



Walgreens

SUPPLIER DIVERSITY INITIATIVE

ANNUAL REPORT 2010



Nurturing
the Business
of Diversity



What is Supplier Diversity?

Supplier diversity is an integrated business practice to proactively procure products and services from diverse and small businesses that mirror the diversity of the various communities where Walgreens operates its retail stores.

What are the benefits for Walgreens?

Supplier diversity builds brand equity, grows revenue and enhances the customer's shopping experience.



How is Supplier Diversity implemented today at Walgreens?

Two focused programs guide the supplier diversity initiative today at Walgreens: ***Community Corner*** focuses on products for retail produced by diverse owned businesses and ***Power of Alignment*** focuses on contracting with diverse owned businesses in the service area (i.e., construction, facilities and professional services).

Here is a look at the two programs that guide the Supplier Diversity initiative at Walgreens and the 2010 results.

THE COMMUNITY CORNER PROJECT: SHOWCASING PRODUCTS BY DIVERSE VENDORS

Community Corner is a collaborative community-based retail program that identifies products produced by diverse owned businesses and coordinates a call to action awareness campaign, creating wins for vendors, consumers and Walgreens.

A DIVERSE POPULATION IS INFLUENCING THE RETAIL ENVIRONMENT

The minority population is growing in the United States, and along with this growth comes increased purchasing power.¹ The minority population had an estimated buying power of about \$2.5 trillion in 2009, larger than the purchasing power of all but five countries worldwide including the

United Kingdom (\$2.1 trillion), Russia (\$2.1 trillion) and France (\$2.1 trillion).² More than 56% of Walgreens stores are located in states where the minority population is close to or more than 40%.

In 2010, Walgreens announced the Community Corner program. This first-of-its-kind program was held in February 2010 (Black History Month) featuring African American suppliers in 1,180 select Walgreens stores.

The program included national and regional advertising campaigns targeting periodicals read by African Americans, shelf poppers, press releases, ecommerce features and social media blitzes. At a high level, the pilot launch of the Community Corner program generated the following results:

- *A 12% increase across the total chain in sales among the 17 featured products*
- *An estimated 42K consumer baskets contained at least one of the featured products*

- *The featured products delivered year over year sales increases in the ranges of 9 to 43%*
- *Kellogg/Northwestern School of Business developed a White Paper on the Community Corner experience (the full report can be downloaded from the Supplier Diversity section on www.walgreens.com/responsibility)*

Recently the Community Corner program was cited by our CEO Greg Wasson as one of his 2010 Top 10 highlights: “Our successful inaugural supplier diversity program kicked off for African American-owned vendors during Black History Month in February, followed by women-owned vendors in May for National Women’s History Month and Hispanic-owned in October for Hispanic Heritage Month. More is planned for 2011.”

The Walgreens team looks forward to even better results with the Community Corner program in the years to come.

¹ *The Multicultural Economy 2009; Selig Center for Economic Growth Report.*

² *U.S. Department of Commerce, MBDA 2007 Minority Business Growth and Global Reach.*

THE POWER OF ALIGNMENT:
COLLABORATING WITH STRATEGIC
PARTNERS FOR ECONOMIC GROWTH

Power of Alignment is an integrative program that supports the strengthening of the economic base of the communities we serve. It fosters an inclusive environment of cross networking opportunities for interested diverse suppliers and procurement leaders. The program yields measurable results.

Despite a challenging economy, there was good news: this year, our diverse spend with direct Tier 1 vendors³ totaled \$675 million, an increase of more than 22% over last year. With a heavy emphasis being placed on Tier 2 vendor⁴ reporting in 2011, we anticipate even greater increases in this area.

Walgreens management is committed to supplier diversity and will continue to seek ways to increase diverse spend as it aligns with our overall corporate goals.

³ Tier 1 vendors are directly contracted by Walgreens.

⁴ Tier 2 reflects the diverse spend related to Walgreens that is reported to us by our Tier 1 vendors.

LOOKING AHEAD

The Walgreens supplier diversity initiative continues to move full steam ahead throughout 2011, and with the Community Corner and Power of Alignment programs, we have a more integrated diversity strategy.

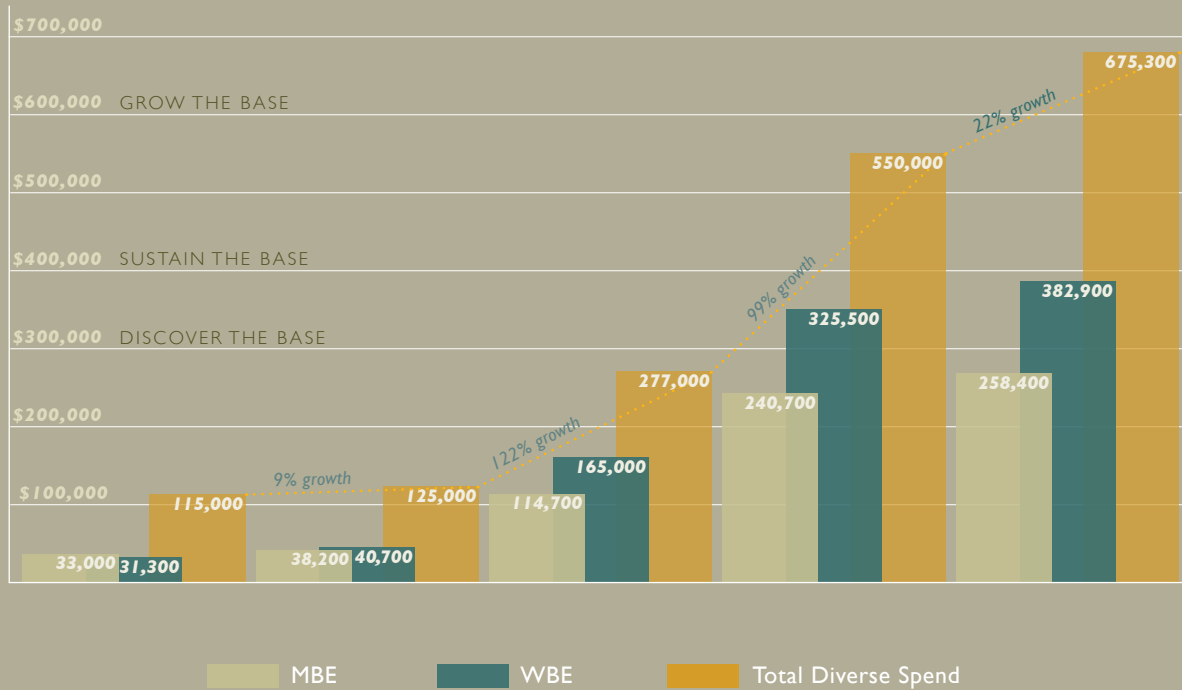
The Kellogg white paper authors state that companies with a comprehensive perspective on corporate diversity must consider an Employee Strategy (Who are we hiring?), a Marketplace Strategy (To whom are we selling?) and a Supplier Strategy (From whom are we getting our supplies?). They conclude that, “All in all, a diversity strategy that has not considered all three of these elements is missing an important piece of the puzzle.”

With the pieces in place, Walgreens is positioned as a proactive leader in the area of diversity.

Thanks for your support!

THE SUPPLIER DIVERSITY INITIATIVE TOUCHES PRACTICALLY THE ENTIRE WALGREENS ORGANIZATION. WITHOUT THE SUPPORT OF THE MANY BUSINESS UNITS AND THE SUPPLIER DIVERSITY TASK FORCE, THIS INITIATIVE AND RELATED PROGRAMS WOULD NOT HAVE BEEN SUCCESSFUL.

OUR TEAM WHOLEHEARTEDLY
THANKS YOU!



THE WALGREEN COMPANY DIVERSE SPEND (IN MILLIONS) FISCAL YEAR 2006–2010

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WOMAN-OWNED BUSINESS. PRINTED BY DARWILL, INC.,
A CERTIFIED WOMAN-OWNED BUSINESS.

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WALGREEN CO.
200 WILMOT ROAD
DEERFIELD, IL 60015

WALGREENS.COM

Did you know...

THAT 56% OF WALGREENS STORES ARE LOCATED IN STATES WHERE THE MINORITY POPULATION IS CLOSE TO OR MORE THAN 40%, AND INCREASING MARKET SHARE JUST 1% IN THESE AREAS EQUALS \$300 MILLION IN NEW REVENUE.

IN THE U.S., THERE ARE APPROXIMATELY 10.1 MILLION FIRMS OWNED BY WOMEN GENERATING AN ESTIMATED \$1.9 TRILLION IN SALES AND EMPLOYING 13 MILLION WOMEN. (SOURCE: CENTER FOR WOMEN'S BUSINESS RESEARCH, 2008-2009)

IN 2009 IN THE U.S., THE AFRICAN AMERICAN SHARE OF TOTAL BUYING POWER WAS 8.5 PERCENT, UP FROM 7.4 PERCENT IN 1990. THIS IS EXPECTED TO RISE TO 8.7 PERCENT BY 2012, WHICH ACCOUNTS FOR NINE CENTS OUT OF EVERY DOLLAR SPENT NATIONWIDE. (SOURCE: SELIG CENTER FOR ECONOMIC GROWTH)

MINORITY OWNED FIRMS GENERATED \$1 TRILLION IN ECONOMIC OUTPUT TO THE U.S. ECONOMY AND CREATED 5.9 MILLION JOBS. (SOURCE: U.S. CENSUS BUREAU, RESULTS FROM THE 2007 SURVEY OF BUSINESS OWNERS)

THERE ARE APPROXIMATELY 3 MILLION VETERAN-OWNED BUSINESSES IN THE U.S. AND OVER 30% OF THESE BUSINESSES ARE IN THE CONSTRUCTION AND PROFESSIONAL SERVICES AREAS. (SOURCE: U.S. CENSUS BUREAU, 2007 SURVEY OF BUSINESS OWNERS)

ABOUT 78 PERCENT OF LGBT PEOPLE AND THEIR FRIENDS AND RELATIVES WOULD SWITCH BRANDS TO COMPANIES THAT ARE KNOWN AS BEING LGBT-FRIENDLY. (SOURCE: WITECK-COMBS/HARRIS INTERACTIVE)