

June 29, 2017

Fax and E-Mail

**Ms. Suzanne Hodge  
UFCW Local 247  
200 - 14936 32nd Avenue  
Surrey BC V4P 3R5**

Dear Suzanne:

I am in receipt of your letter to Sean Naldrett dated June 26, 2017 regarding the company's initiation of the Quarterly Review process.

I want to assure you and the members of your union who are our employees, that steps are being taken throughout the company to improve the way we do business so that we can achieve the efficiencies and improvements we need to enable our Safeway stores to remain viable in today's highly competitive retail grocery business.

We are focusing on all areas of our operation, from head office to our stores, to improve revenues and address costs that must be reduced or be better managed. As you know, we have great, hardworking employees and they expect us to do just that – ensure that each store is financially viable so that we can continue to provide good sustainable jobs going forward. The fact is, however, the stores included in our notice dated June 9, 2017 are not doing well financially and we are very concerned about their ongoing viability. We do not fault our employees for that. The reality is that we have a collective agreement that has more cost in it than exists in many of our competitors' operations, both non union and union.

We are hopeful that with meaningful dialogue with Local 247 through the Quarterly Review process we can find ways in the collective agreement to address these concerns, or make changes that are necessary. The Union and the Company owe it to our employees to take this matter seriously and work constructively to find resolutions that work. We value our employees which is why we are taking this significant step to engage the Union in the review and to avoid outcomes that could be far more devastating.

In specific response to your letter, you have taken issue with the form of notice and the inclusion of 20 stores. All of these stores are in financial trouble. Our notice applies to each individual store and our notice should be read accordingly. The fact that there are 20 stores on the list highlights the significance of the problem.

We have now confirmed that Store #90/4934 (English Bay Vancouver) will be closed for a couple of years and redeveloped, and agree that it can be removed from the list.

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We do not agree with your position that stores that currently have a Joint Labour Review Agreement in place are excluded from LOU No. 4. The JLR Agreements have been in existence for a number of years and these stores continue to struggle and are still not financially viable. Nothing in LOU No. 4 precludes a further review in the context of existing circumstances.

As well, we will provide you with full financial disclosure in the course of our meetings as provided for in LOU No. 4.

It is extremely important that discussions begin without delay. We are prepared to discuss each store individually, or groups of stores together if that is more appropriate. This is not a time to stand on disagreements over the formality of a notice or whether stores have had a prior review, but rather the time to meet and discuss the financial predicament these stores are in is now.

Yours truly,  
**SOBEYS INC.**



**Dave Fearon**  
**Senior Vice President Labour & Employee Relations**

cc: Sean Naldrett, Denise Hill, Ken Woo, Cliff Yeo

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