

**Walgreens dialogue on cigarette sales
@ Sisters of St. Francis of Philadelphia
December 14, 2012**

Participants

Walgreens: Tom Sabatino, E.V.P., General Counsel & Corporate Secretary
Lydia Mathas, Assistant Secretary
Susan Wolf, Global Governance Consulting

ICCR: Cathy Rowan, Trinity Health
Michael Crosby, WIMCRI
Judy Byron Northwest CRI
Alan Blum, MD, U of Ala. Center for the Study of Tobacco & Society
Nora Nash, Sisters of St. Francis of Philadelphia
Tom McCaney, Sisters of St. Francis of Philadelphia

Agenda

- A) Introductions
- B) Walgreens internal/external policies on tobacco
 - a. Board involvement/decision-making
 - b. Employee training
 - c. Incentives
- C) Collaborations
 - a. Tobacco companies/lobbying
 - b. Anti-tobacco
 - i. APhA and ACPE
 - ii. American Heart Association, etc.
- D) Legislation on tobacco sales in pharmacies
 - a. Lobbying?
- E) The Future – will strategies change?

Notes

After a prepared statement explaining our concern for the incongruity of pharmacies selling a product as destructive to health as cigarettes, Tom Sabatino gave a background. He joined Walgreens about a year and a half ago, after Schering Plough was bought, and is now in charge of establishing a CSR program. The CEO, Greg Wasson, has brought in socially responsible executives to work for the company.

Although the ICCR participants were prepared with many questions regarding how a company that promotes itself as providing health solution can justify selling cigarettes, Tom S. surprised us by stating that their ultimate goal was to no longer sell tobacco products in their stores. Decision-makers at the company met before receiving our

shareholder proposal to discuss this possibility. Their first step will be to reduce space behind the checkout counter for tobacco. Lydia shared three pages from an internal presentation illustrating the changes they plan.

Alan mentioned that reducing prominence in stores was not what we were looking for. Mike asked them to commit to a timeline for divesting from tobacco. Tom S. said that they were not at that stage yet; this idea is not a done deal, but it has internal support.

A little more than 50% of their revenue comes from their pharmacy business, with the remaining comes from “front-end” merchandise. There was a brief discussion about other unhealthy products, such as high-fat, high-cholesterol candies and snacks being sold. However, none of these products come with Surgeon General warnings, or are deadly when used as directed.

Some discussion surrounded their related efforts, such as a cessation program for Walgreen employees. This seemed hypocritical. Tom S. brought up their smoking cessation products, made by GlaxoSmithKline. Susan asked our opinion of how to promote this product. Both Alan and Mike said they couldn't support it because statistically, the GSK program produced no better results than non-prescription products.

Walgreens recently bought a 45% share in Alliance Boots, a Swiss-based pharmacy – one of the largest in Europe. One of the provisions of the transaction was that Walgreens has the option to buy the rest of the outstanding shares in three years, an option that Walgreens is on record as favoring. They do not sell cigarettes and Tom S. was asked if they intend to add cigarettes in those stores. He reiterated that they intend to walk away from tobacco completely, so these stores will not sell cigarettes.

Tom S. said that a culture change of this magnitude will take time and offered to meet again in the first half of 2013. I will contact him in late February/early March to set up a time. Since their plan has not yet been released, Walgreens asked that we not share this information.

Tom McCaney
December 2012