

Walgreens Boots Alliance

Public Health Costs Created by the Sale of Tobacco Products

2022

RESOLVED, shareholders ask that the board commission and disclose a report on the external public health costs created by the sale of tobacco products by our company (the “Company”) and the manner in which such costs affect the vast majority of its shareholders who rely on overall market returns.

The negative health and productivity impacts from consumption of tobacco products impose \$1.2 trillion in social damage; tobacco’s unpriced social burden amounts to almost 3 percent of global GDP annually.¹

Smokers’ heightened susceptibility to COVID-19 is certain to increase this disease burden significantly. According to the World Health Organization, “[S]mokers are at higher risk of developing severe COVID-19 outcomes and death.”²

Yet, in spite of the Company’s positioning as a “true health care company”³ and public pronouncements regarding its commitment to health and wellness⁴ as well as the overwhelming evidence that tobacco - a known carcinogen that impairs respiratory function - significantly prejudices the health outcomes of smokers, and particularly smokers infected with COVID-19, The Company continues to sell tobacco products in its stores.

These public health costs, year after year, are devastating to economic growth and further compound the financial devastation wrought by the COVID-19 pandemic. Yet the Company does not disclose any methodology to address the public health costs of its tobacco sales. Thus, shareholders have no guidance as to costs the Company is externalizing and consequent economic harm. This information is essential to shareholders, the majority of whom are beneficial owners with broadly diversified interests.

Our company has signed the Business Roundtable Statement on the Purpose of a Corporation, which reads, “we share a fundamental commitment to all of our stakeholders... We commit to deliver value to all of them, for the future success of our companies, our communities and our country.”

But the Company undermines that commitment and ultimately the interests of its diversified shareholders by not disclosing the social and environmental costs and risks imposed on stakeholders, even when these costs and risks threaten society, the economy and the performance

¹ https://www.cdc.gov/tobacco/data_statistics/fact_sheets/economics/econ_facts/index.htm

² <https://www.who.int/emergencies/diseases/novel-coronavirus-2019/question-and-answers-hub/q-a-detail/coronavirus-disease-covid-19-tobacco#>

³ [Walgreens CEO Stefano Pessina on comparing strategy with CVS \(cnbc.com\)](https://www.walgreens.com/about-us/living-our-values-vision-and-purpose)

⁴ <https://www.walgreensbootsalliance.com/about-us/living-our-values-vision-and-purpose>

of other companies. All stakeholders are unalterably harmed when companies impose costs on the economy that lower GDP, which reduces equity value.⁵ While the Company may profit by ignoring costs it externalizes, diversified shareholders will ultimately pay these costs, and they have a right to ask what they are.

The Company's prior disclosures and shareholder proposals do not address this issue, because they do not address the public health costs that the company's tobacco sales impose on shareholders as diversified investors who must fund retirement, education, public goods and other critical social needs. This is a separate social issue of great importance. A report would help shareholders determine whether these externalized costs and the economic harm they may create ultimately serve their interests.

⁵ https://www.unepfi.org/fileadmin/documents/universal_ownership_full.pdf