



December 18, 2019

Gordon A. M. Currie  
 Executive Vice President, Chief Legal Officer & Secretary  
 Loblaw Companies Limited  
 22 St. Clair Avenue East  
 Suite 800  
 Toronto, ON M4T 2S5

Dear Mr. Currie,

**Re Shareholder proposal for the 2020 Annual General Meeting of Shareholders (the "AGM")**

I submit the enclosed shareholder proposal and supporting statement (the "**Proposal**"), attached hereto at Schedule A, on behalf of the B.C. Government and Service Employees' Union General Fund and the B.C. Government and Service Employees' Union Strike Fund (together, the "**Shareholder**") of Loblaw Companies Limited (the "**Corporation**" or "**Loblaw**") for inclusion in the management proxy circular the Corporation intends to deliver to the shareholders of the Corporation in connection with the 2020 AGM. The Proposal relates to ensuring human rights risks are addressed at the Board level.

**Failure to Assess, Prevent and Mitigate Human Rights Risk**

We note that Loblaw's Risk and Compliance Committee reviews periodic reports from management on Loblaw's CSR program, which it appears is administered through the CSR Committee at the employee level. We also note that in regards to CSR matters, the board mandate requires the board to receive and review periodic reports on policies and practices. These practices likely include Loblaw's Supplier Code of Conduct. However, Loblaw does not appear to have adopted any specific human rights policies, and the 2018 Corporate Social Responsibility Report fails to include any mention of human rights. We submit that this lack of acknowledgement of board responsibility for human rights matters and the absence of human rights policies could be taken as indicia of the board's failure to manage the company's salient human rights risks.

Furthermore, Loblaw's 2019 proxy circular discloses a director skills matrix which is used to identify the skills, experience and expertise required on the Loblaw Board. Unlike a majority of its Canadian peer issuers that Loblaw uses for compensation benchmarking, the Loblaw skills matrix omits any reference to skills related to corporate social responsibility.

The failure to manage human rights risks could have significant negative consequences for shareholders and stakeholders alike, and the continued failure to implement broader and board-level oversight of human rights risk will be noticed by significant institutional investors such as Norges Bank Investment

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Management. As a case in point, we refer to Norway's Council on Ethics's recommendation that Norges Bank Investment Management divest itself from a Chinese garment manufacturer in part due to a failure to assess potential human rights violations:

With regard to assessing the risk of new human rights violations occurring in a company's own operations, the Council holds the view that previous norm violations could provide an indication of future patterns of behaviour. The Council attaches importance to how a company has responded when norm violations have been uncovered, and what it has done to prevent their reoccurrence. The UN Guiding Principles on Business and Human Rights articulates an expectation that companies will respect human rights, prevent the risk of their abuse and take action to remedy any human rights violations that do occur. The company has a duty to comply with national legislation and norms even when these are not enforced by the authorities. It is expected that a company assess the actual and potential negative impacts that its operations have on those affected by them, and demonstrate that it has strategies and procedures in place that help to prevent human rights violations. Companies must also consider whether the measures implemented are effective, and make whatever changes are necessary to prevent violations happening again. The company must also publish details of what it is doing to prevent human rights violations in its own operations. The Council on Ethics takes the position that it is up to the company concerned to substantiate that it is working adequately to prevent human rights violations.

(<https://etikkradet.no/files/2019/01/Recommendation-TeXwinca-5.6.18.pdf>)

### **Proposal Eligibility**

In accordance with the eligibility requirements pursuant to the *Canada Business Corporations Act*, I represent the following:

1. The Shareholder is located at the address set out in Schedule B, attached hereto.
2. The Shareholder beneficially owns voting shares in the capital of the Corporation whose fair market value, as determined as of the close of business on the last trading day before the date the Proposal was submitted, was at least \$2,000 (the "**Shares**").
3. The Shareholder held the Shares for a 6-month period immediately before the day on which the Proposal was submitted.
4. The Shareholder shall continue to hold the Shares up to and including the date of the AGM.

Please note additional forms of proof of ownership will follow under separate cover.

**Questions and Engagement**

Please direct all questions with respect this shareholder proposal to Emma Pullman, who is BCGEU's Capital Markets advisor. Ms. Pullman would be pleased to discuss the proposal with you, and she can be reached via email at [emma.pullman@bcgeu.ca](mailto:emma.pullman@bcgeu.ca) or via phone at (604) 473-5479.

Very truly yours,

A handwritten signature in blue ink, appearing to read "P. Finch".

Paul Finch  
Treasurer

EP/gg  
MoveUP

## SCHEDULE A

### Proposal

WHEREAS, the UN Guiding Principles on Business and Human Rights state that companies have a responsibility to respect human rights within their operations and throughout their value chains. This responsibility entails that companies should know their human rights risks and impacts; take concrete steps to prevent, mitigate, and remediate adverse impacts when they occur; and publicly communicate how they are addressing their most salient human rights issues.

As shareholders, we look to the companies to manage their human rights risks and address their human rights impacts as a demonstration of strong risk oversight and sound corporate governance. This is necessary and prudent at management and board levels in order to prevent, mitigate, and address potential and significant operational, financial, and reputational risks associated with negative human rights impacts, including throughout the value chain.

Loblaw's Risk and Compliance Committee is mandated to review actions taken by management with respect to environmental and occupational health and safety matters. However, we believe the Board should assign specific responsibility at the Board level for oversight of human rights risks. Such top-level responsibility is necessary to effectively manage the company's principal risks.

RESOLVED: Shareholders request the Board of Directors of Loblaw enhance the mandate of the Risk and Compliance Committee to assign it with specific responsibility for human rights risk assessment, mitigation and prevention, as well as policy formulation and adoption.

### **Supporting Statement:**

As part of the Board's responsibility for determining and addressing the company's principal risks, proponents believe that the Board of Directors should embed respect for human rights in the company's culture, knowledge and practices, and review the company's efforts to manage the company's salient human rights risks.

There is increasing recognition that company risks related to human rights violations, such as reputational damage, fulfillment delays and disruptions, and litigation, can adversely affect shareholder value:

- KnowTheChain gave Loblaw's a total score of 16/100, scoring it poorly on monitoring, traceability/risk assessment, commitment and governance.<sup>1</sup>
- The Corporate Human Rights Benchmark (CHRB) gave Loblaw a total score of 6.93 out of 100, placing it 167<sup>th</sup> of 196 companies analyzed globally. Loblaw failed to meet

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<sup>1</sup> [https://knowthechain.org/benchmarks/comparison\\_tool/5/](https://knowthechain.org/benchmarks/comparison_tool/5/)

indicators on governance, commitments from the top, board discussions, and failed to identify, assess, act, track and communicate on key human rights risks.<sup>2</sup>

Furthermore, the Loblaw Supplier Code of Conduct does not impose meaningful protections relating to paying a living wage in the supply chain, and Loblaw does not appear to make purchasing decisions in consideration of human rights issues.<sup>3</sup> While Loblaw has stopped sourcing in certain countries in response to concerns over child labour, CHRB notes that Loblaw failed to meet indicators on the prohibition on child labour.<sup>4</sup>

Expanding the mandate of the Risk and Compliance Committee would better position Loblaw to quickly identify and mitigate human rights risks and would allow shareholders to better understand their potential impact on shareholder value.

We urge shareholders to vote for this proposal.

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<sup>2</sup> <https://www.corporatebenchmark.org/download-benchmark-data>

<sup>3</sup>

<https://www.loblaw.ca/content/dam/lclcorp/pdfs/Responsibility/SupplierCodeOfConduct/Supplier%20Code%20of%20Conduct%20-LCL-2016.pdf>

<sup>4</sup> <https://www.corporatebenchmark.org/download-benchmark-data>