Weston®

George Weston Limited

UPDATED AND RESTATED ANNUAL INFORMATION FORM
(for the year ended December 31, 2013 updated to June 2, 2014)

June 4, 2014

GEORGE WESTON LIMITED
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I. FORWARD – LOOKING STATEMENTS

This Annual Information Form ("AIF") for George Weston Limited ("GWL") and its controlled entities (collectively, the "Company") contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects and opportunities. Specific forward-looking statements in this AIF include, but are not limited to, statements with respect to the Company's anticipated future results and events, targeted synergies expected following the acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart"), future liquidity, planned capital expenditures, amount of pension plan contributions, status and impact of information technology ("IT") systems implementation and future plans.

Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may" and "should" and similar expressions, as they relate to the Company and its management. Forward-looking statements reflect the Company's current estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The Company's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and as such, are subject to change. The Company can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

Numerous risks and uncertainties could cause the Company's actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including those described in the "Operating and Financial Risks and Risk Management" section of this AIF. Such risks and uncertainties include:

- failure by Loblaw Companies Limited ("LCL", and together with its subsidiaries, "Loblaw") to realize the anticipated strategic benefits or operational, competitive and cost synergies following the acquisition of Shoppers Drug Mart;
- failure to realize benefits from investments in the Company's IT systems, including the Company's IT systems implementation, or unanticipated results from these initiatives;
- failure to realize anticipated results, including revenue growth, anticipated cost savings or operating efficiencies from the Company's major initiatives, including those from restructuring;
- the inability of the Company's IT infrastructure to support the requirements of the Company's business;
- changes in the Company's estimate of inventory cost as a result of its IT system upgrade;
- changes to the regulation of generic prescription drug prices and the reduction of reimbursements under public drug benefit plans and the elimination or reduction of professional allowances paid by drug manufacturers;
- public health events including those related to food safety;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements which could lead to work stoppages;
- heightened competition, whether from current competitors or new entrants to the marketplace;
- changes in economic conditions including the rate of inflation or deflation, changes in interest and foreign currency exchange rates and changes in derivative and commodity prices;
- changes in the Company's income, capital, commodity, property and other tax and regulatory liabilities including changes in tax laws, regulations or future assessments;
- the inability of Loblaw to manage inventory to minimize the impact of obsolete or excess inventory and to control shrink; and
- failure to respond to changes in consumer and retail customer trends.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements.

Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the Enterprise Risks and Risk Management section of the Management's Discussion and Analysis ("MD&A") on pages 36 to 45 of the Company's 2013 Annual Report, as well as the MD&A on pages 4 to 28 of the Company's Q1 2014 Quarterly Report. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this AIF. Except as required by law, the Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

All information regarding Loblaw contained herein has been derived from the public disclosure record of Loblaw. All amounts are in Canadian dollars.

II. CORPORATE STRUCTURE

Incorporation

GWL was incorporated by letters patent under the laws of Canada on January 27, 1928. It was continued under the *Canada Business Corporations Act* on April 29, 1980, and amalgamated with Weston Food Processing Ltd. pursuant to Articles of Amalgamation effective January 1, 1989. The registered head office is located at 22 St. Clair Avenue East, Toronto, Ontario, Canada M4T 2S5.

Intercorporate Relationships

GWL is a holding company and operates through its two reportable operating segments: Loblaw and Weston Foods. The Weston Foods segment is operated in Canada by Weston Foods (Canada) Inc. and its subsidiaries and in the United States by Weston Foods US, Inc. and its subsidiaries (collectively, "Weston Foods"). The Loblaw segment is operated by LCL, through its subsidiaries. LCL is a public company in which GWL held a majority ownership prior to Loblaw's acquisition of Shoppers Drug Mart. As a result of the acquisition, GWL's ownership interest in Loblaw decreased from approximately 63% to approximately 46% as at June 2, 2014. See "General Development of the Business - Loblaw" and "Description of Business – Loblaw" for more information on the Shoppers Drug Mart acquisition.

A list of companies that carry on GWL's principal businesses is set out below. As of June 2, 2014, GWL owned, either directly or indirectly, 100% of the voting securities of the Weston Foods subsidiaries. LCL owned, either directly or indirectly, 100% of the voting securities of its subsidiaries, other than Choice Properties Real Estate Investment Trust ("Choice Properties"), of which Loblaw held an approximate 82.6% effective interest, and its subsidiaries. As of June 2, 2014, GWL also indirectly held a 5.4% effective interest in Choice Properties.

Weston Foods Subsidiaries	Jurisdiction of Incorporation/Formation
ACE Bakery Limited	Ontario
ACE Bakery, LLC	Delaware
Boulangerie Gadoua Ltée	Quebec
Colonial Cookies Limited	Ontario
Dunedin Holdings GmbH	Switzerland
Interbake Foods LLC	Delaware
Maplehurst Bakeries, LLC	Indiana
Norse Dairy Systems, LLC	Delaware
Ready Bake Foods Inc.	Ontario
Weston Bakeries Limited/Boulangeries Weston Limitée	Canada
Weston Foods US, Inc.	Delaware
Weston Foods (Canada) Inc.	Ontario

Loblaw Subsidiaries	Jurisdiction of Incorporation/Formation
Loblaws Inc.	Ontario
Shoppers Drug Mart Corporation	Canada
Shoppers Drug Mart Inc.	Canada
President's Choice Bank	Canada
Choice Properties Limited Partnership	Ontario
Choice Properties Real Estate Investment Trust	Ontario
JFS Inc.	Delaware
T&T Supermarket Inc.	British Columbia

III. GENERAL DEVELOPMENT OF THE BUSINESS

Overview

GWL is a Canadian public company, founded in 1882, engaged in food processing and distribution. The Company has two reportable operating segments: Loblaw and Weston Foods, and holds cash, short-term investments and an investment in Choice Properties. LCL, which operates the Loblaw operating segment, is Canada's largest grocery retailer and, with the acquisition of Shoppers Drug Mart, is now Canada's largest pharmacy and beauty retailer. Loblaw is also a leading provider of apparel, general merchandise and financial products and services and the majority unitholder of Choice Properties, an owner, manager and developer of commercial real estate across Canada. Weston Foods is a leading fresh and frozen baking company in Canada and operates a frozen baking manufacturing business in the United States and a North American biscuit manufacturing business.

During the third quarter of 2013, in connection with its acquisition of approximately $7 billion of properties and related assets from Loblaw, Choice Properties completed a $460 million initial public offering ("IPO") of trust units ("Units"), including the exercise of a $60 million over-allotment option. In addition, Choice Properties issued 20,000,000 Units to wholly-owned subsidiaries of GWL for $200 million. As of June 2, 2014, GWL indirectly held 20,643,642 Units and an effective interest of approximately 5.4% in Choice Properties and Loblaw held an effective interest of approximately 82.6% through ownership of 21,500,000 Units and 295,333,962 Class B limited partnership units of Choice Properties Limited Partnership ("Class B LP Units"), which are economically equivalent to and exchangeable for Units.

On March 28, 2014, LCL acquired all of the outstanding shares of Shoppers Drug Mart for total consideration of approximately $12.3 billion, comprised of approximately $6.6 billion of cash and approximately 119.5 million common shares of LCL.

The acquisition brought together two iconic Canadian brands and harnesses the complementary strengths of the nation's number one grocery retailer and number-one pharmacy and beauty retailer. It strengthens both companies' competitiveness in an evolving retail landscape, creating new growth opportunities for shareholders. It will give consumers more choice, value and convenience through Canada's largest retail network of unmatched store formats, including Shoppers Drug Mart's important and growing footprint in the small urban store sector.

In addition to its traditional corporate in-store pharmacy model (and licensee model in Québec), Loblaw now operates, through its subsidiary Shoppers Drug Mart, an Associate-owned drug store model. The Associate-owned model combines the principles of a franchise arrangement, through the licensing of drug stores to individual Associates, with the benefits of a corporate infrastructure. An Associate is a pharmacist-owner of a corporation that is licensed to operate a retail drug store at a specific location using Loblaw's trademarks. Under the licensing arrangement with Associates, Shoppers Drug Mart provides the capital and financial support to enable Associates to operate *Shoppers Drug Mart*, *Pharmaprix*, *Shoppers Simply Pharmacy* and *Pharmaprix Simplement Santé* stores without any initial investment, except in the Province of Québec where an initial investment is required.

As a result of the acquisition of Shoppers Drug Mart, Loblaw benefits from conveniently located *Shoppers Drug Mart/Pharmaprix* drug stores and a number of value-added services developed by Shoppers Drug Mart for its patients and customers, including the *HealthWATCH/PharmExpert* program, which provides Associates with tools to assist in patient counselling on medications, disease management and health and wellness, and the *Shoppers Optimum/Pharmaprix Optimum* program, one of the largest retail loyalty card programs in Canada. In most of its stores, Shoppers Drug Mart also provides additional service to its customers by offering free home delivery on all orders that include the purchase of prescription drugs or over-the-counter ("OTC") medications. Shoppers Drug Mart also offers on-line prescription refills through a mobile application and via its website, www.shoppersdrugmart.ca.

See "General Development of the Business - Loblaw" and "Description of Business – Loblaw" for more information.

Weston Foods

Weston Foods is a leading fresh and frozen baking company in Canada and operates a frozen baking manufacturing business in the United States and a North American biscuit manufacturing business. Baking industry conditions have changed significantly over the past several years and Weston Foods' North American baking operations have faced a challenging marketplace impacted by changes in demographics and economic trends of consumers, disposable income, ethnic diversity and health and environmental awareness.

In recent years, Weston Foods has focused on:

- satisfying consumer focus on healthier, more nutritious and value-added products;
- product innovation, resulting in the introduction of new whole grain products, nutritionally enhanced white breads, premium products such as artisan bakery offerings, reduced sodium and fat, no trans-fat products, gluten-free products, products free of artificial additives and alternative and international products, including flatbreads;
- continuing to invest in its customer propositions including assortment and customer service;
- addressing the difficult sales environment resulting from economic uncertainty, low consumer confidence and a highly competitive retail landscape;
- continuing to invest in its brands;
- investing capital to support growth, including bakery acquisitions; and
- cost and productivity improvements to ensure a low cost operating structure.

Acquisitions

During the second quarter of 2014, Weston Foods purchased Rubschlager Baking Corporation ("Rubschlager") for US$10 million. Rubschlager manufactures rye breads and products for the North American market. Rubschlager's products are sold across the United States and Canada and include a wide range of deli-style cocktail breads (its signature product), traditional square breads, 100% whole rye Rye-Ola® bread, sandwich bread and mini-bread chips.

During the first quarter of 2013, Weston Foods purchased a fresh bakery manufacturer for a cash purchase price of $9 million and acquired net assets of $9 million.

Weston Foods did not have any significant acquisitions in 2012.

In 2011, Weston Foods purchased Colonial Cookies, a cookie manufacturing facility in Kitchener, Ontario, out of receivership for a cash purchase price of approximately $12 million (after closing adjustments and excluding assumed liabilities).

Dispositions

Weston Foods has not made any significant dispositions during the last three fiscal years.

Capital Investment

Capital investments since 2011 have been targeted toward improving the efficiency of existing assets and increasing capacity where growth opportunities exist. Weston Foods has made small to medium-sized capital investments and small acquisitions in targeted areas.

Restructuring Activities

Weston Foods continues to evaluate strategic and cost reduction initiatives related to its manufacturing assets, distribution networks and operational structure with the objective of ensuring a low cost operating structure and taking advantage of economies of scale.

Highlights of the restructuring activities undertaken since 2011 include:

- the closure of four manufacturing facilities in Canada and one in the United States, one of which was replaced with a new facility. One of these closures was the Joliette, Quebec plant which suffered significant damage from a fire on December 1, 2010 after which all operations ceased at the plant. On January 13, 2011, Weston Foods announced to employees its decision not to re-open the plant;
- the closure of a Toronto fresh bakery manufacturing facility in 2014;
- restructuring of the sales, administrative and other support functions of the Canadian bakery business in each of 2011, 2012 and 2013, and to date in 2014; and
- restructuring of two fresh bakery manufacturing facilities in Ontario in 2012.

Financial Performance

Further information on trends affecting Weston Foods and Weston Foods' strategies and financial performance can be found in the financial statements and the MD&A sections of the Company's 2013 Annual Report and the Q1 2014 Quarterly Report. This information is incorporated by reference and is available at www.sedar.com or at www.weston.ca.

Loblaw

Loblaw is Canada's largest grocery retailer and, with the acquisition of Shoppers Drug Mart, is now Canada's largest pharmacy and beauty retailer. Loblaw is also a leading provider of apparel, general merchandise and financial products and services. Loblaw has three reportable operating segments. The Retail segment consists primarily of retail food and Shoppers Drug Mart Associate-owned drug stores, and also includes in-store pharmacies and other health and beauty products, gas bars and apparel and other general merchandise. The Financial Services segment includes credit card services, insurance services, personal banking services provided by a major Canadian chartered bank, deposit taking services, and telecommunication services. The Choice Properties segment owns and leases income-producing commercial properties.

Over the past three years, heightened industry competition and economic uncertainty have translated into a challenging environment for Canadian retailers. During this time, Loblaw has worked to strengthen its customer proposition with an emphasis on fresh product quality, presentation and assortment, customer service and competitive value. Loblaw has also taken measures to improve the experience of many of its retail grocery stores. It has sought to reinforce competitive differentiation by: providing innovative control brand products; expanding its selection of international and health and wellness products; exploring opportunities to add new capabilities such as in-store medical clinics and dietitians to meet the evolving needs of Canadian consumers; and optimizing its general merchandise selection to better align with its food offering. In addition, Loblaw's supply chain renewal project has improved product availability and led to higher levels of efficiency. The implementation of Loblaw's new IT systems that began in 2012 is ongoing. As at June 2, 2014, Loblaw's new IT systems have been expanded to 18 distribution centres and over 260 stores.

In 2013, Loblaw advanced a number of strategic initiatives that were introduced in 2012. Efficiencies were achieved in shrink, transportation costs, warehousing, other supply chain related costs and labour. Loblaw also focused on its strategy to invest in lower shelf pricing to build long-term customer loyalty. In May, 2013, Loblaw launched its *PC Plus* digital loyalty program at an initial pilot group of 44 Market (formerly "Conventional") grocery stores in Ontario. In November, 2013, the *PC Plus* program was expanded across Market stores nationally and across the Real Canadian Superstore network with over 5 million members by June 2, 2014. In addition, Loblaw executed the following significant strategic initiatives:

Choice Properties

During the third quarter of 2013, Choice Properties completed a $460 million IPO of Units including the exercise of a $60 million over-allotment option. In connection with the IPO, Loblaw sold approximately $7 billion of properties and related assets to Choice Properties. Concurrently with the IPO, two wholly-owned subsidiaries of GWL purchased 20,000,000 Units from Choice Properties at a price of $10.00 per Unit for a total subscription price of $200 million.

Acquisition of Shoppers Drug Mart

On March 28, 2014, LCL acquired all of the outstanding shares of Shoppers Drug Mart for total consideration of approximately $12.3 billion, comprised of approximately $6.6 billion of cash and approximately 119.5 million common shares of LCL.

The cash portion of the acquisition was financed by Loblaw as follows:

- $3.5 billion was obtained through an unsecured term loan facility bearing interest at a rate equal to the Bankers' Acceptance rate plus 1.75% and maturing March 28, 2019;
- $1.6 billion of proceeds from the issuance of unsecured notes in the third quarter of 2013 were released from escrow;
- $500 million was received in consideration of the issuance of approximately 10.5 million LCL common shares to GWL; and
- approximately $1.0 billion of cash on hand.

GWL filed a Business Acquisition Report on June 4, 2014 and a Material Change Report on July 17, 2013 in respect of the acquisition, both of which are available at www.sedar.com. Loblaw also filed a Business Acquisition Report on June 3, 2014 and a Material Change Report on July 17, 2013.

Further information on the transaction can also be found in the Information Statement filed by Loblaw on August 20, 2013.

Retail

Loblaw's Retail segment consists primarily of retail food and Shoppers Drug Mart Associate-owned drug stores, and also includes in-store pharmacies and other health and beauty products, gas bars and apparel and other general merchandise.

Customer Proposition

Loblaw's customer proposition is the combination of value, experience and product assortment that it offers to its customers. Over the last three years, Loblaw has progressively worked to strengthen its customer proposition by enhancing its focus on fresh product quality, presentation and assortment, customer service and competitive value.

In 2011, Loblaw continued its program of grocery store network renovations that began in 2009, and targeted sourcing enhancements were implemented to support a broader product offering. The retail business was also separated into Market and Discount divisions in order to better address the distinct needs of its customers.

In 2012, Loblaw invested in its competitive value proposition as well as in product assortment in a number of fresh areas and related colleague training. Continued conversion to labour agreements ratified in 2010, as well as the roll out of an improved Store Time and Attendance System ("STAS"), enabled Loblaw to leverage additional scheduling efficiencies. In 2012, Loblaw also began a process of developing and implementing category reviews across the Market and Discount divisions with the objective of improving the competitiveness, profitability and relevance of individual categories.

In 2013, Loblaw continued its focus on expanding product assortment in fresh and delivering superior value to customers. In the Market division, Loblaw expanded its assortment in fresh with new offerings in organic, gluten-free, and vacuum-sealed packaging in meat products that offer longer shelf-life without compromising taste and quality. Loblaw also took popular chef-inspired recipes from the *Loblaws* store at Maple Leaf Gardens[1] and implemented them in 63 grocery stores across its Market network. In the Discount division, Loblaw led with a focused offering in fresh and building customer loyalty through fair and sustainable pricing, resulting in sales and tonnage growth despite a highly competitive environment. The Discount division also continues to drive its offering in international and natural foods which it believes is a source of competitive advantage.

Health and Wellness

Health and Wellness is an important component of Loblaw's customer proposition and its business. As a result of the acquisition of Shoppers Drug Mart, Loblaw now has a network of nearly 1,800 Shoppers Drug Mart Associate-owned drug stores and in-store pharmacies providing a full range of health and wellness products and services to millions of customers each week.

In 2011, Loblaw launched the "Get Checked Now" campaign in partnership with the Canadian Diabetes Association to provide Canadians with personalized, computerized diabetes risk assessments under the direction of a Loblaw pharmacist. Loblaw also pilot tested the Guiding Stars program, a nutrition navigation tool that rates food based on its nutritional value, in select corporate grocery stores.

In 2012, Loblaw acquired prescription files from 106 Zellers stores. In addition, 14 medical clinics and 18 optical departments were added to Loblaw's grocery stores. Loblaw's successful program of placing dieticians in grocery stores was expanded with 50 additional stores better equipped to assist customers with their nutrition concerns. The Guiding Stars nutrition navigation program was further expanded during 2012 with over 40 grocery stores participating by the end of the year.

[1] Registered trademark licensed use.

In 2013, Loblaw opened 27 new optical departments and renovated 14, bringing the total number to 141 optical departments in grocery stores. With locations added in Prince Edward Island and Yukon, Loblaw has optical departments in all provinces except for Québec. Licensed opticians are available at every location, and Loblaw offers eye exams through independent doctors of optometry at over 100 locations. In provinces where pharmacists' scope of practice has been expanded, 365 corporate in-store pharmacy sites were certified, resulting in corporate in-store pharmacists administering over 100,000 flu shots. Dietitians were added to 46 grocery stores and 13 medical clinics were added. The Guiding Stars nutrition navigation program was expanded to an additional 324 grocery stores by year-end. GoodLife Fitness facilities are also on location at approximately 58 grocery store locations.

International Products

Loblaw serves the diverse Canadian population both through its standalone T&T Supermarket Inc. ("T&T") grocery stores as well as through a comprehensive in-line assortment of international products in Loblaw's other banner grocery stores. Loblaw strengthened its existing foothold in this growing segment through its purchase of T&T in September 2009.

Over the past three years, Loblaw has continued to emphasize the international products segment as a driver of future growth. In 2011, T&T launched an expanded line-up of *T&T* control brand products in its grocery stores. As part of T&T's growth plans, one new store was opened in Ontario in 2011.

In 2012, T&T's footprint continued to expand with two new *T&T Supermarket* stores in Ontario. T&T also launched the *Be Beauty by T&T* concept in one of its stores during 2012 to offer its customers familiar branded beauty products as well as in-store pharmacy services in Chinese. South and East Asian product assortment was also introduced in Loblaw's self-serve wholesale grocery banner stores. A collection of *T&T* control brand products were piloted in select Market and Discount stores.

Loblaw continues to promote and expand distribution of its *Rooster, Suraj* and *Sufra* product ranges across all banners. In 2013, coinciding with Chinese New Year, Loblaw rolled out 33 *T&T* control brand products to grocery stores across the national network. Loblaw also launched 22 fresh T&T bakery products in select Ontario *Loblaws*, *nofrills* and *Real Canadian Superstore* locations. The strategy behind Loblaw's international control brand products is to offer bestselling authentic items with cross-over appeal.

In 2013, Loblaw also expanded its international assortment in its 120 most diverse markets aligning specific grocery store offerings closely with market demographics. Loblaw promoted this initiative with zoned flyers highlighting the specific market assortment for the remainder of the year. Loblaw also launched the well-received "I Speak" program, where colleague name badges and cash lanes identify languages in which they can interact with customers.

In early 2014, Loblaw expanded its selection of control brand international products with the launch of 25 additional products for Chinese New Year. On April 9, 2014, Loblaw acquired Arz Bakery Limited, an established Middle Eastern bakery and grocery retailer.

Control Brands

Loblaw offers a control brand program that encourages customer loyalty and price competitiveness. Over the past three years, Loblaw has increased its focus on profitability and innovation in its food-related control brand program.

In 2011, Loblaw undertook a number of initiatives to improve the profitability of its control brand offering, focusing on innovation, including the introduction of its new *PC* black label line of products, a collection of fine foods sourced from around the world. This was the first new line launched by Loblaw since 2005. 162 *PC* black label products were launched into 140 Market stores in the fourth quarter of 2011. In addition, Loblaw successfully redesigned over

400 *Blue Menu* products to make it easier for consumers to understand the attributes of the products. To further enhance its offerings for health-conscious customers, Loblaw also launched 13 new *PC Organics* baby food products and 20 new peanut-free products, which brought the offerings in these two areas to over 60 and 80 products, respectively. T&T also launched an expanded lineup of *T&T* control brand products in *T&T Supermarket* stores as discussed above.

In 2012, Loblaw continued to expand its control brand selection with a broad focus on innovation and additional products in areas such as health and wellness and international products. During the year, eight gluten-free items, under the *President's Choice* brand were introduced by Loblaw. The *President's Choice* brand was the first control brand line in Canada to meet the Canadian Celiac Association's Gluten-Free Certification Program requirements to display the GFCP trademark. Loblaw's *PC Free From* product line was extended into frozen boxed and processed meats to offer a greater range of alternatives for consumers seeking antibiotic and hormone-free products. The packaging of 235 *PC Organics* products was redesigned and additional in-store signage was introduced to make it easier for consumers to shop for natural and organic products. Loblaw's *PC* black label line was expanded to over 250 products with a focus on additions to existing categories such as pasta and cheese. *PC* black label products were rolled out to over 240 additional grocery stores over the course of 2012. By the end of the year, over 380 grocery stores were stocked with *PC* black label products.

In 2013, Loblaw launched over 550 new control brand products and redesigned or improved approximately 640 control brand products. Nine *President's Choice* gluten-free items were added, bringing the total offering to 17. The *PC Free From* product line now offers a total of 70 different products and *PC Organics* saw 23 new products launched. Loblaw's Farmers Market Root Vegetable Program offers "Grower Picture" and "Grower Story" on all packages across 22 different products representing 44 vendors nationally. *PC Organics* became the number one selling organic baby food in Canada and *PC Nutrition First* is leading growth in the pet food category. In 2013, Loblaw also focused on making some of its biggest brands bigger by adding middles, doubles, and soft baked varieties to the *PC The Decadent* cookies product line. *PC* black label products also continued to expand with 29 additional products in grocery, dessert, home meal replacement, and deli. Through continued improvement and innovation, all artificial flavours and colours have been removed from *President's Choice* products and all artificial sweeteners have been removed from *Blue Menu* products.

With the acquisition of Shoppers Drug Mart, Loblaw now offers consumers additional control brand drug store products marketed under various trademarks, including *Life Brand,* which is Shoppers Drug Mart's most recognized control brand, value-added services such as the *HealthWATCH/PharmExpert* program, which provides Associates with tools to assist in patient counselling on medications, disease management and health and wellness, and the *Shoppers Optimum/Pharmaprix Optimum* program, one of the largest retail loyalty card programs in Canada.

Apparel and General Merchandise

Loblaw offers a broad selection of apparel and general merchandise in a number of its banner stores and also offers apparel in free-standing *Joe Fresh* stores in Canada and the United States. Loblaw's primary objective is to provide a suite of apparel and general merchandise products that complement its food offering.

In 2011, Loblaw began to execute its Right Hand Side strategy, which centers on enhancing the selection of merchandise in four key areas: Apparel, Beauty, Home and Kids. This strategy was implemented in order to better align Loblaw's general merchandise selection with its food offering. Loblaw also launched a number of new control brand product lines, including *Jogi* and *J±.*

In 2012, Loblaw continued to reset the general merchandise sections of its grocery stores and conducted 78 Right Hand Side related projects. As part of the renewal program, the beauty areas of approximately 80 stores were revitalized with a new look, concept and feel. The *Jump Kids World* brand was introduced in 2012, offering a colourful line of kids' products in categories such as: tabletop, décor, storage, organization, bath and closet. In 2013, 29 Right Hand Side renovations were performed, bringing the total to 129.

In 2011, Loblaw expanded the *Joe Fresh* retail footprint by adding 10 new standalone stores, including five locations in the United States, and expanding total apparel retail space by 10%. In 2012, Loblaw announced a relationship with J.C. Penney Corporation, Inc. ("JCPenney") and in March, 2013, launched *Joe Fresh* women's apparel in 683 JCPenney stores across the United States. In 2013, *Joe Fresh* apparel also became available online in the United States at www.jcpenney.com. In addition, 3 standalone *Joe Fresh* stores were opened in Canada, one store was opened in the SOHO neighborhood of New York City, and one store was closed in Bridgewater, New Jersey. In October 2013, online sales in Canada of *Joe Fresh* were launched at www.joefresh.com.

In 2013, JCPenney indicated that it plans to narrow its assortment of *Joe Fresh* products in its stores. On February 20, 2014, Loblaw announced the signing of three separate partnership agreements to bring the *Joe Fresh* brand into 23 new countries across the Middle East, North Africa, Europe and South Korea, representing the brand's first expansion beyond North America.

Retail Square Footage

In 2011, Loblaw returned to square footage growth after relative stability in 2010; it expanded its retail square footage to 51.2 million square feet from 50.7 million square feet in 2010. In 2012, Loblaw expanded its retail square footage to 51.5 million square feet. In 2013, Loblaw expanded its retail square footage by 0.8% to 51.9 million square feet.

Loblaw has focused on growing its *nofrills* banner over the past four years both in its well-established Ontario market as well as in Western and Atlantic Canada. In Western Canada, Loblaw opened nine new *nofrills* stores in 2010 and five in 2011. In Atlantic Canada, Loblaw opened seven *nofrills* stores in 2010 and one in 2011. During 2011, the 200th *nofrills* store was opened in Woodstock, Ontario. Loblaw opened three new Market stores in 2011, including the *Loblaws* store at Maple Leaf Gardens[2], Loblaw's new flagship ("Inspire") store and blueprint for the next generation grocery store.

In 2012, Loblaw opened four *nofrills* locations in Western Canada, six in Ontario and two in Atlantic Canada; Loblaw also added one *Real Canadian Superstore* location in Western Canada. One *Zehrs* store was opened in Ontario during the year as well as four *Your Independent Grocer* stores, primarily in Western Canada. In addition, two *T&T Supermarket* stores were opened in Ontario during the year.

In 2013, the Discount division added six *nofrills* stores in Western Canada, seven in Ontario, and two *Box by No Frills* stores (one in Ontario, one in Western Canada). The Discount division also added one *Real Canadian Superstore* location in Western Canada and one *Maxi* store in Québec. In the Market division, Loblaw added one *Fortinos* store, one *Your Independent Grocer* store, one *Zehrs Markets* store, one *SuperValu* store, and two stores based on our Inspire format: a *Provigo Le Marché* in Québec and the *Loblaw City Market* in North Vancouver. Loblaw also added four *Joe Fresh* stores.

As a result of the Shoppers Drug Mart acquisition, Loblaw's square footage grew by 17.9 million square feet, or a 34.5 percent increase.

Store Renovations

Loblaw regularly updates its grocery stores in order to improve the customer shopping experience. In 2009, Loblaw began an intensive program of network-wide grocery store updates that it expects to conclude in 2014. Following this

[2] Registered trademark licensed use.

renovation program, it is anticipated that Loblaw will return to a more regular renovation cycle, with each grocery store receiving an update approximately every eight years.

In 2011, Loblaw continued its store renewal plan and completed approximately 120 store renovations, including 80 major renovations that enhanced customers' in-store experience across various banners and divisions.

In 2012, Loblaw completed approximately 180 major renovations. Approximately 50 of the renovations were dedicated to updates in select *Maxi* and *Provigo* stores to improve the in-store shopping experience. In addition, 80 of the renovations were conducted to support the strategic transition of the Right Hand Side, or general merchandise areas of Loblaw's grocery stores to offer an enhanced selection of merchandise in four key areas: Apparel, Beauty, Home and Kids. Five *T&T Supermarket* store renovations took place during the year.

In 2013, Loblaw completed approximately 180 major renovations and 20 conversions. Renovations were focused on the *Real Canadian Superstore, Maxi, Provigo, Loblaws* and *valu-mart* banners. Loblaw performed 29 renovations as part of its Right Hand Side general merchandise reset program, and four *T&T Supermarket* store renovations took place during the year. In Québec, Loblaw introduced *Provigo Le Marché*, a format that borrows from Loblaw's Inspire stores, with one new *Provigo Le Marché* in Sherbrooke and six conversions from Loblaws. In 2013, Loblaw also converted a number of *Extra Foods* locations in Western Canada to *nofrills* or *Your Independent Grocer* stores.

Supply Chain

In 2007, Loblaw implemented a significant initiative to invest in and improve its supply chain. This initiative, which was largely completed during 2011, included upgrading the physical distribution network, increasing capacity, and implementing new forecasting, replenishment, distribution and transportation capabilities that improved in-store availability and operational productivity.

In 2010, Loblaw completed the implementation of its transport management system ("TMS"). The new warehouse management system ("WMS") was implemented in 10 distribution centres. Over 50 suppliers were converted from direct store delivery to shipping through distribution centres, reducing deliveries to stores and improving availability. In addition, Loblaw continued to progress with its integrated planning, forecasting and replenishment system ("IPFR") integration, and introduced new retail-ready packaging to its supply chain, leading to a faster replenishment process and an improved shopping experience for customers. With the completion of many of the supply chain implementations, Loblaw started to see transportation efficiencies and improvements in service levels and availability in 2011. In addition, during 2011, Loblaw implemented the WMS in five more distribution centres. Loblaw also completed six deployments of the IPFR system and continued to increase the number of products being shipped in retail-ready packaging.

In 2012, the focus was on the continued roll out of systems. Loblaw went live on the WMS at four distribution centres during the year. In addition, an end-state IPFR solution was enabled for the one distribution centre and one store that went live on the IT system. As a result, at the end of the year, forecasting for the first store was being determined primarily by point of sale ("POS") history, with store replenishment instructions driving distribution centre and vendor orders. Loblaw continued to optimize its IPFR, WMS and TMS solutions during the year.

In 2013, Loblaw completed the rollout of the WMS at the final three distribution centres. Loblaw also completed the IPFR roll out at all desks, with all warehouse replenishment now driven off of the updated system. Loblaw also implemented its IT systems in seven distribution centres ending the year with eight completed.

As a result of the acquisition of Shoppers Drug Mart, Loblaw has 6 additional distribution centres and will continue to be focused on completing the IT systems implementation at its remaining distribution centres (excluding Shoppers Drug Mart distribution centres).

Labour Relations

Since 2011, 206 collective agreements were successfully negotiated by Loblaw and its franchisees as applicable. Significant labour negotiations took place across Loblaw in 2012 as 69 collective agreements expired and 49 collective agreements were successfully negotiated, which included agreements that expired in prior years. In 2013, 64 collective agreements expired and 80 collective agreements were successfully negotiated including three long-term settlements of five to six years in the Western provinces - Manitoba, Saskatchewan, and Alberta. Although Loblaw had to invest in a short-term three day strike in Alberta, Loblaw was successful in maintaining short-term stability and ongoing flexibility, laying the foundation for resetting its labour economics model and gaining flexibility to support its capital expansion plan in Western Canada.

In 2011 and 2012, to drive labour productivity, Loblaw successfully transitioned certain of its Ontario Market stores to more cost effective and efficient collective agreements ratified in 2010. These transitions continued in 2013, and to date in 2014.

Financial Services

Loblaw's Financial Services segment is focused on offering cost-effective alternatives to traditional banking, including credit card offerings, as well as insurance, gift card and mobile products. Over the past three years, the objective of the Financial Services business has been to expand its offerings, including mobile products, while building loyalty across Loblaw's businesses, particularly through growth in Loblaw's *President's Choice Financial* MasterCard portfolio.

Loblaw has focused on expanding its *President's Choice Financial* MasterCard portfolio over the past three years. In 2011, approximately one million new applications were successfully acquired. In 2012, Loblaw acquired 1.1 million new applications, approximately double the number of applications that were acquired in 2010. In 2013, Loblaw grew to 1.2 million new applications setting a new high. Since 2010, Loblaw has added close to 500,000 new active *President's Choice Financial* MasterCard cardholders. Loblaw also reinvigorated the *President's Choice Financial* brand with the media campaign: "That's just good banking".

In 2011, *The Mobile Shop*, a full service mobile kiosk, was launched in 75 of Loblaw's grocery stores. *The Mobile Shop* was introduced to give Loblaw customers the ability to shop a range of rate plans and handsets from a full range of carriers in one convenient location. In 2012 and 2013, Loblaw introduced over 100 additional *The Mobile Shop* locations, and at the end of 2013, there were over 180 locations across the grocery store network.

In 2013, Loblaw launched PC mobile post-paid plans offering Canadians affordable and convenient mobile voice and data options along with the opportunity to collect double PC points loyalty rewards. During the summer of 2013, new CRTC regulations were put in place that made it mandatory for carriers to allow customers to switch plans and/or carriers, without incurring cancellation fees, after 24 months (versus the previous 36 months). This has impacted same store sales as carriers are now charging more for handsets in bundled plans due to the shorter contract terms.

Choice Properties

Choice Properties' principal business is owning and acquiring properties with a focus on supermarket-anchored shopping centres, stand-alone supermarkets with or without intensification opportunities and other well-located retail properties that management believes present the best opportunity to generate stable, growing cash flow and capital appreciation.

On July 5, 2013, Choice Properties completed its IPO of 40,000,000 Units at a price of $10.00 per Unit for aggregate gross proceeds of $400 million. Concurrently with the closing of the IPO, GWL indirectly purchased through two wholly-owned subsidiaries, 20,000,000 Units at a price of $10.00 per Unit for aggregate gross proceeds of

$200 million. Choice Properties used the proceeds of the IPO to indirectly acquire the initial properties from Loblaw. The initial properties consisted of 425 properties, comprising 415 retail properties, one office complex and nine warehouse properties. The aggregate purchase price for the initial properties was approximately $7 billion.

On July 17, 2013, Choice Properties completed the issuance of an additional 6,000,000 Units at a price of $10.00 per Unit for aggregate gross proceeds of $60 million pursuant to the exercise in full by the IPO Underwriters of the IPO Over-Allotment Option. Choice Properties used the net proceeds from the exercise of the IPO Over-Allotment Option to repay indebtedness.

On October 22, 2013, Choice Properties acquired a portfolio of nine investment properties from Loblaw for an aggregate purchase price of approximately $150 million, which was settled through the issuance of 9,925,671 Class B LP Units and cash. On October 28, 2013, Choice Properties acquired a property from a third-party for approximately $2 million, which was settled in cash. On December 19, 2013, Choice Properties acquired two more investment properties from Loblaw for an aggregate purchase price of approximately $35 million, which was settled through the issuance of 1,651,212 Class B LP Units and cash.

On February 28, 2014, Choice Properties acquired an industrial property for approximately $15.5 million in cash. On May 6, 2014, Choice Properties acquired a portfolio of 20 retail properties from Loblaw for an aggregate purchase price of approximately $200 million, excluding transaction costs, which was settled through the issuance of 11,259,208 Class B LP Units and cash.

As a result of these acquisitions, Choice Properties' portfolio as at June 2, 2014 consisted of 456 properties comprising 444 retail properties, nine warehouse properties, one office complex, one industrial property and one parcel of land for development, totaling approximately 37.6 million square feet across Canada.

Employment Matters

In 2011, Loblaw continued to invest in colleague development through its "Best Store Leader" and "Best Category Leader" programs in its grocery stores, and launched 16 Leadership Development Centres with 240 colleagues participating. These colleagues were supported with individual assessments and development plans, which directly resulted in a number of assistant store managers and merchants being identified as ready for promotion. In addition, the first cohort of high potential colleagues completed a seven month program that seeks to develop the leadership capability of high performing and high potential Loblaw colleagues. Loblaw continued to develop programs supporting colleague attraction and retention, colleague development, succession planning, diversity and inclusion and health, safety and wellness.

In 2012, Loblaw continued its focus on leadership assessment and development. An online leadership assessment tool was pilot tested during the year and the output of this online assessment was the creation of individual development plans for Loblaw's middle management leadership group. The focus on identifying and developing high potential colleagues continued and the second cohort graduated from the High Potential Leadership Program.

In 2012, Loblaw redefined and communicated its corporate values. Colleague-centric focus groups held across Canada generated four values: CUSTOMERS matter most; We RESPECT each other; Getting BETTER every day; and Care for COMMUNITY and environment. The focus during the latter part of 2012 was on recognizing and celebrating colleagues living these values day to day.

In 2013, Loblaw successfully completed a national roll out of its Values Heroes Recognition Program to allow colleagues to instantly recognize peers for taking positive actions that reflect Loblaw's shared values. Loblaw also embarked on initiatives to focus on standardizing processes, enhancing centralized services, improving agility and clarifying roles, driving the future state operating model and reducing costs. Loblaw continued its commitment to recruit and develop talent through its Grad Program and completed the third cohort of the High Potential Leadership Program.

Over the past three years, Loblaw's efforts have been recognized in a number of ways, including by being designated as one of Canada's Top 100 Employers, one of Canada's Best Diversity Employers and one of Canada's Most Admired Corporate Cultures.

Information Technology

IT Systems

Loblaw is currently conducting a major upgrade of its IT infrastructure. This is one of the largest technology infrastructure programs ever implemented in the Canadian retail marketplace and it is fundamental to Loblaw's long-term growth strategies. It is anticipated that the implementation of the IT systems will drive ordering and inventory efficiencies by initiating store orders to distribution centres and vendors based on POS data and facilitating perpetual inventory in most product categories. As the integrated system is connected to the store network, it is expected to provide the business with additional insight, which will drive operational rigour and ultimately improve efficiency and the customer experience.

In 2011, Loblaw successfully transitioned all merchandising category product listings on to the updated IT systems with no significant impact on its customers. In 2012, the first distribution centre and first store went live on end-to-end systems, from ordering products to taking payment from customers. The complex transition was successfully executed with no significant impact on customers. Additional master data was also introduced to the system during the year and cleansing continued.

In 2013, Loblaw continued to roll out the IT systems to a portion of its distribution centres and store network. During 2013, 74 stores were transitioned to the updated IT systems, bringing the total to 75. An additional seven distribution centres were converted to the updated IT systems, bringing the total to eight. Loblaw also completed the commissioning of a new data centre. With the store network roll out, cleansing master data remains a significant focus and progress has been made to integrate this into an everyday task.

Loblaw is focused on optimizing data, systems and processes to continue to build a stable foundation for the roll-out.

Store Time and Attendance System and National Point of Sale System

In 2011, Loblaw implemented a new Store Time and Attendance System ("STAS") in approximately 150 stores and by the end of 2012, all corporate stores were live on the system. In 2013, 296 franchise stores, including *nofrills*, franchised *Provigo*, and *valu-mart*, were updated to STAS. At the end of 2013, a total of 941 stores were on the STAS.

Loblaw began to implement its National Point of Sale system during 2010, to provide a standardized infrastructure and application landscape as the foundation for the roll out of the IT systems and other new capabilities across the enterprise. Over 240 stores were converted to the National Point of Sale system during 2011 and the roll out was completed during 2012.

Financial Performance

Information on Loblaw's financial performance can be found in the consolidated financial statements and Loblaw's 2013 MD&A, as well as Loblaw's Q1 2014 financial statements and MD&A. This information is incorporated by reference and is available at www.sedar.com or at www.loblaw.ca.

IV. DESCRIPTION OF THE BUSINESS

Weston Foods

Weston Foods is a significant participant in the North American baking industry.

Principal Products

Weston Foods produces a variety of fresh, frozen (raw dough, pre-proofed, par-baked, pre-fried and fully baked) and specialty bakery products including breads, rolls, bagels, flatbreads, tortillas, doughnuts, cakes, pies, cookies, crackers and other baked goods. Weston Foods is also a provider of control brand products to retailers and consumer food companies, a supplier of ice cream cones and sandwich wafers to the dairy industry and a supplier of Girl Scout cookies.

Weston Foods operates in a challenging marketplace, impacted by consumers' demands for healthy and nutritious products as well as a growing interest in ethnic product offerings. Weston Foods has been proactive in meeting these demands by developing a range of healthy lifestyle products such as whole grain, wheat and nutritionally enhanced white bread offerings, and products containing Omega-3. Additionally, new product offerings from Weston Foods have focused on providing healthier alternatives under certain of its mainstream brands, namely *Wonder, Country Harvest* and *Gadoua*. In 2014, Weston Foods introduced Mrs. Fields® Nibblers cookies, and Mrs. Fields® thaw and sell cookie line, expanded its offering of premium control brand thaw and sell products and dessert cookies, and introduced specialized cookie and cracker products through its contract manufacturing division.

In 2013, Weston Foods introduced *Country Harvest* Veggie, Sprouted Multigrain and Wheat breads, a *D'Italiano* line of snack products, gluten-free bread and sweet goods, including the *All But Gluten* brand, and the *Flat Oven Bakery* line of international flatbreads. Weston Foods also introduced Cranberry Citrus Crisp Girl Scout cookies made with whole grains, chocolate chip gluten-free Girl Scout cookies, Mrs. Fields® dark chocolate oatmeal cookies, a premium line of control brand thaw and sell products, and dessert cookies. In 2012, Weston Foods introduced new products such as *Country Harvest* Cranberry Muesli loaf and Flax and Quinoa breads, *D'Italiano Brizzolio* rolls, *Gadoua* Pain de Ménage breads, Mango Crème Girl Scout cookies and a new line of flat breads under the *Flat Oven Bakery* brand.

In 2012, Weston Foods also developed a new line of gluten-free products for a private label and entered into a licensing agreement to produce, market and sell Mrs. Fields® cookies within designated channels in the North American and certain international markets.

In 2011, Weston Foods introduced certain new products to complement certain new products introduced in previous years, including *Gadoua MultiGo* Flat Bagels, Pitas and Tortillas, and the *Weston Première Fournée* line of artisan breads. Additionally, Weston Foods relaunched breads that are free of artificial additives including preservatives, colours and flavours under the *Wonder* and *Gadoua MultiGo* brands.

Production Facilities

Weston Foods has developed from one small bakery in 1882 to the current network of production facilities located predominately across North America. As at June 2, 2014, production facilities operated by Weston Foods were located in Canada and the United States as follows:

CANADA		UNITED STATES	
Province	Number of Locations	State	Number of Locations
Ontario	15	Georgia	1
Quebec	5	Illinois	1
Alberta	3	Indiana	1
Saskatchewan	2	New Hampshire	1
British Columbia	2	New York	1
Nova Scotia	2	Ohio	1
Manitoba	1	Pennsylvania	1
Newfoundland and Labrador	1	South Carolina	1
		South Dakota	1
		Virginia	1
		Washington	1
		Wisconsin	1
Total	31		12

Distribution to Consumers

Weston Foods sells its products through a variety of customer channels within the North American food retailing market, including many national and regional supermarkets, wholesale and club stores and convenience store chains, food service distributors and outlets as well as other food retailing customers, and devotes a considerable amount of effort to building and maintaining consumer brand awareness. Weston Foods' biscuit operation also distributes the Mrs. Fields® cookie brand and control brand products to international retailers and distributors in Mexico and Korea.

Weston Foods distributes most of its fresh bakery products through direct store delivery route systems. Frozen bakery products, biscuits, and other specialty bakery products are distributed primarily through warehouse channels using outsourced transportation services. Weston Foods also supplies Girl Scout cookies through a third-party warehouse and distributor network directly to local Girl Scout councils. Weston Foods continues to explore opportunities to create distribution efficiencies, including the use of cross-docking facilities and the optimization of its depot and route networks.

For the 2013 fiscal year, Loblaw accounted for approximately 33% of Weston Foods' sales. No other single customer accounted for more than 15% of sales. For the 2013 and 2012 fiscal years, sales by Weston Foods to Loblaw amounted to $601 million and $627 million respectively.

Competitive Conditions

The North American bakery industry is both mature and competitive. Management regularly reviews and monitors operating plans and results, including market share. When necessary, management modifies their operating strategies, including restructuring production facilities, reviewing prices and adjusting product offerings to reflect consumer trends, including those related to health or nutritional concerns, and repositioning brands and marketing programs to take into account competitive activity.

The recent acquisition of Canada Bread by Grupo Bimbo is indicative of the ongoing restructuring by Weston Foods' competitors. Although the outcome and the impact, if any, on the Company's consolidated financial results from any potential restructuring activity is uncertain, Weston Foods will closely monitor the food manufacturing market.

<u>Brands</u>

Over recent years, Weston Foods has increased investment behind its brands, continued to introduce new products geared towards changing consumer eating preferences, and invested capital to support growth and enhance quality and productivity.

Weston Foods' brands provide it with a strategic advantage in the market. In Canada, its premium and mainstream brands include *Wonder*, *Country Harvest, D'Italiano, Gadoua, Weston, ACE Bakery* and *All But Gluten*. These brands provide Weston Foods with strong core brands and product lines that enhance consumer loyalty and are trusted for their quality, great taste and freshness. Weston Foods' brand strength and diversity are vital to its long-term growth. Weston Foods aims to expand its brands by leveraging its brand equity and trust to meet consumer's ever-changing needs, and provide a point of differentiation and credibility for new product introductions.

<u>Raw Materials</u>

Wheat flour, sugar, vegetable oil, and cocoa products are primary ingredients for bakery products. These ingredients are readily available in sufficient quantities as there are numerous sources of supply for these ingredients. To minimize the effect of fluctuations in the prices of its raw materials, forward contracts with suppliers or exchange traded commodity future and option contracts are used to partially manage the price fluctuations of anticipated purchases of certain raw materials. Nonetheless, the total cost of these items is subject to fluctuations.

In recent years, the baking industry has been impacted by unprecedented fluctuations in commodity and other input prices, particularly for wheat, oils, sugar and fuel. Weston Foods achieved sales price increases across many of its product categories, which helped to mitigate cost inflation. In 2013 and early 2014, Weston Foods continued to focus on cost reduction initiatives, innovative product offerings, as well as the forward purchase of commodities. The volatility of commodity pricing continues to be a challenge across the baking industry.

<u>Intellectual Property</u>

It is the practice of the Company to register or otherwise protect its intellectual property, including trade-marks, domain names, patents, packaging designs and product formulations and specifications, in all jurisdictions in which it operates. The intellectual property rights associated with and used in connection with Weston Foods are important assets to the Company and are defended vigorously. They provide Weston Foods with a competitive advantage and, accordingly, management spends considerable effort supporting the Weston Foods' key brand names. The trade-marks of the Company when used in this AIF are presented in *italics.*

Key brand names used by Weston Foods include *Wonder, Country Harvest, D'Italiano, Gadoua, Weston, ACE Bakery, Weston Première Fournée, Deli World, All But Gluten, Casa Mendosa* and *Flat Oven Bakery.* Weston Foods has an agreement with Weight Watchers International in Canada with respect to the manufacturing, sale and distribution of baked products under its brands. Also, Weston Foods has agreements with Grupo Bimbo with respect to the manufacturing, sale and distribution of baked products under the Thomas'®, Oroweat® and Brownberry® brands in Canada. In 1939, Weston Foods became the first licensed Girl Scout cookie producer in the US. In 2012, Weston Foods entered into a licensing agreement to manufacture, market and distribute baked products under the Mrs. Fields® brand within designated channels in the North American and certain international markets.

Seasonality

Weston Foods' operations, specifically inventory levels, sales volumes and sales mix, are impacted to some degree by certain holiday periods throughout the year and the timing of the Girl Scout cookie selling season. Weston Foods continuously monitors the impact that holidays may have on its operations and adjusts inventory levels and production and delivery schedules as required.

Labour and Employment Matters

Weston Foods has approximately 5,800 full and part-time employees in the bakery operations, some of whom are covered by various collective agreements, almost all of which are negotiated independently on a plant by plant or unit by unit basis, typically for terms of three or more years. No single agreement is of predominant importance to overall operations.

In 2011, Weston Foods ratified a new collective agreement in conjunction with the acquisition of Colonial Cookies and renegotiated a labour agreement at Interbake Foods' North Sioux City plant. In 2012, Weston Foods renegotiated a labour agreement with the other union at Interbake Foods' North Sioux City plant. From January 1, 2013 to June 2, 2014, Weston Foods successfully renegotiated six collective agreements covering approximately 460 employees and as part of the Rubschlager acquisition, successfully negotiated a new collective agreement with the union at Rubschlager's plant. For the balance of 2014, there are seven collective agreements up for renegotiation covering approximately 670 employees.

Renegotiating collective agreements may result in work stoppages or slowdowns, which could negatively affect Weston Foods' financial performance. Weston Foods is willing to accept the short-term costs of labour disruption in order to negotiate competitive labour costs and operating conditions for the longer term. Although the labour relations leadership team attempts to mitigate work stoppages and disputes through early negotiations, where possible, work stoppages or slowdowns are possible. Weston Foods maintains contingency plans to manage supply in the event of disruptions when renegotiating these collective agreements.

Weston Foods participates in various MEPPs, providing pension benefits to union employees pursuant to provisions of collective bargaining agreements. During 2012, Weston Foods withdrew from one of the U.S. MEPPs in which it participated and as a result, paid a withdrawal liability of $34 million. During the fourth quarter of 2012, another participating employer withdrew from the plan and a mass withdrawal was triggered. As a result of the mass withdrawal, Weston Foods is subject to an incremental withdrawal liability and an additional provision of $5 million was recorded in operating income during the fourth quarter of 2013. The total liability recorded as at the end of the fourth quarter of 2013 relating to the Company's mass withdrawal liability is $22 million, $17 million of which was recorded in the fourth quarter of 2012.

Environmental and Health and Safety Matters

Weston Foods has environmental, health and workplace safety programs in place and has established policies and procedures aimed at ensuring compliance with applicable legislative requirements. To this end, Weston Foods employs environmental risk assessments and audits using internal and external resources together with employee awareness programs throughout its operating locations. Weston Foods endeavours to be socially and environmentally responsible, and recognizes that the competitive pressures for economic growth and cost efficiency must be integrated with sound environmental stewardship and ecological considerations.

Weston Foods maintains a large portfolio of real estate and other facilities and is subject to environmental risks associated with the contamination of such properties and facilities, whether by previous owners or occupants, neighbouring properties or from its own operations. In addition, Weston Foods' production facilities contain refrigeration equipment used in the preservation of perishable raw materials and the production and storage of finished products. This equipment, if it fails, may release gases which may contribute to increased greenhouse gas emissions and/or ozone layer depletion. These facilities also generate waste water which may exceed permissible levels as stipulated by applicable governmental agencies. In conjunction with these and other environmental compliance matters, Weston Foods could be subject to increased and unexpected costs associated with the related remediation activities, including litigation and regulatory related costs.

In addition, in recent years, the provincial government bodies in Ontario and Québec, have introduced legislation that imposes liabilities on retailers, brand owners and importers for costs as a result of recycling and disposal of consumer goods packaging and printing materials distributed to consumers. More recently, the Manitoba and British Columbia provincial government bodies have introduced similar legislation. Consequently, Weston Foods has been subjected to increased costs associated with these laws. These costs are expected to increase as additional provincial government bodies follow suit.

The Environmental, Health and Safety Committee of the Board of Directors of GWL (the "Board") receives regular reporting from management, addressing current and potential future issues, risks, programs and initiatives identifying new regulatory concerns and related communication efforts. Weston Foods' Environmental Affairs department works closely with the operations to help ensure requirements are met.

Food Safety and Public Health

Weston Foods is subject to potential liabilities associated with food safety and general merchandise product defects. These liabilities could arise as part of the design, procurement, production, packaging, storage, distribution, preparation and display of products, including Weston Foods' contract manufactured products. Any significant failure or disruption of these systems could negatively affect the Company's reputation and its financial performance.

Weston Foods could be adversely affected in the event of a significant outbreak of food-borne illness or other public health concerns related to food products. The occurrence of such events or incidents could result in harm to Weston Foods' customers, negative publicity or damage to Weston Foods' brands and could lead to unforeseen liabilities from legal claims or otherwise. In addition, failure to trace or locate any contaminated or defective products and ingredients could affect Weston Foods' ability to be effective in a recall situation. Any of these events could negatively affect the reputation, operations and financial performance of the Company.

Incident management processes are in place to manage such events, should they occur. Most of Weston Foods' manufacturing facilities are now certified under British Retail Consortium or Safe Quality Food global safety and quality standards approved by the Global Food Safety Initiative organization. The ability of these processes to address such events is dependent on their successful execution. However, there can be no assurance that the associated risks will be mitigated or will not materialize or that events or circumstances will not occur that could negatively affect the Company's financial condition or performance.

Weston Foods strives to ensure its brands meet all applicable regulatory requirements, including having informative nutritional labelling so that today's health conscious consumer can make educated choices.

Research and Development and New Products

Weston Foods' product development teams have developed important proprietary formulas, recipes and technological expertise. In addition, from time to time Weston Foods enters into strategic relationships with other food processing or branded companies (i.e. Weight Watchers International and Mrs. Fields®) to leverage off each other's expertise or brands.

In 2014, Weston Foods introduced Mrs. Fields® Nibblers cookies, and Mrs. Fields® thaw and sell cookie line, expanded its offering of premium control brand thaw and sell products and dessert cookies, and introduced specialized cookie and cracker products through its contract manufacturing division.

In 2013, Weston Foods launched new products including *Country Harvest* Veggie, Sprouted Multigrain and Wheat breads, a *D'Italiano* line of snack products, gluten-free bread and sweet goods, including the *All But Gluten* brand, and the *Flat Oven Bakery* line of international flatbreads. Weston Foods also introduced in 2013 Cranberry Citrus Crisp Girl Scout cookies made with whole grains, chocolate chip gluten-free Girl Scout cookies, Mrs. Fields® dark chocolate oatmeal cookies, a premium line of control brand thaw and sell products, and dessert cookies.

In 2012, Weston Foods introduced new products such as *Country Harvest* Cranberry Muesli loaf and Flax and Quinoa breads, *D'Italiano Brizzolio* rolls, *Gadoua* Pain de Ménage breads, Mango Crème Girl Scout cookies and a new line of flat breads under the *Flat Oven Bakery* brand. In addition, Weston Foods developed a new line of gluten-free products for a private label. In 2012, Weston Foods also entered into a licensing agreement to produce and sell Mrs. Fields® products within designated channels in the North American and certain international markets.

In 2011, Weston Foods introduced certain new products including *Gadoua MultiGo* Flat Bagels, Pitas and Tortillas, and the *Weston Première Fournée* line of artisan breads. Additionally, Weston Foods relaunched breads that are free of artificial additives including preservatives, colours and flavours under the *Wonder* and *Gadoua MultiGo* brands.

Foreign Operations

Weston Foods production facilities are located across Canada and in the United States. Any significant economic or competitive pressures, including currency fluctuations in the United States dollar ("USD") relative to the Canadian dollar, may impact consolidated Weston Foods results. Weston Foods has several wholly-owned foreign subsidiaries that hold certain assets of Weston Foods, including operating assets in the United States.

Further information on the Weston Foods business can be found in the Company's 2013 MD&A and the MD&A section of the Company's Q1 2014 Quarterly Report, which information is incorporated herein by reference and available at www.sedar.com.

Loblaw

Operations

Loblaw is Canada's largest grocery, pharmacy and beauty retailer. Loblaw is also a leading provider of apparel, general merchandise and financial products and services. Loblaw has three reportable operating segments. The Retail segment consists primarily of retail food and Shoppers Drug Mart Associate-owned drug stores, and also includes in-store pharmacies and other health and beauty products, gas bars and apparel and other general merchandise. The Financial Services segment includes credit card services, insurance services, personal banking services provided by a major Canadian chartered bank, deposit taking services, and telecommunication services. The Choice Properties segment owns and leases income-producing commercial properties.

Retail

The Retail segment consists primarily of retail food, including both Market and Discount banner grocery stores. Loblaw's Market banners offer a broad assortment across a variety of food and complementary categories, with a focus on service and value. Loblaw's Discount banners are focused on delivering a fresh-led food shop at the lowest price coupled with service when and where it matters most. This format offers a straightforward food shop, while the Superstore business offers a one stop shop with a broad product selection of fresh foods, health, apparel, and home needs.

Corporate owned grocery store banners include *Atlantic Superstore, Box by No Frills, Dominion*[3] (in Newfoundland and Labrador), *Extra Foods, Loblaws, Maxi, Maxi & Cie, Provigo, Provigo Le Marché, Real Canadian Superstore, T&T Supermarket* and *Zehrs Markets* and wholesale outlets operating as *Cash & Carry, Presto* and *The Real Canadian Wholesale Club.* Loblaw's franchised and affiliated grocery stores operate under trade names including *Atlantic SaveEasy, Extra Foods, Fortinos, Loblaw City Market, nofrills, Provigo, SuperValu, valu-mart* and *Your Independent Grocer.*

The Retail segment also includes Shoppers Drug Mart Associate-owned drug stores operating under the name *Shoppers Drug Mart (Pharmaprix* in Québec). Shoppers Drug Mart licenses or owns medical clinic pharmacies operating under the name *Shoppers Simply Pharmacy* (*Pharmaprix Simplement Santé* in Québec) and luxury beauty destinations operating as *Murale*, and owns and operates *Shoppers Home Health Care* stores. Shoppers Drug Mart also offers the *Shoppers Optimum/Pharmaprix Optimum* program, one of the largest retail loyalty card programs in Canada.

Shoppers Drug Mart's expansive retail network is generally situated in prime retail locations, with stores designed to maximize customer service and convenience, and to facilitate customer traffic flow and feature well-lit and well-signed interiors.

Loblaw's retail store network is supported by 27 warehouse facilities located across Canada (six of which were acquired as part of the Shoppers Drug Mart acquisition), as well as third-party warehouses and temporary storage facilities when required. *Financial Services*

President's Choice Bank ("PC Bank") makes available to consumers financial services under the *President's Choice Financial* brand, including the *President's Choice Financial* MasterCard, a guaranteed investment certificate ("GIC") product offered exclusively through the broker channel, and personal banking services, which are provided by the direct banking division of a major Canadian chartered bank. Loblaw also offers home, auto, travel, life and pet insurance through its insurance entities and offers gift card and mobile phone services, including *The Mobile Shop* and *PC* Mobile and administers the *PC Plus* loyalty program.

Choice Properties

Choice Properties' principal business is owning and acquiring properties with a focus on supermarket-anchored shopping centres, stand-alone supermarkets with or without intensification opportunities and other well-located retail properties that management believes present the best opportunity to generate stable, growing cash flow and capital appreciation. As of June 2, 2014, Loblaw held an effective ownership in Choice Properties of 82.6% through ownership of 21,500,000 Units and 295,333,962 Class B LP Units, which are economically equivalent to and exchangeable for Units. Loblaw is the single largest tenant. As of June 2, 2014, Loblaw represented 88.2% of total gross leasable area and 89.5% of annual base rent.

Additional information of Choice Properties has been filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online at www.sedar.com. Choice Properties' internet address is www.choicereit.ca.

[3] Trademark used under license.

Geographic and Banner Summary

Retail

As at March 28, 2014, Loblaw, through its subsidiaries, franchisees and Associates, operated the following stores and warehouses across Canada and the United States[4]:

	Corporate Stores	Franchised Stores	Associate-Owned Drug Stores	Warehouses
Newfoundland and Labrador	12	8	28	1
Prince Edward Island	4	5	5	0
Nova Scotia	33	18	37	1
New Brunswick	22	23	40	3
Québec	183	62	163	3
Ontario	241	303	598	8
Manitoba	25	1	40	1
Saskatchewan	28	7	32	0
Alberta	65	38	147	3
British Columbia	70	40	151	7
Northwest Territories	0	2	1	0
Yukon	1	1	2	0
USA	7	0	0	0
Total	691	508	1244	27

[4] In addition, Loblaw services affiliated independent grocery stores and independent accounts.

As at March 28, 2014, Loblaw, through its subsidiaries, franchisees and Associates, operated the following stores[5]:

	Corporate Stores	Franchised Stores	Associate-Owned Drug Stores
Market			
Atlantic SaveEasy	0	43	0
Fortinos	0	22	0
Loblaws	69	0	0
Provigo	13	62	0
Provigo Le Marché	7	0	0
SuperValu	1	10	0
T&T Supermarket Inc.	22	0	0
Valu-mart	0	59	0
Your Independent Grocer	0	64	0
Loblaw City Market	0	1	0
Zehrs	44	0	0
Atlantic Superstore	50	0	0
Dominion[6] (in Newfoundland and Labrador)	11	0	0
Other	0	2	0
Discount			
Extra Foods	40	16	0
Maxi	89	0	0
Maxi & Cie	23	0	0
nofrills	0	227	0
Box by nofrills	0	2	0
Real Canadian Superstore	113	0	0
Shoppers Drug Mart			
Shoppers Drug Mart/Pharmaprix	15	0	1242
Shoppers Home Health Care	62	0	0
Shoppers Simply Pharmacy/Pharmaprix Simplement Santé	50	0	2
Murale	6	0	0
Wholesale			
Cash & Carry	16	0	0
Presto	11	0	0
The Real Canadian Wholesale Club	32	0	0
Apparel			
Joe Fresh	10	0	0
Joe Fresh US	7	0	0
Total	691	508	1244

The average store size as at the end of the first quarter of 2014 for corporate stores and franchised stores was 66,100 and 29,500 square feet, respectively. Over the last three years, the average store size for corporate grocery stores has increased by approximately 1.7%, while the average store size for franchised grocery stores has

[5] In addition, Loblaw services affiliated independent grocery stores and independent accounts.
[6] Trademark used under license.

increased by approximately 0.3%. At the end of the first quarter of 2014, the average store size of Shoppers Drug Mart Associate-owned drug stores was 10,600 square feet, representing an increase of 4.4% over the last three years.

Loblaw's preferred strategy, including through Choice Properties, is to purchase land for future store locations. At the end of the first quarter of 2014, Loblaw owned 73% of the real estate on which its corporate grocery stores are located, 45% of the real estate on which franchised grocery stores are located, as well as various properties under development or held for future development. The total square footage of the owned corporate and franchised stores is approximately 26.8 million square feet and 6.8 million square feet, respectively. All Shoppers Drug Mart Associate-owned drug stores are leased, with the exception of 26 stores which are located on properties which Loblaw owns. Associate-owned drug stores are leased from a diverse group of lessors, and most are leased on a long-term basis with staggered lease maturity dates.

Financial Services

Loblaw operates 186 *President's Choice Financial* services kiosks in retail grocery stores across the country. In addition, Loblaw operates prepaid cellular end caps in over 450 of its grocery stores across the country. *The Mobile Shop* full service locations, operated by third-party providers, are located in over 180 of Loblaw's grocery stores across the country.

<u>Competitive Environment</u>

Retail

The retail industry in Canada is highly competitive. If Loblaw is ineffective in responding to consumer trends or in executing its strategic plans, its financial performance could be negatively affected.

Loblaw's competitors include supermarket and retail drug store operators, as well as mass merchandisers, warehouse clubs, on-line retailers, mail order prescription drug distributors, limited assortment stores, discount stores, convenience stores and specialty stores. Many of these competitors now offer a selection of food, drugstore and general merchandise. Others remain focused on supermarket-type merchandise. Loblaw is subject to competitive pressures from new entrants into the marketplace and from the expansion or renovation of existing competitors, particularly those expanding into the grocery market.

Financial Services

The Canadian bank card market is highly regulated and competitive. Over the past five years, two significant retail issuers sold their portfolios to major Canadian banks, a major Canadian telecommunications provider has applied to the federal government for a banking license and a major Canadian bank has announced partnerships with two large Canadian retailers. As the market competition increases, customer expectations are being redefined, which include good value, exceptional service and programs that reward them for their loyalty. PC Bank, as the issuer of *President's Choice Financial* MasterCard, competes in this market. The unique value proposition of free groceries enables *President's Choice Financial* MasterCard to compete with the other players in the market. Loblaw's inability to meet these customer expectations, predict market activity or compete effectively could adversely affect Loblaw's ability to achieve its objectives.

Loblaw's personal banking services and GIC program compete with comparable products offered by banks and other financial institutions and are issued on terms and conditions that are competitive with such other products.

PC Bank operates in a highly regulated environment and a failure by it to comply, understand, acknowledge and effectively respond to the regulators could result in monetary penalties, regulatory intervention and reputational damage.

Choice Properties

Choice Properties, as one of the largest public real estate entities in Canada, competes with other investors, managers and owners of properties. The key assets that real estate entities compete for are stable tenants and real estate properties for purchase or development. To compete for tenants with desirable covenants, real estate entities typically differentiate themselves by location, age of building, merchandising and operational efficiency. As for real estate assets, competition is based on financial and other resources as well as operating flexibility. Choice Properties is well-positioned to compete in the Canadian real estate sector with a market leading anchor as its principal tenant, well-located sites and a strong balance sheet.

Customers

Loblaw's customers comprise a wide cross-section of consumers across Canada. Loblaw is not dependent upon a small number of customers or any single customer.

Control Brand Products

Loblaw has developed a successful line of control brand products and services that are sold or made available in its corporate, franchised and affiliated independent grocery stores and Shoppers Drug Mart Associate-owned drug stores and are available on a limited basis to certain independent customers. Loblaw's experienced product development team works closely with third-party vendors in developing and manufacturing products for its control brands.

Loblaw markets control brand products in the food, health and beauty, apparel and general merchandise categories under brand names, including: *President's Choice, PC, no name, Joe Fresh, PC Organics, Blue Menu, PC* black label, *Club Pack, Free From, The Decadent, PC G.R.E.E.N, PC Nutrition First, Exact, T&T, Teddy's Choice, Tera Gear, Jump Kids World,* and *Everyday Essentials*. With the acquisition of Shoppers Drug Mart, Loblaw now offers consumers additional control brand products marketed under various trademarks, including *Life Brand*, which is Shoppers Drug Mart's most recognized control brand. There were more than 8,000 different items and sizes of control brand and exclusive brand products offered by Shoppers Drug Mart in 2013.

Loblaw's goal is to provide iconic leading brands to its customers, to drive customer loyalty through its control brand products and differentiate through innovation. *President's Choice* and *no name* are Canada's #1 and #2 consumer brands[7]. Aligned with these goals, Loblaw offers close to 500 *Blue Menu* products, more than 280 *PC* black label products and over 360 products under the *PC Organics* label.

A selection of control brand general merchandise items has been developed as part of Loblaw's general merchandise offering. These products cater to all areas of the home including kitchen, home décor, bath, bed and seasonal categories. In recent years, Loblaw has reset the general merchandise assortment in its grocery stores in favour of offering an enhanced selection of merchandise in four key areas: Apparel, Beauty, Home and Kids. This strategy was implemented in order to better align the general merchandise selection with Loblaw's food offering and the needs of its primary customers.

[7] Source: Nielsen MarketTrack, Total Tracked Sales (Excl. Competitors' Control Brands), 52-week period ending December 14, 2013, for the National All Channels (Excl. Nfld) market, Copyright © 2013, The Nielsen Company.

Marketing

Loblaw sells a wide variety of national brands and the marketing of these brands is accomplished primarily through promotion in-flyer, or through promotional activity in-store in collaboration with the national brands suppliers. The *President's Choice* and the *Joe Fresh* brands receive significant advertising presence on television, in print, in major magazine publications and on the internet. Loblaw has also participated in Toronto Fashion Week to promote its *Joe Fresh* apparel brand.

Loblaw's control brand offering continues to be supported by marketing campaigns featuring the best that the *President's Choice* brand has to offer, including innovative new products to meet the changing needs of consumers and signature products that have been delighting Canadians for years, all providing the exceptional quality and value our customers expect from the *President's Choice* brand. Loblaw has begun the journey from traditional mass marketing to becoming a digital marketing organization. The website: www.pc.ca had over 3 million visitors in 2013, consuming over 14 million pages of content and the launch of the PC Plus program has created a digital marketing infrastructure that will enable Loblaw to directly engage millions of Canadians.

Over the last few years, Loblaw has placed a greater emphasis on public relations campaigns and event marketing. In 2011 and 2012, the Food Network Canada reality television series "Recipe to Riches" featured the *President's Choice* brand. As part of the show, at-home chefs presented innovative recipes to a panel of judges for the chance to have their recipes developed into products sold under the *President's Choice* brand. In 2013, Loblaw launched a number of advertising campaigns focusing on *President's Choice* innovations like *Free From* meats, *PC Organics* baby food and *Nutrition First* pet food and featured Galen Weston, Loblaw's Executive Chairman, as spokesperson. The PC black label campaign inspired Canadians to explore their inner foodies and try this new gourmet line of foods.

In 2013, Loblaw continued the roll-out of an integrated marketing plan with a greater focus on digital, customer-specific marketing initiatives. In May, Loblaw launched a new loyalty marketing platform, PC Plus, in a pilot in 44 Loblaws stores in Ontario. Following the successful pilot, the program was expanded across Loblaw's entire conventional network as well as the Real Canadian Superstore network in November 2013.

Loblaw also revamped its digital marketing infrastructure to enable a nimbler, more integrated digital go-to-market approach. The www.pc.ca and www.loblaws.ca websites were re-launched on the new platform with other banners to follow this migration in 2014. Loblaw also uses social media channels such as Facebook, Twitter, and Pinterest to reach more Canadians quickly and more cost effectively than ever before.

Intellectual Property

Loblaw has established procedures to register or otherwise protect its intellectual property including the trademarks used in its store-trading or banner names and those associated with its control brand programs. Store-trading or banner names are associated with specific retail concepts and are important to corporate, franchised and Associate-owned drug store operations. Loblaw's trademarks used in connection with its control brand program are discussed under the "Retail" and "Financial Services" sections of this AIF. Other intellectual property of Loblaw includes domain names, packaging designs and product formulations and specifications. The intellectual property rights associated with and used in connection with Loblaw's business are important assets and are defended vigorously. Certain of Loblaw's trademarks are licensed to third-party service providers, primarily in connection with *President's Choice Financial* services.

Information Technology

Loblaw uses various systems to support the major functional aspects of its business. The IT team provides support, maintenance and development services for these systems and manages the strategic direction of Loblaw's IT functions. Loblaw is currently undergoing a major upgrade of its IT systems, as described elsewhere in this AIF.

Loblaw operates POS technology that connects to a suite of in-store management tools for functions such as labour management, product ordering and inventory management. Warehouses are equipped with inventory management systems that facilitate picking and shipping. In addition, support tools are maintained for major functional areas of Loblaw's business such as merchandising, finance, human resources and marketing.

Loblaw maintains a secure, chain-wide network that transmits data between its stores, distribution centres and corporate offices and carries debit and credit transactional information from stores to Loblaw's provider of credit card clearing services.

Supply Chain

Loblaw's Retail supply chain is responsible for the flow of goods and information between its vendors and suppliers and Loblaw's distribution centres and ultimately to its stores. In some cases certain goods flow directly to Loblaw's stores from the vendors. Loblaw continuously evaluates its methods of distribution including its relationship with vendors and suppliers, technology, facilities and modes of transportation. When appropriate, Loblaw implements changes to its supply chain infrastructure to ensure a continued, reliable and cost efficient system.

Loblaw's Retail supply chain and distribution network is comprised of a total of 27 warehouses and distribution centres. Third-party logistics service providers are used at several of these distribution centres. Loblaw uses various modes of transportation including its own trucking fleet and third-party common carriers, railways and ships. Loblaw is not dependent on any one third-party transport provider.

Seasonality

Loblaw's Retail operations as they relate to food, specifically inventory levels, sales volume and product mix, are impacted to some degree by certain holiday periods in the year. Certain general merchandise offerings are subject to more seasonal fluctuations.

Foreign Operations

JFS Inc., a wholly owned subsidiary of Loblaw, operates Loblaw's apparel business in the United States and JFI Global Purchasing Limited, a wholly owned subsidiary of Loblaw, operates Loblaw's apparel business internationally. Loblaw is not dependent on these operations.

Colleagues

As of June 2, 2014, Loblaw, through its subsidiaries, franchisees and Associates employed approximately 193,000 full-time and part-time employees. A majority of the Company's grocery store level and related distribution centre colleagues are unionized. Currently, the unionized workforce employed by the Company and certain of its franchisees is covered by a total of 358 collective agreements with 17 unions.

Lending

The PC Bank Board of Directors has approved risk management policies that provide governance and oversight to effectively manage and control existing and potential credit risks involved in extending credit to *President's Choice Financial* MasterCard customers. In order to minimize the associated credit risk, PC Bank employs advanced credit scoring tools, stringent credit card portfolio monitoring, and technology that produces an effective account management and collection process.

Corporate Social Responsibility

Loblaw is an active, contributing citizen of the communities in which it operates – helping feed Canadians, creating jobs, giving to community programs, supporting local vendors, sourcing products responsibly, and minimizing its impact on the environment. By making these positive contributions, it will become the preferred choice of its customers and the preferred partner of its suppliers. This in turn drives strong business performance and gives Loblaw the means to make the right contributions as a responsible corporate citizen.

Loblaw's approach to Corporate Social Responsibility ("CSR") remains rooted in the five principles of social responsibility – *Respect the Environment*, *Source with Integrity*, *Make a Positive Difference in Our Community*, *Reflect Our Nation's Diversity* and *Be a Great Place to Work*.

Loblaw publishes its CSR objectives and progress annually in a public document. The seventh CSR Report was released May 1, 2014 and can be found at www.loblaw.ca.

V. PRIVACY AND ETHICS

The Company is committed to managing its activities in an ethical and proper manner in all respects. Each of GWL (on its own behalf and on behalf of Weston Foods) and Loblaw has adopted a Code of Conduct, which their respective employees and directors are required to acknowledge on a regular basis, setting out the Company's expectations for ethical and appropriate behaviour. In 2012, as part of management's on-going review of the Company's governance practices, the Company undertook an enterprise-wide redraft of the Codes of Conduct of GWL and Loblaw.

The Company has in place an Ethics and Conduct Committee, comprised of senior management, which monitors compliance with the Code and determines how the Company can best ensure that it is conducting its business in an ethical manner. The Company encourages reporting of unethical conduct and has established a toll-free anonymous response line, which can be used by employees to report suspected accounting, internal control or auditing irregularities and unethical behaviour impacting the Company.

Loblaw has also adopted a Vendor Code of Conduct which outlines its ethical expectations to its vendor community in a number of areas, including social responsibility.

The Company's information systems contain personal information of customers, cardholders and employees. The Company is subject to various laws regarding the protection of personal information of its customers, cardholders and employees and has a Privacy Policy that sets out the guidelines for protecting the privacy of personal information. Loblaw has its own Privacy Code. Any failure or vulnerabilities in the security of these information systems or failure of the Company to adhere to its policies, the law or ethical business practices could significantly affect its reputation and brands and could, therefore, adversely affect the Company's financial performance.

VI. OPERATING AND FINANCIAL RISKS AND RISK MANAGEMENT

Risk Management

The Company is committed to establishing a framework that ensures risk management is an integral part of its activities. To ensure the continued growth and success of the Company, risks are identified and managed through GWL's and LCL's Enterprise Risk Management ("ERM") programs. The Board and the board of directors of LCL (the "LCL Board"), respectively, have approved an ERM policy and oversee the ERM program through approval of the Company's risks and risk prioritization. The ERM program assists all areas of the business in managing appropriate levels of risk tolerance by bringing a systematic approach, methodology and tools for evaluating, measuring and monitoring key risks. The results of the ERM program and other business planning processes are used to identify emerging risks to the Company, prioritize risk management activities and develop a risk-based internal audit plan.

Risks are not eliminated through the ERM program. Risks are identified and managed within understood risk tolerances. The ERM program is designed to:

- promote a culture of awareness of risk management and compliance within the Company;
- facilitate corporate governance by providing a consolidated view of risks across the Company and insight into the methodologies for identification, assessment, measurement and monitoring of the risks;
- assist in developing consistent risk management methodologies and tools across the organization; and
- enable the Company to focus on its key risks in the business planning process and reduce harm to financial performance through responsible risk management.

Risk identification and assessments are important elements of the Company's ERM framework. An annual ERM assessment is completed to assist in the update and identification of internal and external risks, which may be both strategic and operational in nature. Key risks affecting the Company are prioritized under six categories: strategic; financial; operational (including safety); regulatory; human capital; and reputational risks. The annual ERM assessment is carried out through interviews, surveys and facilitated workshops with management and the GWL or LCL Boards. Risks are assessed and evaluated based on the Company's vulnerability to the risk and the potential impact that the underlying risks would have on the Company's ability to execute its strategies and achieve its objectives. Risk owners are assigned relevant risks and key risk indicators are developed. At least semi-annually, management provides an update to a committee of the GWL or LCL Boards on the status of the key risks based on significant changes from the prior update, anticipated impacts in future quarters and significant changes in key risk indicators. In addition, the long-term risk level is assessed to monitor potential long-term risk impacts, which may assist in risk mitigation planning activities.

Accountability for oversight of the management of each risk is allocated by the GWL or LCL Boards either to the full Boards or to committees of the Boards.

The strategic, financial, operational (including safety), regulatory, human capital and reputational risks and risk management strategies are discussed below. Any of these risks has the potential to negatively affect the Company and its financial performance. The Company has risk management strategies, including insurance programs. However, there can be no assurance that the associated risks will be mitigated or will not materialize or that events or circumstances will not occur that could negatively affect the reputation, operations or financial condition or performance of the Company.

Operating Risks

Acquisition of Shoppers Drug Mart

On March 28, 2014, LCL acquired all of the outstanding shares of Shoppers Drug Mart. The successful implementation of the acquisition will depend on a number of factors including significant effort on the part of management of the Company. Failure to realize the anticipated strategic benefits or operational, competitive and cost synergies could adversely affect the reputation, operations and financial performance of the Company.

Systems Implementations

Loblaw continues to undertake a major upgrade of its IT infrastructure. Completing the IT systems deployment will require continued focus and investment. Failure to successfully migrate from legacy systems to the new IT systems or a significant disruption in Loblaw's current IT systems during the implementation of the new IT systems, could result in a lack of accurate data to enable management to effectively manage day-to-day operations of the business or achieve its operational objectives, causing significant disruptions to the business and potential financial losses. Failure to implement appropriate processes to support the new IT systems could result in inefficiencies and duplication in processes, which could adversely affect the reputation, operations and financial performance of the Company.

Pharmacy Industry Regulation

With the acquisition of Shoppers Drug Mart, Loblaw is reliant on prescription drug sales for a more significant portion of its sales and profits. Prescription drugs and their sales are subject to numerous federal, provincial, territorial and local laws and regulations. Changes to these laws and regulations, or non-compliance with these laws and regulations, could adversely affect the reputation, operations and financial performance of the Company.

Federal and provincial laws and regulations that establish the public drug plans typically regulate prescription drug coverage, patient eligibility, pharmacy reimbursement, drug product eligibility, drug pricing and may also regulate manufacturer allowance funding that may be provided to or received by pharmacy or pharmacy suppliers. With respect to pharmacy reimbursement, such laws and regulations typically regulate the allowable drug cost of a prescription drug product, the permitted mark-up on a prescription drug product and the professional or dispensing fees that may be charged on prescription drug sales to patients eligible under the public drug plan. With respect to drug product eligibility, such laws and regulations typically regulate the requirements for listing the manufacturer's products as a benefit or partial benefit under the applicable governmental drug plan, drug pricing and, in the case of generic prescription drug products, the requirements for designating the product as interchangeable with a branded prescription drug product. In addition, other federal, provincial, territorial and local laws and regulations govern the approval, packaging, labelling, sale, marketing, advertising, handling, storage, distribution, dispensing and disposal of prescription drugs.

Sales of prescription drugs, pharmacy reimbursement and drug prices may be affected by changes to the health care industry, including legislative or other changes that impact patient eligibility, drug product eligibility, the allowable cost of a prescription drug product, the mark-up permitted on a prescription drug product, the amount of professional or dispensing fees paid by third-party payers or the provision or receipt of manufacturer allowances by pharmacy and pharmacy suppliers. The majority of prescription drug sales are reimbursed or paid by third-party payers, such as governments, insurers or employers. These third-party payers have pursued and continue to pursue measures to manage the costs of their drug plans. Each provincial jurisdiction has implemented legislative and/or other measures directed towards managing pharmacy service costs and controlling increasing drug costs incurred by public drug plans and private payers which impact pharmacy reimbursement levels and the availability of manufacturer allowances. Legislative measures to control drug costs include lowering of generic drug pricing, restricting or prohibiting the provision of manufacturer allowances and placing limitations on private label prescription drug products. Other measures that have been implemented by certain government payers include restricting the number of interchangeable prescription drug products which are eligible for reimbursement under provincial drug plans. Additionally, the Council of the Federation, an institution created by the provincial Premiers in 2003 to collaborate on intergovernmental relations, continue their work regarding cost reduction initiatives for pharmaceutical products and services.

Legislation in certain provincial jurisdictions establish listing requirements that ensure that the selling price for a prescription drug product will not be higher than any selling price established by the manufacturer for the same prescription drug product under other provincial drug insurance programs. In some provinces, elements of the laws and regulations that impact pharmacy reimbursement and manufacturer allowances for sales to the public drug plans are extended by legislation to sales in the private sector. Also, private third-party payers (such as corporate employers and their insurers) are looking or may look to benefit from any measures implemented by government payers to reduce prescription drug costs for public plans by attempting to extend these measures to prescription drug plans they own or manage. Accordingly, changes to pharmacy reimbursement and manufacturer allowances for a public drug plan could also impact pharmacy reimbursement and manufacturer allowances for private sector sales. In addition, private third-party payers could reduce pharmacy reimbursement for prescription drugs provided to their members or could elect to reimburse members only for products included on closed formularies or available from preferred providers.

Ongoing changes impacting pharmacy reimbursement programs, prescription drug pricing and manufacturer allowance funding, legislative or otherwise, are expected to continue to put downward pressure on prescription drug sales. These changes may have a material adverse impact on Loblaw's operations, revenues and financial performance. In addition, Loblaw could incur significant costs in the course of complying with any changes in the regulatory regime affecting prescription drugs. Non-compliance with any such existing or proposed laws or regulations, particularly those that provide for the licensing and conduct of wholesalers, the licensing and conduct of pharmacists, the regulation and ownership of pharmacies, the advertising of pharmacies and prescription services, the provision of information concerning prescription drug products, the pricing of prescription drugs and restrictions on manufacturer allowance funding, could result in audits, civil or regulatory proceedings, fines, penalties, injunctions, recalls or seizures, any of which could adversely affect the reputation, operations and financial performance of the Company.

Inventory Management and Valuation

Loblaw values merchandise inventories at the lower of cost and net realizable value and uses the retail method to measure the cost of the majority of its grocery store inventories. With the upgrade of its IT infrastructure, Loblaw expects to complete the conversion of its corporate grocery stores to a perpetual inventory management system in 2014. The implementation of a perpetual inventory system, combined with visibility to integrated costing information provided by the new IT systems, will enable Loblaw to estimate the cost of inventory using a system-generated weighted average cost. Any changes as a result of this implementation could be material and could negatively affect the carrying amount of Loblaw's inventory, which in turn, could adversely affect the financial performance of the Company.

Change Management

Significant initiatives within the Company, including the execution of Loblaw's IT infrastructure plan, and implementing the acquisition of Shoppers Drug Mart, are underway. Ineffective change management could result in disruptions to the operations of the business or negatively affect the ability of the Company to implement and achieve its long-term strategic objectives. Failure to properly integrate several large, complex initiatives in a timely manner will adversely impact the operations of the Company. If employees are not able to develop and perform new roles, processes and disciplines, the Company may not achieve the expected cost savings and other benefits of its initiatives. Failure to properly execute the various processes will increase the risk of customer dissatisfaction, which in turn could adversely affect the reputation, operations and financial performance of the Company.

Information Integrity and Reliability

Management depends on relevant and reliable information for decision making purposes, including key performance indicators and financial reporting. A lack of relevant and reliable information that enables management to effectively manage the business could preclude the Company from optimizing its overall performance. Any significant loss of data or failure to maintain reliable data could adversely affect the reputation, operations and financial performance of the Company.

Availability, Access and Security of Information Technology

The Company is reliant on the continuous and uninterrupted operations of its IT systems. Point of sale availability, 24/7 user access and security of all IT systems, including distribution of prescription drugs and reimbursement by third-party payors, are critical elements to the operations of the Company. Any IT failure pertaining to availability, access or system security could result in disruption for the customer and could adversely affect the reputation, operations and financial performance of the Company.

Product Safety and Public Health

The Company is subject to risks associated with product safety and defects, including the Company's control brand and contract manufactured products. The Company could be adversely affected in the event of a significant outbreak of food-borne illness or other public health concerns related to food, health and wellness, including pharmaceuticals, or general merchandise products (including baked goods). The occurrence of such events or incidents could result in harm to customers, negative publicity or damage to the Company's brands and could lead to unforeseen liabilities from legal claims or otherwise. Failure to trace or locate any contaminated or defective products and ingredients could affect the Company's ability to be effective in a recall situation. Any of these events, as well as the failure to maintain the cleanliness and health standards at Loblaw's store level, could adversely affect the reputation, operations and financial performance of the Company.

Labour Relations

The Company's workforce is comprised of both unionized and non-union employees. With respect to those employees that are covered by collective agreements, there can be no assurance as to the outcome of any negotiations to renew any such agreements on satisfactory terms. Failure to renegotiate collective agreements could result in strikes, work stoppages or interruptions, and if any of these events were to occur, they could adversely affect the reputation, operations and financial performance of the Company. If non-unionized employees become subject to collective agreements, the terms of any new collective agreements would have implications for the affected operations, and those implications could be material.

Competitive Environment

Weston Foods' competitors include multi-national food processing companies, as well as national and smaller-scale bakery operations in Canada and the U.S.

Loblaw's competitors include supermarket and retail drug store operators, as well as mass merchandisers, warehouse clubs, on-line retailers, mail order prescription drug distributors, limited assortment stores, discount stores, convenience stores and specialty stores. Many of these competitors now offer a selection of food, drugstore and general merchandise. Others remain focused on supermarket-type merchandise. Loblaw is subject to competitive pressures from new entrants into the marketplace and from the expansion or renovation of existing competitors, particularly those expanding into the grocery market.

The Company's inability to effectively predict market activity or compete effectively with its current or future competitors could result in, among other things, reduced market share and lower pricing in response to its competitors' pricing activities. Failure by Weston Foods or Loblaw to sustain their competitive position could adversely affect the financial performance of the Company.

Consumer and Retail Customer Trends

The baking industry continues to experience a decline in the consumption of traditional products as consumer eating and buying preferences continue to trend towards healthier, more nutritious, value-added and convenience offerings. In addition, retail customer trends are evolving in order to deliver products that satisfy changing consumer preferences in a highly competitive environment. Failure of Weston Foods to anticipate and react to shifting consumer and retail customer trends and preferences through successful innovation and enhanced manufacturing capability could adversely affect the financial performance of the Company.

Economic Environment

Economic factors that impact consumer spending patterns could deteriorate or remain unpredictable due to global, national or regional economic volatility. These factors could negatively affect the Company's revenue and margins. Inflationary trends are unpredictable and changes in the rate of inflation or deflation will affect consumer prices, which in turn could adversely affect the financial performance of the Company.

Regulatory and Tax

Changes to any of the laws, rules, regulations or policies (collectively “laws”) applicable to the Company’s business, including laws affecting all types of taxes, and laws affecting the production, processing, preparation, distribution, packaging and labelling of products, could have an adverse impact on the financial or operational performance of the Company. In the course of complying with such changes, the Company could incur significant costs. Changing laws or interpretations of such laws or enhanced enforcement of existing laws could restrict the Company’s operations or profitability and thereby threaten the Company’s competitive position and ability to efficiently conduct business. Failure by the Company to comply with applicable laws and orders in a timely manner could subject the Company to civil or regulatory actions or proceedings, including fines, assessments, injunctions, recalls or seizures, which in turn could adversely affect the reputation, operations and financial performance of the Company.

The Company is subject to tax audits from various government and regulatory agencies on an ongoing basis. As a result, from time to time, taxing authorities may disagree with the positions and conclusions taken by the Company in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments. These reassessments could have a material impact on the Company in future periods. In 2012, Loblaw received indication from the Canada Revenue Agency (the “CRA”) that it intends to proceed with a reassessment of the tax treatment of Loblaw’s wholly owned subsidiary, Glenhuron Bank Limited. At this stage, no reassessment has yet been received, and accordingly, it is not possible to quantify the amount of any potential reassessment. While Loblaw does not expect the ultimate outcome to be material, such matters cannot be predicted with certainty and could result in a material charge in future periods.

During 2010, GWL received a reassessment from the CRA challenging GWL’s characterization of a gain reported in a previous year’s tax return filing. Should the CRA be successful in its assertion, the maximum exposure to the Company’s net earnings would be approximately $66 million. GWL is vigorously defending its filing position. A trial date has been set for August 2014. No amount has been provided for in the Company’s financial statements.

PC Bank operates in a highly regulated environment and a failure by it to comply, understand, acknowledge and effectively respond to applicable regulators could result in monetary penalties, regulatory intervention and reputational damage.

Choice Properties is currently classified as a "unit trust" and a "mutual fund trust" under the Income Tax Act. It also qualifies for the Real Estate Investment Trust Exception under the Income Tax Act and as such is not subject to specified investment flow-through rules. Should Choice Properties cease to qualify for these and other classifications and exceptions, the taxation of Choice Properties and its unitholders, including Loblaw and certain wholly owned subsidiaries of GWL, could be materially adversely different in certain respects, and therefore could have a material adverse effect on the trading price of the Units.

Legal Proceedings

As part of its normal course of operations, the Company is involved in and potentially subject to a variety of legal claims and proceedings. With the acquisition of Shoppers Drug Mart, Loblaw is the subject of a class action brought by two licensed Associates. The claim seeks damages in the amount of $500 million based on alleged breaches of the Associate Agreement with Shoppers Drug Mart. At this stage of the proceedings, any potential liability and the quantum of any loss cannot be determined. Since litigation is inherently uncertain, the outcome of this class action, and all other litigation proceedings and claims remains uncertain. However, based on information currently available, these matters, individually and in the aggregate, are not expected to have a material impact on the Company. In the event that management's assessment of materiality of current claims and proceedings proves inaccurate or litigation that is material arises in the future, there may be a material adverse effect on the Company's operations, revenues and financial performance.

Merchandising

The Company could have goods and services that customers do not want or need, are not reflective of current trends in customers' tastes, habits or regional preferences, are priced at a level customers are not willing to pay, are late in reaching the market or do not have optimal commercial product placement on store shelves. Innovation is critical if the Company is to respond to customer demands and stay competitive in the market place. If merchandising efforts are not effective or are unresponsive to customer demands, the operations and financial performance of the Company will be adversely affected.

Vendor Management and Third-Party Service Providers

Certain aspects of the Company's business rely on third-party providers, including offshore vendors in both mature and developing markets, to provide the Company with goods and services. Offshore sourcing increases certain risks to the Company, including risks associated with food safety and general merchandise product defects, non-compliance with ethical business practices and inadequate supply of products. The Company has no direct influence over how vendors are managed. Negative events affecting vendors or suppliers or inefficient, ineffective or incomplete vendor management strategies, policies and/or procedures could adversely impact the Company's reputation and impair the Company's ability to meet customer needs or control costs and quality, which could adversely affect the reputation, operations and financial performance of the Company.

The Company also uses third-party suppliers, carriers, logistic service providers and operators of warehouses and distribution facilities, including for product development, design and sourcing of Loblaw's control brand apparel products and Weston Foods' baked goods products. Ineffective selection, contract terms or relationship management could impact the Company's ability to source Weston Food's third-party manufactured products or Loblaw's control brand products, to have products available for customers, to market to customers or to operate efficiently and effectively. Disruption in services from third-party suppliers could interrupt the delivery of merchandise to stores, thereby adversely affecting the operations and financial performance of the Company.

President's Choice Financial banking services are provided by a major Canadian chartered bank. PC Bank uses third-party service providers to process credit card transactions, operate call centres and operationalize certain risk management strategies for the *President's Choice Financial* MasterCard. A significant disruption in the services provided by the chartered bank or by third-party service providers would adversely affect the financial performance of PC Bank and the Company.

The Company relies on third-parties for investment management, custody and other services for its cash equivalents, short-term investments, security deposits and pension assets. Any disruption in the services provided by these suppliers could adversely affect the return on these assets or the liquidity of the Company.

Employee Retention and Succession Planning

Effective succession planning for senior management and the ability to attract and retain key personnel are essential to sustaining the growth and success of the Company. In addition, failure to retain senior management can be a significant risk to the Company's business strategy. If the Company is not effective in establishing appropriate succession planning processes and retention strategies, it could lead to a lack of requisite knowledge, skills and experience on the part of management. This, in turn, could adversely affect the Company's ability to execute its strategies, and could adversely affect its reputation, operations and financial performance.

Ability to Attract and Retain Pharmacists

The Company is dependent upon the ability to attract, motivate and retain pharmacists for Shoppers Drug Mart Associate-owned drug stores and in-store pharmacies. The inability to attract and retain pharmacists could adversely affect the reputation, operations and financial performance of the Company.

Distribution and Supply Chain

Failure to continue to improve the Company's supply chain could adversely affect the Company's capacity to effectively and efficiently attract and retain current and potential customers. Any delay or disruption in the flow of goods to stores could adversely affect the operations and financial performance of the Company.

Disaster Recovery and Business Continuity

The Company's ability to continue critical operations and processes could be negatively impacted by adverse events resulting from various incidents, including severe weather, work stoppages, prolonged IT systems failure, power failures, border closures, a pandemic or other national or international catastrophe. Business interruptions, crises or potential disasters, could adversely affect the reputation, operations and financial performance of the Company.

Privacy and Information Security

The Company's IT systems contain personal information of customers, cardholders and employees. The Company's IT systems could be compromised by unauthorized parties attempting to extract business sensitive or confidential information, corrupting information or disrupting business processes or by inadvertent or intentional actions by the Company's employees or vendors. A cybersecurity incident resulting in a security breach or failure to identify a cybersecurity threat, could disrupt business and could result in the loss of business sensitive or confidential information or other assets, as well as litigation, regulatory enforcement, violation of privacy and security laws and regulations and remediation costs. Any failures or vulnerabilities in these systems or non-compliance with laws or regulations could adversely affect the reputation, operations and financial performance of the Company.

Commodity Prices

Weston Foods costs are directly impacted by fluctuations in the prices of commodity linked raw materials such as wheat flours, sugars, vegetable oils, cocoa powders and chocolate. Loblaw is also exposed to fluctuations in the commodity prices as a result of the indirect link between commodities and the cost of consumer products. In addition, both Weston Foods and Loblaw are exposed to increases in the prices of energy in operating, in the case of Weston Foods, its bakeries and distribution networks, and, in the case of Loblaw, its stores and distribution networks. High commodity prices could adversely affect the financial performance of the Company.

Franchisee Independence and Relationships

A significant portion of Loblaw's revenues and earnings comes from amounts paid by franchisees of its grocery store operations. Franchisees and independent operators are independent businesses and, as a result, their operations may be negatively affected by factors beyond Loblaw's control, which in turn could negatively affect the reputation, operations and financial performance of the Company. Revenues and earnings could also be negatively affected, and Loblaw's reputation could be harmed, if a significant number of franchisees were to experience operational failures, health and safety exposures or were unable to pay Loblaw for products, rent or fees. Loblaw's franchise system is also subject to franchise legislation enacted by a number of provinces. Any new legislation or failure to comply with existing legislation could negatively affect operations and could add administrative costs and burdens, any of which could affect Loblaw's relationship with its franchisees. Relationships with franchisees could pose significant risks if they are disrupted, which could negatively affect the reputation, operations and financial performance of the Company. Supply chain or system changes by the Company could cause or be perceived to cause disruptions to franchise operations and could result in negative effects on franchisee financial performance. In addition, reputational damage or adverse consequences for Loblaw, including litigation and disruption to revenue from franchise stores, could result.

Associate-owned Drug Store Network and Relationships with Associates

The success of Loblaw and the reputation of its brands are closely tied to the performance of the Shoppers Drug Mart Associate-owned drug stores. Accordingly, Loblaw relies on Associates to successfully operate, manage and execute retail programs and strategies at their respective drug store locations. Associates are independent business operators and the success of the operations and financial performance of their respective drug stores may be beyond Loblaw’s control. In addition, Associates operate in the same regulatory framework as described above under “Franchisee Independence and Relationships”. Disruptions to Loblaw’s relationships with Shoppers Drug Mart Associate-owned drug stores or changes in legislation could negatively affect revenue from Associates, which in turn, could adversely affect the reputation, operations and financial performance of the Company.

Alternative Arrangements for Sourcing Generic Drug Products

As the utilization rate of generic prescription drugs increases, Loblaw is pursuing alternative sourcing and procurement models for generic prescription drug products. As part of this alternative sourcing and procurement initiative, Loblaw has entered into contracts for the fabrication of private label generic prescription drug products. These alternative sourcing and procurement models contain certain additional risks beyond those associated with Loblaw’s conventional procurement strategy. The most significant of these additional risks are product liability and intellectual property infringement. Product liability claims may arise in the event that the use of Loblaw’s products cause, or are alleged to have caused, any injury to consumers. Intellectual property infringement claims may arise in the event that Loblaw’s products infringe or violate, or are alleged to infringe or violate, the patents or other intellectual property rights of any third parties, including the brand manufacturer. Both product liability and intellectual property infringement claims could be costly to defend and could result in significant liabilities and monetary damages. Failure to successfully implement these alternative sourcing and procurement models could adversely affect the reputation, operations and financial performance of Loblaw.

In addition, the market for generic prescription drug products and eligibility for reimbursement from governmental and other third-party payers will depend on the extent to which the products are designated as interchangeable with the branded products and are included as a benefit on the public drug plans in Canada. These interchangeability designations and benefit listings are highly regulated and will be dependent on the products and the procurement model meeting the regulatory requirements. If the demand for generic products is negatively affected by fewer designations, it could adversely affect the reputation, operations and financial performance of Loblaw.

Environmental

The Company maintains a large portfolio of real estate and other facilities and is subject to environmental risks associated with the contamination of such properties and facilities, whether by previous owners or occupants, neighbouring properties or by the Company itself.

In particular, the Company has a number of underground storage tanks, the majority of which are used for the retailing of automotive fuel or for its distribution and supply chain transport fleets. Contamination resulting from leaks from these tanks is possible. The Company also operates refrigeration equipment in Weston Foods' production facilities and in Loblaw's stores and distribution centres to preserve perishable products as they pass through the supply chain and ultimately to customers. These systems contain refrigerant gases which could be released if the equipment fails or leaks. A release of these gases could have adverse effects on the environment. Failure to properly manage any of these environmental risks could adversely affect the reputation, operations and financial performance of the Company.

The Company is subject to legislation that imposes liabilities on retailers, brand owners and importers for costs associated with recycling and disposal of consumer goods packaging and printed materials distributed to customers. There is a risk that the Company will be subject to increased costs associated with these laws.

In addition, the Company could be subject to increased or unexpected costs associated with environmental incidents and the related remediation activities, including litigation and regulatory related costs, all of which could adversely affect the reputation and financial performance of the Company.

Trademark and Brand Protection

A decrease in value of the Company's trademarks, banners or control brands, as a result of adverse events, including third-party infringement, changes to the branding strategies or otherwise, could adversely affect the reputation, operations and financial performance of the Company.

Defined Benefit Pension Plans

The Company manages the assets in its registered defined benefit pension plans by engaging professional investment managers who operate under prescribed investment policies and procedures in respect of permitted investments and asset allocations. Future contributions to the Company’s registered defined benefit pension plans are impacted by a number of variables, including the investment performance of the plans' assets and the discount rate used to value the liabilities of the plans. If capital market returns are below assumed levels, or if discount rates decrease, the Company could be required to make contributions to its registered funded defined benefit pension plans in excess of those currently expected, which in turn could adversely affect the financial performance of the Company.

Multi-Employer Pension Plans

In addition to the Company-sponsored pension plans, the Company participates in various MEPPs, providing pension benefits to union employees pursuant to provisions of collective bargaining agreements. Approximately 27% of employees of the Company and of its franchisees and Associates participate in these plans. These plans are administered by independent boards of trustees generally consisting of an equal number of union and employer representatives. In some circumstances, the Company has a representative on the board of trustees of these plans. The Company's responsibility to make contributions to these plans is limited by the amounts established pursuant to its collective agreements; however, poor performance of these plans could have an adverse impact on the Company's employees and former employees who are members of these plans or could result in changes to the terms and conditions of participation in these plans, which in turn could adversely affect the financial performance of the Company.

Loblaw, together with its franchisees, is the largest participating employer in the Canadian Commercial Workers Industry Pension Plan ("CCWIPP"), with approximately 53,000 employees as members. In 2013, Loblaw contributed $54 million to CCWIPP. The CCWIPP has historically been underfunded as the actuarial accrued benefit obligations have exceeded the value of the assets held in trust. Any benefit reductions would negatively affect the retirement benefits of Loblaw's employees, which in turn could negatively affect their morale and productivity and, in turn, could adversely affect the reputation of the Company.

Workplace Health and Safety

The Company recognizes that ensuring a healthy and safe workplace minimizes injuries and other risks colleagues may face in carrying out their duties, improves productivity and helps to minimize any liability or penalties which could be incurred in connection with workplace injuries. The Company has health and workplace safety programs in place and has established policies and procedures aimed at ensuring compliance with applicable legislative requirements. Failure to comply with established policies and procedures or applicable legislative requirements could result in increased workplace injury-related liability and penalties, which in turn, could adversely affect the reputation and financial performance of the Company.

Ethical Business Conduct

Negative publicity about the Company's business practices may involve different aspects of its operations and may include questions relating to ethics and integrity. The Company has adopted a Code of Conduct that reflects the Company's long-standing commitment to high standards of ethical conduct and business practices. Any violation of law or breach of the Company's policies including the Code of Conduct could significantly affect the Company's reputation and its ability to operate, which in turn, could adversely affect the financial performance of the Company.

Financial Risks

The Company is exposed to a number of financial risks, including those associated with financial instruments, which have the potential to affect its operating and financial performance. The Company uses over-the-counter derivative instruments to offset certain of these risks. Policies and guidelines prohibit the use of any derivative instrument for trading or speculative purposes. The fair value of derivative instruments is subject to changing market conditions which could adversely affect the financial performance of the Company.

Level of Indebtedness

To fund the cash portion of the Shoppers Drug Mart acquisition, Loblaw utilized excess cash and significantly increased its indebtedness. There can be no assurances that Loblaw will generate sufficient free cash flow to reduce indebtedness and maintain adequate cash reserves which could result in adverse consequences on its credit ratings and its cost of funding.

If GWL, LCL, PC Bank or Choice Properties' financial performance and condition deteriorate or downgrades in GWL's, LCL's or Choice Properties' current credit ratings occur, the ability to obtain funding from external sources could be restricted, which could adversely affect the financial performance of the Company.

Choice Properties' Capital Availability

The real estate industry is highly capital intensive. Choice Properties requires access to capital to maintain its properties, refinance its indebtedness as well as to fund its growth strategy and certain capital expenditures from time to time. Although Choice Properties expects to have access to its credit facility, there can be no assurance that it will otherwise have sufficient capital or access to capital on acceptable terms for future property acquisitions, refinancing indebtedness, financing or refinancing properties, funding operating expenses or for other purposes. Further, in certain circumstances, Choice Properties may not be able to borrow funds due to certain limitations. Failure by Choice Properties to access required capital could have a material adverse effect on the Company's ability to pay its financial or other obligations. An inability to access capital could also impact Choice Properties' ability to make distributions which could have a material adverse effect on the trading price of Units.

Interest Rates

The Company is exposed to interest rate risk from fluctuations in interest rates on its floating rate debt and financial instruments, net of cash and cash equivalents, short-term investments and security deposits. GWL and Loblaw manage interest rate risk by monitoring their respective mix of fixed and floating rate debt, net of cash and cash equivalents, short-term investments and security deposits, and by taking action as necessary to maintain an appropriate balance considering current market conditions. Despite these mitigation strategies, changes in interest rates could adversely affect the financial performance of the Company.

Foreign Currency Exchange Rates

The Company's consolidated financial statements are expressed in Canadian dollars, however a portion of the Company's (excluding Loblaw's) net assets are denominated in USD through both its net investment in foreign operations in the U.S. and its foreign subsidiaries held by Dunedin Holdings GmbH and certain of its affiliates with a functional currency that is the same as that of the Company. The USD denominated net assets are translated into Canadian dollars at the foreign currency exchange rate in effect at the balance sheet date. As a result, the Company is exposed to foreign currency translation gains and losses. Those gains and losses arising from the translation of the USD denominated assets of foreign subsidiaries with a functional currency that is the same as that of the Company are included in operating income, while translation gains and losses on the net investment in foreign operations in the U.S. are recorded in accumulated other comprehensive income (loss).

Revenues and expenses of all foreign operations are translated into Canadian dollars at the foreign currency exchange rates that approximate the rates in effect at the dates when such items are recognized. An appreciating USD relative to the Canadian dollar will positively impact operating income and net earnings, while a depreciating USD relative to the Canadian dollar will have the opposite impact.

Loblaw is exposed to foreign currency exchange rate variability, primarily on its USD denominated purchases in trade payables and other liabilities. Weston Foods is also exposed to fluctuations in the prices of USD denominated purchases as a result of changes in USD exchange rates. A depreciating Canadian dollar relative to the USD will negatively impact operating income and net earnings, while an appreciating Canadian dollar relative to the USD will have the opposite impact. Subsequent to the end of 2013, Weston Foods entered into futures contracts to mitigate a portion of its current and anticipated exposure to fluctuations in USD exchange rates.

Common Share and Unit Prices

Changes in the LCL common share price impact the Company's net interest expense and other financing charges. In 2001, Weston Holdings Limited ("WHL"), a subsidiary of GWL, entered into an equity forward sale agreement based on 9.6 million LCL common shares at an original forward price of $48.50 per LCL common share which, under the terms of the agreement, had increased to a forward price of $96.46 (2012 – $92.26) per LCL common share as at year end 2013. The forward matures in 2031 and will be settled in cash as follows: WHL will receive the forward price and will pay the market value of the underlying LCL common shares at maturity. The obligation of WHL under this forward is secured by the underlying LCL common shares. WHL recognizes a non-cash charge or income, which is included in consolidated net interest expense and other financing charges, representing the fair value adjustment of WHL's forward sale agreement for 9.6 million shares. The fair value adjustment in the forward contract is a non-cash item resulting from fluctuations in the market price of the underlying Loblaw shares that WHL owns. WHL does not record any change in the market price associated with the LCL common shares it owns. At maturity, if the forward price is greater (less) than the market price, WHL will receive (pay) cash equal to the difference between the notional value and the market value of the forward contract. Any cash paid under the forward contract could be offset by the sale of LCL common shares.

The Company is exposed to market price risk as a result of Choice Properties' Units that are held by the public. These Units are presented as a liability on the Company's consolidated balance sheet as they are redeemable for cash at the option of the holder. The liability is recorded at fair value at each reporting period based on the market price of Units. The change in the fair value of the liability negatively impacts net earnings when the Unit price increases and positively impacts net earnings when the Unit price declines.

Credit

The Company is exposed to credit risk resulting from the possibility that counterparties could default on their financial obligations to the Company. Exposure to credit risk relates to derivative instruments, cash and cash equivalents, short-term investments, security deposits, PC Bank's credit card receivables, Loblaw's franchise loans receivable, accounts receivable from Loblaw's franchisees, other receivables from Weston Foods' customers and suppliers and Loblaw's vendors, associated stores and independent accounts, and pension assets held in the Company's defined benefit plans.

The risk related to derivative instruments, cash and cash equivalents, short-term investments and security deposits is reduced by policies and guidelines that require that the Company enters into transactions only with counterparties or issuers that have a minimum long-term "A-" credit rating from a recognized credit rating agency and place minimum and maximum limits for exposures to specific counterparties and instruments.

Choice Properties mitigates the risk of credit loss relating to rent receivables by evaluating the creditworthiness of new tenants, obtaining security deposits wherever permitted by legislation, ensuring its tenant mix is diversified and by limiting its exposure to any one tenant except Loblaw. Choice Properties establishes an allowance for doubtful accounts that represents the estimated losses with respect to rents receivable. The allowance is determined on a tenant-by-tenant basis based on the specific factors related to the tenant.

PC Bank manages its credit card receivable risk by employing stringent credit scoring techniques, actively monitoring the credit card portfolio, and reviewing techniques and technology that can improve the effectiveness of the collection process. In addition, these receivables are dispersed among a large, diversified group of credit card customers. Loblaw's franchise loans receivable, accounts receivable from Loblaw's franchisees, other receivables from Weston Foods' customers and suppliers and Loblaw's vendors, associated stores and independent accounts are actively monitored on an ongoing basis and settled on a frequent basis in accordance with the terms specified in the applicable agreements.

Credit risk associated with investments in the Company's defined benefit pension plans is described in the Defined Benefit Pension Plans discussion under "Operating and Financial Risks and Risk Management".

Despite the mitigation strategies described above, it is possible that the Company's financial performance could be adversely affected by the failure of a counterparty to fulfill its obligations.

Additional risks and uncertainties relating to Choice Properties are discussed in Choice Properties materials filed with the Canadian securities regulatory authorities from time to time.

VII. CAPITAL STRUCTURE AND MARKET FOR SECURITIES

Share Capital

The share capital of GWL is comprised of common shares and preferred shares.

Common Shares (authorized – unlimited)

Common Shares have voting rights of one vote per Common Share. The holders of Common Shares are entitled, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of GWL, to receive any dividend declared by GWL and to receive the remaining property of GWL upon dissolution. As at June 2, 2014, there were 128,077,285 Common Shares issued and outstanding, a decrease of 144,556 Common Shares from December 31, 2012. There are an unlimited number of authorized Common Shares.

Preferred Shares – Series I (authorized – 10,000,000)

As of June 2, 2014, there were 9,400,000 5.80% non-voting Preferred Shares, Series I outstanding, with a face value of $235,000,000, which entitle the holders to a fixed cumulative preferred cash dividend of $1.45 per share per annum which will, if declared, be payable quarterly. GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares at $25.00 per share, together with all accrued and unpaid dividends to the redemption date.

At any time after issuance, GWL may, at its option, give the holders of these preferred shares the right, at the option of the holders, to convert their preferred shares into preferred shares of a further series designated by GWL on a share-for-share basis on a date specified by GWL. Upon liquidation, dissolution or winding up of GWL, each Preferred Share, Series I holder, in preference to any payments to be made to holders of common shares, is entitled to $25.00 per share plus an amount equal to all dividends accrued thereon. Preferred Share, Series I holders are not entitled to any further distribution of the assets of GWL.

Preferred Shares – Series II (authorized – 10,600,000)

As of June 2, 2014, there were no Preferred Shares, Series II outstanding.

Preferred Shares – Series III (authorized – 10,000,000)

As of June 2, 2014, there were 8,000,000 5.20% non-voting Preferred Shares, Series III outstanding, with a face value of $200,000,000, which entitle the holders to a fixed cumulative preferred cash dividend of $1.30 per share per annum, which will, if declared, be payable quarterly. GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares as follows:

Until June 30, 2014, at $25.25 per share, together with all accrued and unpaid dividends to the redemption date; and
On or after July 1, 2014, at $25.00 per share, together with all accrued and unpaid dividends to the redemption date.

At any time after issuance, GWL may, at its option, give the holders of these preferred shares the right, at the option of the holders, to convert their preferred shares into preferred shares of a further series designated by GWL on a share-for-share basis on a date specified by GWL. Upon liquidation, dissolution or winding up of GWL, each Preferred Share, Series III holder, in preference to any payments to be made to holders of common shares, is entitled to $25.00 per share plus an amount equal to all dividends accrued thereon. Preferred Share, Series III holders will not be entitled to any further distribution of the assets of GWL.

Preferred Shares – Series IV (authorized – 8,000,000)

As of June 2, 2014, there were 8,000,000 5.20% non-voting Preferred Shares, Series IV outstanding, with a face value of $200,000,000, which entitle the holders to a fixed cumulative preferred cash dividend of $1.30 per share per annum which will, if declared, be payable quarterly. GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares as follows:

Until September 30, 2014, at $25.25 per share, together with all accrued and unpaid dividends to the redemption date; and
On or after October 1, 2014, at $25.00 per share, together with all accrued and unpaid dividends to the redemption date.

At any time after issuance, GWL may, at its option, give the holders of these preferred shares the right, at the option of the holders, to convert their preferred shares into preferred shares of a further series designated by GWL on a share-for-share basis on a date specified by GWL. Upon liquidation, dissolution or winding up of GWL, each Preferred Share, Series IV holder, in preference to any payments to be made to holders of common shares, is entitled to $25.00 per share plus an amount equal to all dividends accrued thereon. Preferred Share, Series IV holders will not be entitled to any further distribution of the assets of GWL.

Preferred Shares – Series V (authorized – 8,000,000)

As of June 2, 2014, there were 8,000,000 4.75% non-voting Preferred Shares, Series V outstanding, with a face value of $200,000,000, which entitle the holders to a fixed cumulative preferred cash dividend of $1.1875 per share per annum which will, if declared, be payable quarterly. GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares as follows:

Until June 30, 2014, at $25.50 per share, together with all accrued and unpaid dividends to the redemption date;
On or after July 1, 2014, at $25.25 per share, together with all accrued and unpaid dividends to the redemption date; and
On or after July 1, 2015, at $25.00 per share, together with all accrued and unpaid dividends to the redemption date.

At any time after issuance, GWL may, at its option, give the holders of these preferred shares the right, at the option of the holders, to convert the holders' preferred shares into preferred shares of a further series designated by GWL on a share-for-share basis on a date specified by GWL. Upon liquidation, dissolution or winding up of GWL, each Preferred Share, Series V holder, in preference to any payments to be made to holders of common shares, is entitled to $25.00 per share plus an amount equal to all dividends accrued thereon. Preferred Share, Series V holders will not be entitled to any further distribution of the assets of GWL.

Trading Price and Volume

The GWL Common Shares and Preferred Shares Series I, III, IV, and V are listed and posted for trading on the TSX under the share symbols “WN”, “WN.PR.A”, “WN.PR.C”, “WN.PR.D” and “WN.PR.E” respectively.

The monthly high and low trading prices, the average daily volume and total volume by month for GWL’s common shares for the period beginning January 1, 2013 to May 31, 2014 are as follows:

Common Shares				
Month	High ($ per common share)	Low ($ per common share)	Average Daily Volume by Month (in shares)	Total Volume by Month (in shares)
January 2013	$73.65	$68.61	82,271	1,809,955
February 2013	$74.60	$70.88	81,858	1,555,296
March 2013	$75.80	$71.80	133,967	2,679,345
April 2013	$77.79	$73.25	63,078	1,387,712
May 2013	$85.83	$77.95	106,510	2,343,216
June 2013	$85.34	$78.23	150,182	3,003,635
July 2013	$89.97	$81.50	150,107	3,302,361
August 2013	$88.48	$81.75	103,050	2,164,058
September 2013	$85.98	$80.04	107,090	2,141,795
October 2013	$86.69	$80.26	115,431	2,539,484
November 2013	$86.07	$79.37	96,584	2,028,264
December 2013	$81.50	$74.89	113,106	2,262,110
January 2014	$80.27	$76.01	97,269	2,139,913
February 2014	$81.98	$75.15	82,123	1,560,345
March 2014	$83.16	$79.62	100,126	2,102,647
April 2014	$82.81	$80.40	94,862	1,992,094
May 2014	$83.03	$78.75	157,201	3,301,226

The monthly high and low trading prices, the average daily volume and total volume by month for Preferred Shares, Series I, III, IV, and V for the period beginning January 1, 2013 to May 31, 2014 are as follows:

Preferred Shares Series I				
Month	High ($ per share)	Low ($ per share)	Average Daily Volume by Month (in shares)	Total Volume by Month (in shares)
January 2013	$25.68	$24.90	16,098	354,157
February 2013	$25.78	$25.37	5,564	105,719
March 2013	$25.80	$25.44	4,931	98,611
April 2013	$25.88	$25.49	4,642	102,125
May 2013	$25.86	$25.38	7,806	171,727
June 2013	$25.49	$24.97	7,554	151,070
July 2013	$25.38	$25.05	7,026	154,579
August 2013	$25.25	$24.40	12,401	260,414
September 2013	$25.30	$24.60	6,313	126,254
October 2013	$25.24	$24.78	7,576	166,679
November 2013	$25.60	$25.03	7,952	166,991
December 2013	$25.25	$24.90	4,586	91,728
January 2014	$25.39	$24.95	5,622	123,675
February 2014	$25.62	$25.14	6,614	125,667
March 2014	$25.52	$25.18	5,344	112,227
April 2014	$25.58	$25.32	3,134	65,811
May 2014	$25.70	$25.20	6,989	146,772

Preferred Shares Series III				
Month	High ($ per share)	Low ($ per share)	Average Daily Volume by Month (in shares)	Total Volume by Month (in shares)
January 2013	$25.67	$25.01	19,400	426,794
February 2013	$25.74	$25.38	12,069	229,302
March 2013	$26.12	$25.56	4,914	98,271
April 2013	$26.05	$25.62	4,557	100,260
May 2013	$25.79	$25.55	5,800	127,596
June 2013	$25.65	$23.45	6,152	123,044
July 2013	$24.61	$23.85	7,419	163,211
August 2013	$24.41	$23.10	10,630	223,229
September 2013	$24.00	$22.99	6,747	134,944
October 2013	$24.00	$23.46	6,604	145,285
November 2013	$24.58	$23.99	5,951	124,962
December 2013	$24.73	$23.10	6,392	127,837
January 2014	$23.75	$23.25	5,799	127,568
February 2014	$24.21	$23.41	10,752	204,296
March 2014	$24.24	$23.70	7,645	160,541
April 2014	$24.02	$23.84	4,318	90,672
May 2014	$24.37	$23.96	4,162	87,400

Preferred Shares Series IV				
Month	High ($ per share)	Low ($ per share)	Average Daily Volume by Month (in shares)	Total Volume by Month (in shares)
January 2013	$25.73	$25.26	4,638	102,039
February 2013	$25.82	$25.48	3,782	71,863
March 2013	$26.20	$25.62	6,890	137,803
April 2013	$26.12	$25.55	4,262	93,773
May 2013	$25.77	$25.57	9,535	209,764
June 2013	$25.75	$23.18	13,043	260,859
July 2013	$24.61	$24.13	5,710	125,618
August 2013	$24.41	$23.11	9,009	189,185
September 2013	$23.99	$23.03	7,484	149,683
October 2013	$24.09	$23.45	8,039	176,850
November 2013	$24.54	$23.95	5,619	118,007
December 2013	$24.65	$23.10	5,834	116,680
January 2014	$23.71	$23.24	7,768	170,886
February 2014	$24.22	$23.41	5,285	100,407
March 2014	$24.24	$23.67	4,585	96,288
April 2014	$24.05	$23.84	3,458	72,626
May 2014	24.26	$23.95	3,775	79,282

Preferred Shares Series V				
Month	High ($ per share)	Low ($ per share)	Average Daily Volume by Month (in shares)	Total Volume by Month (in shares)
January 2013	$25.15	$24.29	14,185	312,074
February 2013	$25.35	$24.87	5,106	97,007
March 2013	$25.58	$25.11	10,992	219,843
April 2013	$25.75	$25.42	6,054	133,182
May 2013	$25.75	$25.46	12,762	280,762
June 2013	$25.67	$23.05	7,588	151,752
July 2013	$23.78	$23.02	8,197	180,325
August 2013	$23.54	$21.03	10,179	213,768
September 2013	$23.07	$21.45	6,765	135,296
October 2013	$23.06	$22.13	4,714	103,700
November 2013	$23.37	$22.68	4,480	94,085
December 2013	$23.50	$21.71	7,814	156,283
January 2014	$22.86	$22.04	11,342	249,517
February 2014	$23.21	$22.28	5,332	101,304
March 2014	$23.28	$22.49	8,361	175,575
April 2014	$23.05	$22.37	4,186	87,915
May 2014	23.32	22.79	5,708	119,868

Medium-Term Notes and Debt Securities

The outstanding medium-term notes of GWL are not listed or quoted on a recognized exchange. As at June 2, 2014, there were $1,066 million of GWL notes and debentures outstanding. In the first quarter of 2014, $200 million of GWL notes were repaid at maturity.

Credit Ratings

In the third quarter of 2013, following their respective reviews of the potential acquisition of Shoppers Drug Mart by Loblaw, both DBRS Limited ("DBRS") and Standard & Poor's Ratings Service ("S&P") reaffirmed GWL's credit ratings. During the second quarter of 2014, following the acquisition of Shoppers Drug Mart, S&P reaffirmed GWL's credit ratings. GWL's credit ratings for its securities are as follows:

Credit Ratings and Trends (Canadian Standards)	Dominion Bond Rating Service Rating	Trend	Standard & Poor's Credit Rating	Outlook
Issuer Credit Rating	BBB	Stable	BBB	Stable
Medium-term notes	BBB	Stable	BBB	-
Preferred shares	Pfd-3	Stable	P-3 (high)	-
Other notes and debentures	BBB	Stable	BBB	-

The rating organizations base their credit ratings on quantitative and qualitative considerations which are relevant for the Company. These ratings are forward-looking and intended to give an indication of the risk that the Company will not fulfill its obligations in a timely manner. Credit ratings may not reflect the potential impact of all risks on the value of the securities. These ratings are not recommendations to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization.

A definition of the categories of each rating has been obtained from the respective rating organization's website and is outlined below:

Dominion Bond Rating Service

Issuer Credit Rating

DBRS corporate rating analysis begins with an evaluation of the fundamental creditworthiness of the issuer. Issuer ratings address the overall credit strength of the issuer. Unlike ratings on individual securities or classes of securities, issuer ratings are based on the entity itself and do not include consideration for security or ranking. Ratings that apply to actual securities (secured or unsecured) may be higher, lower or equal to the issuer rating for a given entity. DBRS typically assigns issuer ratings on a long-term basis using its Long Term Obligations Rating Scale.

Long-Term Obligations (Medium-Term Notes and Other Notes and Debentures)

The DBRS long-term rating scale provides an opinion on the risk of default. That is, the risk that an issuer will fail to satisfy its financial obligations in accordance with the terms under which an obligation has been issued. Ratings are based on quantitative and qualitative considerations relevant to the issuer, and the relative ranking of claims. All rating categories other than AAA and D also contain subcategories "(high)" and "(low)". The absence of either a "(high)" or "(low)" designation indicates the rating is in the middle of the category.

The BBB rating is ranked fourth of ten rating categories. Long-term obligations rated BBB are of adequate credit quality. The capacity for the payment of financial obligations is considered acceptable. Entities rated BBB may be vulnerable to future events.

Preferred Shares

DBRS' credit ratings for preferred shares range from Pfd-1 to D. The Pfd-3 rating is ranked third of six rating categories. Preferred shares rated Pfd-3 are of adequate credit quality. While protection of dividends and principal is still considered acceptable, the issuing entity is more susceptible to adverse changes in financial and economic conditions, and there may be other adverse conditions present which detract from debt protection. Pfd-3 ratings generally correspond with companies whose senior bonds are rated in the higher end of the BBB category.

Rating Trends

DBRS uses "rating trends" for its ratings in the corporate sector. Rating trends provide guidance in respect of DBRS's opinion regarding the outlook for the rating in question, with rating trends falling into one of three categories – "Positive", "Stable" or "Negative". The rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue, or in some cases, unless challenges are addressed. In general, the DBRS view is based primarily on an evaluation of the issuing entity, but may also include consideration of the outlook for the industry or industries in which the issuing entity operates.

A Positive or Negative Trend is not an indication that a rating change is imminent. Rather, a Positive or Negative Trend represents an indication that there is a greater likelihood that the rating could change in the future than would be the case if a Stable Trend were assigned to the security.

DBRS assigns a rating trend for each security of an issuing entity and it is not unusual for securities of the same entity to have different trends.

<u>Standard & Poor's</u>

Issuer Credit Rating

S&P's issuer credit rating is a forward-looking opinion about an obligor's overall creditworthiness in order to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. Issuer credit ratings can be either long-term or short-term. Short-term issuer credit ratings reflect the obligor's creditworthiness over a short-term time horizon.

Long-Term Debt (Medium-Term Notes and Other Notes and Debentures)

S&P's long-term issue credit ratings range from AAA to D. The BBB rating is ranked fourth of 11 rating categories. An obligation rated BBB exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

Preferred Shares

S&P's Canadian scale preferred share ratings range from P-1 to D. The P-3 (high) rating is ranked third of eight rating categories. An obligation rated P-3 (high) is less vulnerable to non-payment than other speculative issues. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

Rating Outlook

An S&P rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or CreditWatch action. A stable outlook means that a rating is not likely to change.

An S&P CreditWatch highlights the potential direction of a short or long-term rating. It focuses on identifiable events and short-term trends that cause ratings to be placed under special surveillance by S&P analytical staff. These may include mergers, recapitalizations, voter referendums, regulatory action, or anticipated operating developments. Ratings appear on CreditWatch when such an event or a deviation from an expected trend occurs and additional information is necessary to evaluate the current rating. A listing, however, does not mean a rating change is inevitable, and whenever possible, a range of alternative ratings will be shown. CreditWatch is not intended to include all ratings under review, and rating changes may occur without the ratings having first appeared on CreditWatch. The “positive” designation means that a rating may be raised; “negative” means a rating may be lowered; and “developing” means that a rating may be raised, lowered, or affirmed.

VIII. DIVIDENDS

During 2012, the Company amended its dividend policy to state: the declaration and payment of dividends on the Company's common shares and the amount thereof are at the discretion of the Board which takes into account the Company's financial results, capital requirements, available cash flow, future prospects of the Company's business and other factors considered relevant from time to time. Over time, it is the Company's intention to increase the amount of the dividend while retaining appropriate free cash flow to reduce debt and finance future growth. Currently, there is no restriction that would prevent GWL from paying common dividends at historical levels. Dividends on the preferred shares rank in priority ahead of the common shares.

Historical Dividend Payments

GWL’s practice has been to declare and pay dividends quarterly. The amount of cash dividends declared per common and preferred share for each of the three most recently completed years is as follows:

Dividends declared per share ($)	2013	2012	2011
Common shares	1.625	1.46	1.44
Preferred shares, Series I	1.45	1.45	1.45
Preferred shares, Series III	1.30	1.30	1.30
Preferred shares, Series IV	1.30	1.30	1.30
Preferred shares, Series V	1.19	1.19	1.19

During the second quarter of 2013, the Board declared a 9.21% increase in the quarterly dividend from $0.38 to $0.415 per common share, commencing with a quarterly dividend paid on July 1, 2013. GWL declared and paid a quarterly dividend of $0.415 per common share on April 1, 2014. Quarterly dividends were also declared and paid for the preferred shares as follows: $0.3625 per Preferred Share, Series I on March 15, 2014 and $0.3250 per Preferred Share, Series III and IV, and $0.2969 per Preferred Share, Series V, all paid on April 1, 2014.

Subsequent to the end of the first quarter of 2014, the Board of Directors raised the quarterly common share dividend by $0.005 per common share to $0.42 per common share and GWL declared a quarterly dividend of $0.42 per common share, payable on July 1, 2014. Quarterly dividends were also declared for the preferred shares as follows: $0.37 per Preferred Share, Series I, payable on June 15, 2014 and $0.33 per Preferred Share, Series III and IV, and $0.30 per Preferred Share, Series V, all payable on July 1, 2014.

Normal Course Issuer Bid

During the second quarter of 2013, GWL filed a Normal Course Issuer Bid to purchase on the TSX, or enter into equity derivatives to purchase, up to 6,382,723 common shares, representing approximately five percent of its common shares outstanding as of the date on which GWL renewed its Normal Course Issuer Bid. In accordance with the rules and by-laws of the TSX, GWL may purchase its common shares at the market price of such shares.

GWL purchased 800,000 common shares pursuant to the Normal Course Issuer Bid in 2013. Of the 800,000 common shares purchased, 580,000 common shares were cancelled and the remaining 220,000 common shares were transferred to trusts for future equity settlements of GWL's Restricted Share Units and Performance Share Units.

During the second quarter of 2014, GWL renewed its Normal Course Issuer Bid to purchase on the TSX, or enter into equity derivatives to purchase, up to 6,395,629 common shares, representing approximately five percent of its common shares outstanding. As of June 2, 2014, GWL has not purchased any common shares for cancellation under its NCIB.

IX. DIRECTORS AND OFFICERS

The following lists of directors and senior officers are current to June 2, 2014.

Directors

Name, Province and Country of Residence	Principal Occupation	Director Since
W. Galen Weston, O.C.[1*] Ontario, Canada	Executive Chairman of George Weston Limited	1967
A. Charles Baillie[2,3] Ontario, Canada	Corporate Director	2003
Paviter S. Binning Ontario, Canada	President of George Weston Limited	2012
Peter B. M. Eby[3] Ontario, Canada	Corporate Director	2000
Darren Entwistle[5] British Columbia, Canada	Executive Chair of TELUS Corporation	2011
Anthony R. Graham[1,3,4] Ontario, Canada	President of Selfridges Group Limited and President and Chief Executive Officer of Sumarria Inc.	1996
John S. Lacey Ontario, Canada	Chairman of Advisory Board of Brookfield Private Equity Group and Consultant to the Board of George Weston Limited and Loblaw Companies Limited	2009
Isabelle Marcoux[5*] Quebec, Canada	Chair of Transcontinental Inc. (printing and publishing company)	2007
Sarabjit S. Marwah[2] Ontario, Canada	Corporate Director	2013
J. Robert S. Prichard, O.C.[1,3*,4] Ontario, Canada	Non-executive Chair of Torys LLP (law firm) and Chair of Metrolinx (transportation company) and Bank of Montreal	2000
Thomas F. Rahilly[2,3,4*,5] Ontario, Canada	Corporate Director	2007
Barbara Stymiest[2*,4] Ontario, Canada	Corporate Director	2011

* Chair of Committee
1. Executive Committee
2. Audit Committee
3. Governance, Human Resource, Nominating and Compensation Committee
4. Pension Committee
5. Environmental, Health and Safety Committee

All directors hold office until the close of the next annual meeting of the shareholders of GWL or until their successors are duly elected or appointed.

Senior Officers

Name, Province and Country of Residence	Principal Occupation
W. Galen Weston, O.C. Ontario, Canada	Executive Chairman
Paviter S. Binning Ontario, Canada	President
Richard Dufresne Ontario, Canada	Executive Vice President and Chief Financial Officer
Gordon A.M. Currie Ontario, Canada	Executive Vice President and Chief Legal Officer
Rashid Wasti Ontario, Canada	Executive Vice President and Chief Talent Officer
Robert A. Balcom Ontario, Canada	Senior Vice President, General Counsel – Canada and Secretary
Khush Dadyburjor Ontario, Canada	Senior Vice President, Strategy
Geoffrey H. Wilson Ontario, Canada	Senior Vice President, Investor Relations, Business Intelligence and Communications

All the foregoing directors and senior officers have held their present occupations or other positions with the same or associated companies or organizations for the past five years except: Mr. Sarabjit S. Marwah, who held the position of Vice-Chairman and Chief Operating Officer of The Bank of Nova Scotia until May 2014; Mr. J. Robert S. Prichard, who held the position of President and Chief Executive Officer of Metrolinx and became Non-executive Chair of Torys LLP in 2010; Mr. Paviter S. Binning, who served as Chief Financial Officer of GWL until July 28, 2011 and prior to that as Chief Restructuring Officer of Nortel Networks Corporation until March of 2010; Mr. Richard Dufresne, who held the position of Senior Vice-President and Chief Financial Officer at Metro Inc. until March 2012; Mr. Rashid Wasti, who held the position of senior partner with Egon Zehnder International until November 2013; and Mr. Khush Dadyburjor, who held the position of Vice President & Global Head, M&A at Nortel Networks Corporation until December 2010.

As at June 2, 2014, Mr. W. Galen Weston beneficially owned, directly or indirectly, 80,736,599 common shares or approximately 63% of the issued and outstanding common shares of GWL. Other directors and officers of GWL, as a group, beneficially owned, directly or indirectly, or exercised control over, less than 1% of the issued and outstanding common shares of GWL.

Mr. A. Charles Baillie was a director of Dana Corporation ("Dana") when it filed voluntary petitions for reorganization under Chapter 11 of the *U.S. Bankruptcy Code* on March 3, 2006. Dana's European, South American, Asian-Pacific, Canadian and Mexican subsidiaries were not included in the Chapter 11 filing. Dana Corporation emerged from bankruptcy proceedings in January of 2008.

Mr. John S. Lacey was Chairman of the Loewen Group Inc. when it filed a petition for creditor protection under Chapter 11 of the *U.S. Bankruptcy Code* and the *Companies' Creditors Arrangement Act* (the "CCAA") in June of 1999. The Loewen Group Inc. emerged from Chapter 11 in January of 2003 and CCAA proceedings in November of 2006.

In March of 2006, Mr. John S. Lacey joined the board of directors of Stelco Inc. as a nominee of Tricap Management Limited. Stelco filed for protection under the CCAA in January of 2004 and emerged from those proceedings in March of 2006. Mr. Lacey resigned from the Stelco board of directors in November of 2006.

As a director of Research in Motion Limited ("RIM") (now known as BlackBerry Limited), Ms. Stymiest was subject to a management cease trade order issued by the Ontario Securities Commission on November 7, 2006, as a result of RIM not having filed its second quarter financial statements for fiscal 2007 before the statutory filing deadline. That order ceased to be in effect as of May 23, 2007 as a result of RIM making all required filings pursuant to Ontario securities laws.

In November of 2007, Mr. Binning was appointed Chief Financial Officer of Nortel Networks Corporation ("Nortel"). On January 14, 2009, Nortel filed for creditor protection under the CCAA in Canada, at which time Mr. Binning was appointed Chief Restructuring Officer. As well, certain of Nortel's subsidiaries filed voluntary petitions in the United States under Chapter 11 of the *U.S. Bankruptcy Code* and in other jurisdictions under equivalent restructuring regimes. Mr. Dadyburjor was also an officer of Nortel during the period described above, serving in the capacity of Vice President & Global Head, M&A.

X. LEGAL PROCEEDINGS

Legal Proceedings

The Company is the subject of various legal proceedings and claims that arise in the ordinary course of business. With the acquisition of Shoppers Drug Mart, Loblaw is the subject of a class action brought by two licensed Associates. The claim seeks damages in the amount of $500 million based on alleged breaches of the Associate Agreement with Shopper Drug Mart. At this stage of the proceeding, any potential liability and the quantum of any loss cannot be determined. Since litigation is inherently uncertain, the outcome of this class action, and all other litigation proceedings and claims remains uncertain. However, based on the information currently available, these matters, individually and in the aggregate, are not expected to have a material impact on the Company. In the event that management's assessment of materiality of current claims and proceedings proves inaccurate or litigation that is material arises in the future, there may be a material adverse effect on the Company's operations, revenues and financial performance.

On March 7, 2007, pursuant to a transaction whereby Domtar was combined with the fine paper business of Weyerhaeuser Inc., Domtar common shares were exchanged for an equal number of either exchangeable shares of Domtar (Canada) Paper Inc. or common shares of Domtar Corporation, a Delaware Corporation. The Share Purchase Agreement governing the June 1998 sale by GWL of E.B. Eddy Paper, Inc. to Domtar contains a price adjustment clause which is triggered on the acquisition of 50% of the outstanding voting shares of Domtar, subject to certain limited exceptions. On June 12, 2007, the Company commenced an action against Domtar for $110 million in the Superior Court of Justice in the province of Ontario, Canada asserting that the price adjustment clause was triggered by the Domtar combination transaction. During the third quarter of 2013, the Company settled the Domtar litigation and received net proceeds of $48 million.

Regulatory Actions

The Company is not aware of any penalties or sanctions imposed by a court or securities regulatory authority or other regulatory body against the Company, nor has the Company entered into any settlement agreements before a court or with a securities regulatory authority.

XI. MATERIAL CONTRACTS

The following are the only material agreements of the Company (other than certain agreements entered into in the ordinary course of business).

Services Agreement

GWL has an agreement with LCL to provide certain administrative services by each company to the other. The services to be provided under this agreement include those related to commodity management, pension and benefits, tax, medical, travel, information system, risk management, treasury and legal. Payments are made quarterly based on the actual costs of providing these services. Where services are provided on a joint basis for the benefit of Weston and Loblaw together, each party pays the appropriate portion of such costs. Net payments received by GWL under this agreement in 2013 were $15 million. Fees paid under this agreement are reviewed each year by the Audit Committee.

XII. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

GWL's majority shareholder, Wittington Investments, Limited ("Wittington"), and its affiliates are related parties. The Company, in the normal course of business, has routine transactions with these related parties, including the rental of office space at market prices from Wittington. From time to time, the Company, Wittington and its affiliates may enter into agreements to make elections that are permitted or required under applicable income tax legislation with respect to affiliated corporations. These elections and accompanying agreements did not have a material impact on the Company in 2013.

Related party transactions between the Company and Loblaw include inventory purchases, cost sharing agreements, real estate matters, borrowings and lendings, income tax matters, management agreements and administrative services agreements, including the Services Agreement noted above.

Directors and executive officers do not have any material interest in any transaction that has, or is reasonably expected to have, a material effect on the Company.

It is the Company's policy to conduct all transactions and settle all balances with related parties on market terms and conditions.

Further information on related party transactions can be found on page 45 of the Company's 2013 MD&A.

XIII. TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar of the Company is Computershare Investor Services Inc., located in Toronto, Canada.

XIV. EXPERTS

The Company's auditors are KPMG LLP, who prepared the Auditors' Report to Shareholders in respect of the Company's audited annual consolidated financial statements. KPMG LLP have confirmed that they are independent within the meaning of the relevant rules and related interpretation prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

XV. AUDIT COMMITTEE INFORMATION

The Audit Committee Charter, as approved by the Board on May 5, 2014, is included in Appendix A. The members of the Audit Committee are indicated above. All members of the Audit Committee are independent and financially literate (as those terms are defined in Multilateral Instrument 52-110 of the Canadian Securities Administrators) and have the following education and experience which is relevant to their roles as Audit Committee Members:

Mr. Baillie is a former Chairman and Chief Executive Officer of The Toronto-Dominion Bank. He obtained an M.B.A. from Harvard Business School and is a Fellow of the Institute of Canadian Bankers.

Mr. Marwah is a former Vice-Chairman and Chief Operating Officer of The Bank of Nova Scotia. He obtained an M.B.A. from the University of California, Los Angeles. Prior to that, he obtained an undergraduate degree in Economics (Honours) from the University of Calcutta and a Master's degree in Economics from the University of Delhi.

Mr. Rahilly is a former Vice Chairman of RBC Capital Markets, a division of Royal Bank of Canada. He obtained a B.A., an LL.B. and an M.A. from the University of Toronto.

Ms. Stymiest is a former member of the Group Executive of Royal Bank of Canada. She obtained an H.B.A. from the Richard Ivey School of Business and is a Fellow Chartered Professional Accountant.

XVI. EXTERNAL AUDIT FEES

The aggregate fees of KPMG LLP for professional services rendered for the audit of the Company's financial statements and other services for the fiscal years 2013 and 2012 are as follows:

	2013 ($000's)	2012 ($000's)
Audit fees *(1)*	4,144	3,641
Audit-related fees *(2)*	4,671	2,502
Tax-related fees	—	—
All other fees *(3)*	43	71
Total Fees	$8,858	$6,214

(1) Audit fees include fees for services related to the audit of GWL's consolidated financial statements, including the audit of LCL's consolidated financial statements and the audits of Choice Properties (beginning in 2013) and President's Choice Bank (each a subsidiary of LCL).

(2) Audit-related fees include fees for assurance and related services including the review of quarterly reports to shareholders, audit of pension plans, comfort letters, the interpretation of accounting and financial reporting standards and professional services associated with audit procedures performed relating to Loblaw's IT system conversion. The 2013 amount includes fees related to Choice Properties' initial public offering and debt prospectuses.

(3) All other fees are for services related to legislative and/or regulatory compliance.

The Audit Committee charter provides that the Audit Committee must pre-approve the retaining of the auditors for any non-audit service. The Audit Committee may delegate to one or more members the authority to pre-approve the retaining of the auditors for any non-audit service to the extent permitted by law.

XVII. ADDITIONAL INFORMATION

1. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Company's Management Proxy Circular for the Annual Meeting of shareholders held on May 6, 2014. Additional financial information is also provided in the Company's consolidated financial statements and MD&A for its most recently completed financial year.
2. Additional information of the Company has been filed on SEDAR and is available online at www.sedar.com. GWL's internet address is www.weston.ca.
3. Additional information of Loblaw has been filed on SEDAR and with the Office of the Superintendent of Financial Institutions as the primary regulator for Loblaw's subsidiary, President's Choice Bank. Loblaw's internet address is www.loblaw.ca.
4. Additional information of Choice Properties has been filed on SEDAR. Choice Properties' internet address is www.choicereit.ca.
5. Additional information of Shoppers Drug Mart can be found on SEDAR. Shoppers Drug Mart's internet address is www.shoppersdrugmart.ca.

Appendix "A"

Audit Committee Charter

1. RESPONSIBILITY

The Audit Committee is responsible for assisting the Board of Directors of the Company ("Board") in fulfilling its oversight responsibilities in relation to:

- the integrity of the Company's financial statements;
- the Company's compliance with legal and regulatory requirements as they relate to the Company's financial statements;
- the qualifications, independence and performance of the Company's external auditor (the "Auditor");
- the enterprise risk management process;
- internal control over financial reporting and disclosure controls and procedures;
- the performance of the Company's internal audit function; and
- performing the additional duties set out in this Mandate or otherwise delegated to the Audit Committee by the Board.

2. MEMBERS

The Board shall appoint a minimum of three directors to be members of the Audit Committee. The members of the Audit Committee shall be selected by the Board on recommendation of the Governance, Human Resources, Nominating and Compensation Committee of the Company, and shall be selected based upon the following, to the extent that the following are required under applicable law:

- each member shall be an independent director; and
- each member shall be financially literate.

For the purpose of this Mandate, the terms "independent" and "financially literate" shall have the respective meanings attributed thereto in Multilateral Instrument 52-110 *Audit Committees*, as the same may be amended from time to time.

3. CHAIR

Each year, the Board shall appoint one member to be Chair of the Audit Committee. If, in any year, the Board does not appoint a Chair, the incumbent Chair shall continue in office until a successor is appointed. The Board has adopted and approved a position description for the Chair which sets out his or her role and responsibilities.

4. TENURE

Each member shall hold office until his or her term as a member of the Audit Committee expires or is terminated.

5. QUORUM, REMOVAL AND VACANCIES

A majority of the Audit Committee's members shall constitute a quorum. Any member may be removed and replaced at any time by the Board. The Board shall fill vacancies in the Audit Committee by appointment from among the members of the Board. If a vacancy exists on the Audit Committee, the remaining members may exercise all its powers so long as a quorum remains in office.

6. DUTIES

The Audit Committee shall have the duties set out below as well as any other duties that are specifically delegated to the Audit Committee by the Board.

(a) Appointment and Review of Auditor

The Auditor is ultimately accountable to the Audit Committee as representatives of the shareholders. The Audit Committee has direct responsibility for overseeing the work of the Auditor. Accordingly, the Audit Committee shall evaluate and be responsible for the Company's relationship with the Auditor. Specifically, the Audit Committee shall:

- select, evaluate and nominate the Auditor for appointment or reappointment by the shareholders;
- review the Auditor's engagement letter;
- at least annually, obtain and review a report by the Auditor describing:
  - the Auditor's internal quality-control procedures; and
  - any material issues raised by the most recent internal quality-control review, peer review, review by any independent oversight body such as the Canadian Public Accountability Board or governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the Auditor and the steps taken to deal with any issues raised in these reviews.

(b) Confirmation of Independence of Auditor

At least annually, and before the Auditor issues its report on the annual financial statements, the Audit Committee shall:

- ensure that the Auditor submits a formal written statement describing all relationships between the Auditor and the Company;
- discuss with the Auditor any disclosed relationships or services that may affect the objectivity and independence of the Auditor; and
- obtain written confirmation from the Auditor that it is objective and independent within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of Chartered Accountants to which it belongs.

(c) Rotation of Engagement Partner/Lead Partners

The Audit Committee shall, after taking into account the opinions of management, evaluate the performance of the Auditor and the engagement partner/lead partners and shall rotate the engagement partner/lead partners when required or necessary.

(d) Pre-Approval of Non-Audit Services

The Audit Committee shall pre-approve the retaining of the Auditor for any non-audit service, provided that no approval shall be provided for any service that is prohibited under the rules of the Canadian Public Accountability Board or the Independence Standards of the Canadian Institute of Chartered Accountants. Before retaining the Auditor for any non-audit service, the Audit Committee shall consider the compatibility of the service with the Auditor's independence. The Audit Committee may pre-approve retaining the Auditor for the engagement of any non-audit services by establishing policies and procedures to be followed prior to the appointment of the Auditor for the provision of such non-audit services. In addition, the Audit Committee may delegate to one or more members the authority to pre-approve retaining the Auditor for any non-audit service to the extent permitted by applicable law.

(e) Communications with Auditor

The Audit Committee shall meet privately with the Auditor as frequently as the Audit Committee feels is appropriate for the Audit Committee to fulfil its responsibilities (which shall not be less frequently than quarterly) and to discuss any concerns of the Audit Committee or the Auditor, such as:

- matters that will be referred to in the Auditor's management letter;
- whether or not the Auditor is satisfied with the quality and effectiveness of the financial recording procedures and systems;
- the extent to which the Auditor is satisfied with the nature and scope of its examination and management's cooperation and responsiveness to matters arising from such examination.

(f) Review of Audit Plan

The Audit Committee shall review a summary of the Auditor's audit plan in advance of each audit.

(g) Approval of Audit Fees

The Audit Committee has the responsibility for approving the Auditor's fees. In approving the Auditor's fees, the Audit Committee should consider, among other things, the number and nature of reports issued by the Auditor, the quality of the internal controls, the impact of the size, complexity and financial condition of the Company on the audit work plan, and the extent of internal audit and other support provided by the Company to the Auditor.

(h) Review of Annual Audited Financial Statements

The Audit Committee shall review the annual audited financial statements, together with the Auditor's report thereon and the related MD&A, before recommending them for approval by the Board, to assess whether or not they present fairly in all material respects in accordance with GAAP (which includes International Financial Reporting Standards) the financial condition, results of operations and cash flows of the Company.

In conducting their review, the Audit Committee should:

- discuss the annual audited financial statements and MD&A with management and the Auditor;
- consider the quality of, and not just the acceptability of, the accounting principles applied, the reasonableness of management's judgments and estimates that have a significant effect upon the financial statements, and the clarity of the disclosures in the financial statements;
- discuss with the Auditor its report which addresses:
  - all critical accounting policies and practices to be used;
  - all alternative treatments of financial information within GAAP that have been discussed with management of the Company, ramifications of the use of alternative disclosures and treatments, and the treatment preferred by the Auditor; and
  - other material written communication between the Auditor and management of the Company, such as any management letter or schedule of unadjusted differences;

- discuss any analyses prepared by management and the Auditor that set out significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP;
- discuss the effect of off-balance sheet transactions, arrangements, obligations (including contingent liabilities) and other relationships with unconsolidated entities or other persons that may have a material current or future effect on the Company's financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenues and expenses;
- consider any changes in accounting practices or policies and their impact on financial statements of the Company;
- discuss with management, the Auditor and, if necessary, legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position of the Company, and the manner in which these matters have been disclosed in the financial statements;
- discuss with management and the Auditor correspondence with regulators or governmental agencies, employee complaints or published reports that raise material issues regarding the Company's financial statements or accounting policies;
- discuss with the Auditor any special audit steps taken in light of any material weaknesses in internal control;
- discuss with the Auditor any difficulties encountered in the course of the audit work, including any restrictions on the scope of their procedures and access to requested information, accounting adjustments proposed by the Auditor that were not applied (because they were immaterial or otherwise), and significant disagreements with management;
- consider any other matter which in its judgment should be taken into account in reaching its recommendation to the Board concerning the approval of the financial statements;
- satisfy itself that appropriate accounting policies and practices have been selected and applied consistently; and
- satisfy itself that management has established appropriate procedures to comply with applicable legislation for the remittance of taxes, pension monies and employee remuneration.

(i) Review of Interim Financial Statements

The Audit Committee shall also engage the Auditor to review the interim financial statements prior to the Audit Committee's review of such financial statements. The Audit Committee should discuss the interim financial statements and related MD&A with management and the Auditor and, if satisfied that the interim financial statements present fairly in all material respects in accordance with GAAP the financial condition, results of operations and cash flows, recommend the interim financial statements and the related MD&A to the Board for approval.

(j) Other Financial Information

The Audit Committee shall review other financial-related releases, as well as the nature of any financial information and earnings guidance provided to analysts and rating agencies in accordance with the Company's disclosure policy. In addition, the Audit Committee shall satisfy itself that adequate procedures are in place for the review of the public disclosure of information extracted or derived from the Company's financial statements and must periodically assess the adequacy of those procedures.

(k) Review of Prospectuses and Other Regulatory Filings

The Audit Committee shall review all other financial statements of the Company that require approval by the Board before they are released to the public, including, without limitation, financial statements for use in prospectuses or other offering or public disclosure documents and financial statements required by regulatory authorities. The Audit Committee shall review the Annual Information Form of the Company prior to its filing.

(l) Review of Related Party Transactions

The Audit Committee shall review all material proposed related party transactions that are not dealt with by a "special committee" of "independent directors" pursuant to securities law rules.

(m) Review of Internal Audit Services

The Audit Committee shall review the mandate of Internal Audit Services, the budget, planned activities and organizational structure of Internal Audit Services to ensure that it is independent of management and has sufficient resources to carry out its mandate.

The members shall meet privately with the senior officer in charge of internal audit as frequently as the Audit Committee feels is appropriate for the Audit Committee to fulfil its responsibilities, which shall not be less frequently than quarterly, to discuss any areas of concern to the Audit Committee or to the senior officer in charge of internal audit to confirm that:

- significant resolved and any unresolved issues between auditors and management have been brought to its attention;
- the principal risks of the Company's businesses have been identified by management and appropriate policies and systems have been implemented to manage these risks; and
- the integrity of the Company's internal control and management information systems are satisfactory.

(n) Relations with Management

The members shall meet privately with management as frequently as the Audit Committee feels is appropriate to fulfil its responsibilities, which shall not be less frequently than quarterly, to discuss any concerns of the Audit Committee or management.

(o) Oversight of Internal Control over Financial Reporting and Disclosure Controls and Procedures

The Audit Committee shall, with the assistance of management, review the design and operating effectiveness of (i) the internal control over financial reporting adopted by the Company, and (ii) the disclosure controls and procedures that have been adopted to ensure the timely disclosure of all material information about the Company and its subsidiaries as required by applicable law or security exchange rules.

The Audit Committee shall receive regular reports from the Company's Disclosure Committee and Internal Audit Services with respect to the Company's system of disclosure controls and procedures and internal control over financial reporting, including annual plans as applicable. The Audit Committee shall also review no less than annually the Company's Disclosure Policy.

(p) Legal Compliance

The Audit Committee shall review with legal counsel any legal matters that may have a significant effect on the Company's financial statements. The Audit Committee should review with legal counsel material inquiries received from regulators and governmental agencies. The Audit Committee shall review with a representative of the Ethics and Conduct Committee any material matters arising from any known or suspected violation of the Company's Code of Conduct with respect to financial and accounting matters and any material concerns regarding questionable accounting or auditing matters raised through the Company's Integrity Action Line or otherwise.

(q) Enterprise Risk Management

Except to the extent that responsibility is reserved by the Board for overarching governance of the Company's risk portfolio, the Audit Committee shall review the design and structure of the Company's enterprise risk management program, approve the Company's risk appetite framework, and assess the effectiveness of the program. The Audit Committee shall oversee those principal risks delegated to it by the Board and shall satisfy itself that management has taken appropriate actions to ensure the effective management of such risks. The Audit Committee shall receive periodic reports from management in order to perform its oversight role. The Chair of the Audit Committee shall periodically report to the Board on its responsibilities with respect to ensuring that risk management oversight is carried out across the Board's Committees.

(r) Taxation Matters

The Audit Committee shall review the status of taxation matters of the Company.

(s) Hiring Policies

The Audit Committee shall review and approve the Company's hiring policies with respect to partners and professional employees of present and former external auditors of the Company.

(t) Capital Projects

The Audit Committee shall review management's interim and post-implementation reviews of major capital projects.

7. COMPLAINTS PROCEDURE

The Audit Committee shall monitor the effectiveness of the Company's procedures for the receipt, retention and follow-up of complaints received by the Company regarding accounting, internal controls, disclosure controls or auditing matters and for the confidential, anonymous submission of concerns by employees of the Company regarding accounting, internal controls, or auditing matters. The Audit Committee shall review and annually approve the Company's Accounting, Auditing and Internal Controls Complaints Procedures. The Committee shall review with management periodic reports in this regard.

8. REPORTING

The Audit Committee shall report to the Board on:

- the Auditor's independence;
- the performance of the Auditor and the Audit Committee's recommendations regarding the reappointment or termination of the Auditor;
- the performance of the internal audit function;
- the design and operating effectiveness of the Company's internal control over financial reporting and disclosure controls and procedures;
- the Audit Committee's review of the annual and interim financial statements of the Company and any GAAP reconciliation, including any issues with respect to the quality or integrity of the financial statements, along with the MD&A, and shall recommend whether or not the Board should approve the financial statements and any GAAP reconciliation and the MD&A;
- the Audit Committee's review of the Annual Information Form;
- the Company's compliance with legal and regulatory matters to the extent they affect the financial statements of the Company;

- those aspects of the enterprise risk management program for which oversight has been delegated by the Board to the Audit Committee; and
- all other material matters dealt with by the Audit Committee.

9. REVIEW AND DISCLOSURE

This Mandate should be reviewed by the Audit Committee at least annually and be submitted to the Governance, Human Resource, Nominating and Compensation Committee for consideration with such amendments as the Audit Committee proposes and for recommendation to the Board for approval with such further amendments as the Governance, Human Resource, Nominating and Compensation Committee proposes.

This Mandate shall be posted on the Company's website.

10. FREQUENCY OF MEETINGS AND *IN CAMERA* SESSIONS

The Audit Committee shall meet at least five times annually. Following each regularly-scheduled meeting of the Audit Committee, the Committee members shall meet in private session.

11. RETENTION OF EXPERTS

The Audit Committee may engage such special legal, accounting or other experts, without Board approval and at the expense of the Company, as it considers necessary to perform its duties.