential service.

#### Total Rewards

In 2007 Loblaws base pay and benefit programs were redesigned to ensure that they are competitive overall in Canada's labour market, ensuring our colleagues are rewarded reasonably and fairly. We have also rolled out a consistent, national performance process which supports colleagues being recognized for their contributions to the business.

### Supporting Our Talent

**Creating a Continuous Learning Environment:** Loblaws' new national Learning and Training team demonstrates the company's commitment to building a continuous learning environment for our salaried colleagues. Key initiatives for 2008 include:

- Broadening skills training for colleagues to enable them to support initiatives occurring across the business, particularly in Pharmacy, Information Technology and Supply Chain

- Continuing to offer core leadership skills training to promote career development and to support colleagues in coaching and developing their team

- Integrating innovative training delivery methods into national training programming, including action learning, the Loblaws Virtual Learning Centre and on-the job mentoring

- Training 52,000 colleagues, both at the practical and theoretical levels, to ensure every colleague within our more than 1,000 stores has the skills necessary to execute their positions effectively



## The Learning Stores Environment: Developing Store Talent Now and for the Future

With more than 1,000 stores across the country, providing consistent training is a challenge. But consistency counts. It's what gives our colleagues the ability to make our customers' experience great, no matter what store they shop in. We tackled this challenge in 2007, developing the company's first national training program.

We studied twenty international retailers to find the best-in-class programs, and based on this research, launched our Learning Stores network, which provides fully equipped store models to be used as training hubs for surrounding supermarkets. Department managers are trained at the Learning Store hub, in a train-the-trainer format. They then deliver the learning to store personnel back in their own stores. The curriculum was developed with input from operations, business units, and central groups such as health and safety and food safety, and our success is tracked through post-training feedback from store level colleagues and business result measures.



The primary focus of Learning Stores is to ensure that all store colleagues understand and have the required skills to effectively execute store processes. This will result in improved store standards and productivity while delivering a much higher level of customer service. Our goal is to ensure that every new Department Manager receives six weeks of comprehensive training within six months of hire and that all existing managers have access to key elements of this curriculum to provide ongoing growth and development.

This is just

# THE WAY WE DO BUSINESS

## Our Loblaw Colleagues:

The individuals you see throughout this report are colleagues of Loblaw Companies Limited. We would like to thank them for their time, enthusiasm and for demonstrating what Being A Great Place to Work is all about.



This report contains forward-looking statements about the Company's objectives, plans, goals, aspirations and strategies. These forward-looking statements are not historical facts, but reflect the Company's current expectations concerning future events. Readers are referred to the Company's public filings for a discussion of risks and uncertainties that may cause actual events and results to differ from expectations.

Photo of Galen G. Weston, page 1: © National Post/Peter J. Thompson

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