2012

ANNUAL INFORMATION FORM

February 28, 2013

GEORGE WESTON LIMITED
2012 ANNUAL INFORMATION FORM
TABLE OF CONTENTS

I. FORWARD – LOOKING STATEMENTS

This Annual Information Form ("AIF") for George Weston Limited ("GWL") and its subsidiaries (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. 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 expectation of operating and financial performance in 2013 is based on certain assumptions including assumptions about revenue growth, anticipated cost savings and operating efficiencies, no unanticipated changes in the effective income tax rates, no unexpected adverse events or costs related to Loblaw Companies Limited ("LCL") and its subsidiaries' (collectively, "Loblaw") investments in information technology ("IT") and supply chain, and no significant unanticipated increase in the price of commodities and other input costs at Weston Foods that it will not be able to offset. 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 the estimates, beliefs and assumptions expressed or implied in the forward-looking statements, including, but not limited to:

- failure to realize anticipated results, including revenue growth, anticipated cost savings or operating efficiencies from the Company's major initiatives, including those from restructuring;
- failure to realize benefits from investments in the Company's IT systems, including the Company's systems implementation, or unanticipated results from these initiatives;
- the inability of the Company's IT infrastructure to support the requirements of the Company's business;
- unanticipated results associated with the Company's strategic initiatives and the impact of acquisitions or dispositions of businesses on the Company's future revenues and earnings;
- 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;
- public health events;
- risks associated with product defects, food safety and product handling;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements which could lead to work stoppages;
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrink;
- the impact of potential environmental liabilities;
- failure to respond to changes in consumer tastes and buying patterns;
- reliance on the performance and retention of third-party service providers including those associated with the Company's supply chain and apparel business;
- supply and quality control issues with vendors;
- changes to the regulation of generic prescription drug prices and the reduction of reimbursement under public drug benefit plans and the elimination or reduction of professional allowances paid by drug manufacturers;
- changes in the Company's income, commodity, other tax and regulatory liabilities including changes in tax laws, regulations or future assessments;
- any requirement of the Company to make contributions to its registered funded defined benefit pension plans or the multi-employer pension plans ("MEPP") in which it participates in excess of those currently contemplated;

- the risk that the Company would experience a financial loss if its counterparties fail to meet their obligations in accordance with the terms and conditions of their contracts with the Company;
- the inability of Loblaw to collect on its credit card receivables; and
- failure to execute the initial public offering ("IPO") of Loblaw's proposed Real Estate Investment Trust ("REIT").

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 46 of the Company's 2012 Annual 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.

The information in this AIF is current to February 27, 2013, unless otherwise noted. 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 2S7.

Intercorporate Relationships

GWL is a holding company and operates through its subsidiaries in 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, a public company in which GWL, directly and indirectly, holds approximately a 63% interest. LCL operates the Loblaw segment through its subsidiaries.

A list of subsidiaries of GWL that carry on its principal businesses is set out below. GWL owns, either directly or indirectly, 100% of the voting securities of the Weston Foods subsidiaries. LCL owns, either directly or indirectly, 100% of the voting securities of its subsidiaries.

Weston Foods Subsidiaries	Jurisdiction of Incorporation
ACE Bakery Limited	Ontario
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
Glenhuron Bank Limited	Barbados
JFS Inc.	Delaware
Loblaw Alberta Inc.	Alberta
Loblaw Financial Holdings Inc.	Ontario
Loblaw Properties Limited	Ontario
Loblaw Properties West Inc.	Canada
Loblaws Inc.	Ontario
PGV Acquisition Inc.	Quebec
President's Choice Bank	Canada
Provigo Distribution Inc.	Quebec
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 and short term investments. The Loblaw operating segment is Canada's largest food retailer and a leading provider of drugstore, general merchandise and financial products and services. The Weston Foods operating segment 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.

Weston Foods

Weston Foods operates a fresh and frozen bakery and cookie business in Canada and a frozen bakery, biscuit, cookie, cone and wafer business in the United States. 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

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).

Weston Foods completed three bakery acquisitions in 2010. On September 24, 2010, Weston Foods purchased Keystone Bakery ("Keystone") for approximately $188 million (US $186 million). Keystone is a US manufacturer and supplier of frozen cupcakes and doughnuts. On November 1, 2010, Weston Foods purchased ACE Bakery, a Canadian manufacturer and supplier of artisan and European-style rustic bread varieties, for $110 million. On November 16, 2010, Weston Foods purchased a frozen doughnut manufacturing facility in Toronto, Ontario for approximately $11 million.

Dispositions

Weston Foods has not made any significant dispositions since January 1, 2010.

Capital Investment

Capital investments over the past three years have been targeted toward improving the efficiency of existing assets and increasing capacity where growth opportunities exist. Over the last three years, in addition to the two significant acquisitions of Keystone and ACE Bakery, Weston Foods has made small to medium-sized capital investments and acquisitions in targeted areas as discussed above.

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 activities undertaken over the last three years 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;
- announcement of the closure of a Toronto fresh bakery manufacturing facility in 2012, which will take effect in 2013;
- restructuring of the sales, administrative and other support functions of the Canadian bakery business in 2010, 2011 and 2012; and
- restructuring of two fresh bakery manufacturing facilities in Ontario in 2012 and a fresh bakery manufacturing facility in Quebec in 2010.

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 section of the Company's 2012 Annual 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 food retailer and a leading provider of drugstore, general merchandise and financial products and services. Through its national network of corporate and franchise stores, Loblaw serves over 14 million customers per week.

Over the past three years, economic uncertainty and heightened industry competition have translated into a challenging environment for Canadian food 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 appearance of many of its retail 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 to meet the evolving needs of Canadian consumers; and progressively rationalizing its general merchandise selection to better align with its core 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 IT system is ongoing and during 2012, the first distribution centre and first store went live on the integrated system.

On December 6, 2012, Loblaw announced its intention to create a REIT to acquire a significant portion of Loblaw's real estate assets and for the REIT to sell trust units to the public by way of an IPO. Loblaw estimates that it will initially sell to the REIT real estate with a current market value exceeding $7 billion and it intends to retain a significant majority interest in the REIT. Loblaw expects the IPO to be completed in mid-2013. However, completion of the IPO and the purchase of certain of Loblaw's real estate assets will be subject to prevailing market conditions and receipt of required regulatory approvals, including approval to list the trust units on the Toronto Stock Exchange ("TSX"). In addition, the execution and implementation of the REIT's IPO will have a significant impact on Loblaw's management and operations as a result of the time and attention required of management to complete the offering.

In 2013, Loblaw expects to advance a number of the strategic initiatives that were introduced in 2012. Loblaw plans to continue to explore innovative products, services and channels in order to maintain its competitive position. It expects to advance efficiency initiatives during the year, with a focus on the ongoing IT system implementation. Loblaw also plans to launch a loyalty program that will include personalized offers, which will be available to participating customers through digital channels.

Same-store sales decreased by 0.2% in 2012 (compared to 2011); in 2011, same-store sales increased by 0.9% (compared to 2010); and in 2010, same-store sales decreased by 0.6% (compared to 2009). Total retail square footage, including corporate and franchise stores, increased to 51.5 million from 50.7 million in 2010. The total number of corporate and franchise stores increased to 1,053 in 2012 from 1,027 in 2010.

A comprehensive list of the enterprise risks and related risk management activities can be found in Section 12 of the MD&A included in Loblaw's 2012 Annual Report.

<u>Retail</u>

Traditional food offerings are the core of Loblaw's business. Loblaw's Retail segment consists primarily of food and also includes drugstore, gas bars, 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 focus on fresh product quality, presentation and assortment, customer service and competitive value.

In 2010, Loblaw endeavoured to improve its customer proposition by enhancing focus on product freshness, assortment and customer service. In addition, the program of store network renovations that started in 2009, continued. During 2011, targeted sourcing enhancements were implemented to support a broader product offering. The retail business was also separated into conventional and discount divisions in order to better address the distinct needs of its customers.

During 2012, Loblaw invested in its competitive value position 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. During the year, Loblaw also began a process of developing and implementing category reviews across the conventional and discount divisions with the objective of improving the competitiveness, profitability and relevance of individual categories.

In 2013, Loblaw plans to roll out additional category reviews while continuing to focus on areas such as: product assortment, fresh food quality, customer service and competitive value.

Loblaw could have goods and services that customers don't 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 or are late in reaching the market. Innovation is critical if Loblaw is to respond to customer demands and stay competitive in the marketplace. If merchandising efforts are not effective or responsive to customer demand, the operations and financial performance of the Company could be negatively affected.

Store Renovations

Loblaw regularly updates its stores in order to improve the customer shopping experience. In 2009, Loblaw began an intensive program of network-wide store updates that it expects to conclude in 2014. Following this renovation program, it is anticipated that Loblaw will return to a more regular renovation cycle, with each store receiving an update approximately every eight years. In the past three years, over 450 stores representing more than 60% of Loblaw's sales were renovated.

In 2010, Loblaw touched over 200 stores of which 160 were considered major renovations. 16 *Real Canadian Superstore* locations were renovated to provide a better shopping experience for the customer. In Quebec, 110 *Maxi* and *Maxi & Cie* stores were repositioned with an improved offering focused on meeting customer needs and increasing volume. In Ontario, 16 *Zehrs* and seven *Fortinos* locations were renovated. In 2011, Loblaw continued its store renewal plan and completed 121 store renovations, including 78 major renovations that enhanced the customers' in-store experience across various banners and divisions.

During 2012, Loblaw completed 181 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, 78 of the renovations were conducted to support the strategic transition of the Right Hand Side, or general merchandise, areas of Loblaw's 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 will continue to update its network of stores and expects to substantially complete its program of Right Hand Side resets.

Health and Wellness

Health and Wellness is a core component of Loblaw's business. Anchored by a growing network of over 500 in-store drugstores, Loblaw offers a full range of health and wellness products and services.

In 2010, Loblaw conducted an IT infrastructure renewal within its pharmacy network as a foundation for future growth. In addition, its small-format pharmacy pilot launched during the year. During 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 stores.

During 2012, Loblaw acquired prescription files from 106 Zellers stores. In addition, 14 medical clinics and 18 optical departments were added to Loblaw's stores. Loblaw's successful program of placing dieticians in 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 stores participating by the end of the year.

In 2013, Loblaw plans to add medical clinics to additional stores as well as to continue to offer differentiated services that bridge the gap between food and health.

During 2012, the majority of provincial governments announced or enacted amendments to the regulation of generic prescription drug prices paid by provincial governments pursuant to public drug benefit plans. Subsequent to the end of the year, all provinces and territories, with the exception of Quebec, announced that reimbursement rates on six common generic prescription drugs would be significantly reduced. All provinces have now announced various forms of amendments to regulation of generic drug pricing. Under these amendments, the prices paid by the provincial drug plans for generic drugs are being reduced. The amendments also reduce out-of-pocket and private employer drug plan payments for generic drugs. The amendments impact pharmacy sales and therefore could have an adverse effect on the financial performance of the Company. Loblaw continues to identify opportunities to mitigate the impact of these amendments, including the introduction of programs to add new services and enhance existing services to attract customers, but despite these efforts, the amendments could have an adverse effect on the financial performance of the Company.

International Products

Loblaw serves the diverse Canadian population both through its standalone *T&T Supermarket* stores as well as through a comprehensive in-line assortment of international products in Loblaw's other banner stores. Loblaw strengthened its existing foothold in this growing segment through its purchase of T&T Supermarket Inc. ("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 2010, Loblaw established strategic synergies between itself and T&T to expand its understanding of this market. During 2011, Loblaw also expanded its fresh halal, meat and South Asian bakery offerings. In 2011, T&T launched an expanded lineup of T&T control brand products in its stores. As part of T&T's growth plans, one new store was opened in Ontario during 2011.

In 2012, T&T's footprint continued to expand with two new *T&T Supermarket* stores in Ontario. South and East Asian product assortment was also introduced in Loblaw's self-serve wholesale banner stores. A collection of T&T control brand products were piloted in select conventional and discount stores. 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 pharmacy services in Chinese.

In 2013, Loblaw expects to expand the selection of control brand international products as well as roll out T&T control brand products to the rest of the national store network. T&T also plans to introduce the *Be Beauty by T&T* concept to additional stores during the year.

Control Brand – Food

Loblaw offers a control brand program that serves to encourage 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 2010, Loblaw undertook a number of initiatives to improve the profitability of its control brand offering, focusing on innovation, including the launch of the very successful Ice Cream Shop program, with 14 new flavours and an integrated national advertising campaign featuring store parking lot events across the country. In 2011, Loblaw continued to innovate its control brand products, 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 conventional 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.

During 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 ("GFCP") 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 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. During the year, *PC* black label products were rolled out to over 240 additional stores; by the end of 2012, *PC* black label was stocked in over 380 stores.

In 2013, Loblaw plans to continue developing innovative products and leveraging its leading brands to grow in target areas such as: health and wellness, fresh and ethnic. During the year, control brands will continue to play an integral role in the ongoing category review process.

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 core food offering.

In 2010, Loblaw worked to rationalize underperforming general merchandise categories such as electronics and furniture. 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 core food offering. Loblaw also launched a number of new control brand product lines including *Jogi™, J+/-, Tera Gear* and *Everyday Essentials*.

During 2012, Loblaw continued to reset the general merchandise sections of its stores and conducted 78 Right Hand Side related projects, bringing the total number to approximately 100 to date. 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 2010, Loblaw expanded awareness of the *Joe Fresh* brand through major media campaigns, making it a leading apparel brand. During the year, Loblaw grew the *Joe Fresh* retail footprint by opening the first standalone store in Vancouver. In 2011, Loblaw expanded the brand 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. ("JC Penney") to introduce *Joe Fresh* women's apparel to almost 700 JC Penney stores in the United States. The launch is expected to take place in March 2013.

In 2013, Loblaw plans to continue resetting its general merchandise selection. It is anticipated that additional merchandising space will be allocated to brands such as *Jump Kids World* as the focus on categories that are complimentary to the core food offering continues to grow. Loblaw expects to continue focusing on building the *Joe Fresh* brand as well as on optimizing performance at the existing U.S. standalone stores and supporting the JC Penney roll out.

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.

Loblaw has focused on growing its *nofrills* banner over the past three 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 conventional stores in 2011, including the Loblaws store at Maple Leaf Gardens, Loblaw's new flagship 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 *The 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, capital spending is expected to support square footage growth of approximately one percent.

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. The segment is also home to the *PC* Points Loyalty Program. Over the past two 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 two 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. Since 2010, Loblaw has gained over 1.5 million new *President's Choice Financial* MasterCard® cardholders.

In 2010, Loblaw launched over 500 prepaid cellular end caps in stores across the country. In 2011, *The Mobile Shop*, a full service mobile kiosk, was launched in 75 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, Loblaw introduced 87 additional *The Mobile Shop* kiosks, bringing the total number to 162 nationally.

In 2013, the Financial Services division plans to assist in the launch of the standalone retail loyalty program while continuing to grow its *President's Choice Financial* MasterCard® portfolio as well as driving increased customer awareness and improving operating performance at its *The Mobile Shop* locations.

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 plans to continue optimizing its supply chain systems. The roll out of the IT system to a portion of Loblaw's retail stores will be a priority during the year, with many of the system optimizations, including IPFR, requiring integration into the IT system.

Employment Matters

In 2010, Loblaw continued to invest in colleague development through the launch of the "Best Store Leader" program. Over 300 colleagues went through rigorous assessments in development centres and were trained in key store management skills and practices. Progress also continued in the effort to retain colleagues, with reduced turnover compared to 2009. In 2011, Loblaw continued to focus on the "Best Store Leader" and "Best Category Leader" programs, 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 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.

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

For 2013, the Human Resources function plans to continue to build a responsive and performance-oriented culture that ensures that colleagues are focused on customers and that they understand and reflect Loblaw's values. Initiatives to support colleague retention, succession planning, recognition and development will be continued in order to drive colleague engagement and achieve Loblaw's goal to "Be a Great Place to Work".

Effective succession planning for senior management and colleague retention are essential to sustaining the growth and success of Loblaw. In addition, loss of talent to the competition can be a significant risk to Loblaw's business strategy. If Loblaw 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 Loblaw's ability to execute its strategies, and negatively affect the reputation, operations and financial performance of the Company.

Labour Relations

A majority of Loblaw's store level and distribution centre workforce is unionized. Loblaw's relationship with its unions has been satisfactory in the past three years and has been characterized by honest and open discussions regarding the need for change if Loblaw is to be competitive in the long term. Several of Loblaw's competitors operate in a non-union environment. These competitors may benefit from lower labour costs and more favourable operating efficiencies, making it more difficult for Loblaw to compete.

Failure to renegotiate collective agreements could result in work stoppages or slowdowns, which could negatively affect Loblaw's financial performance, depending on their nature and duration. There can be no assurance as to the outcome of these negotiations or the timing of their completion. Although Loblaw attempts to mitigate work stoppages and disputes through early negotiations, work stoppages or slowdowns remain possible, which could negatively affect the reputation, operations and financial performance of the Company.

In the past three years, 184 collective agreements were successfully negotiated by Loblaw and its franchisees. 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 2011 and 2012, to drive labour productivity, Loblaw successfully transitioned certain of its Ontario conventional stores to more cost effective and efficient collective agreements ratified in 2010. These transitions are expected to continue into 2013 and beyond.

Information Technology

IT System

Loblaw is currently conducting a major upgrade of its IT infrastructure. This is one of the largest technology infrastructure programs ever implemented in the retail marketplace and is fundamental to Loblaw's long-term growth strategies. It is anticipated that the implementation of the IT system 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 rigor and ultimately improve efficiency and the customer experience.

In 2010, Loblaw successfully implemented the first and second phases of its IT system, which involved integrating the general ledger and related reporting for finance across the business and launching additional functionality including corporate accounts payable and marketing procurement processes. The system was rolled out successfully to Loblaw Properties Limited, PC Bank and all administrative functions during the year. In addition, beginning in September 2010, pilots for the next major IT system release related to the merchandising management module were rolled out. Loblaw used the IT system functionality to close its third and fourth quarter reporting periods. In 2011, Loblaw made additional progress on the implementation of the IT system with the successful transition of all merchandising category product listings on to the system. This transition involved the cleansing of master data with no significant impact on its customers.

During 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 will continue to roll out the IT system to a portion of its distribution centres and store network.

Store Time and Attendance System and National Point of Sale System

In 2010, Loblaw began implementing a new STAS to drive proper colleague scheduling during key times as well as reduce administrative costs. In 2011, Loblaw implemented the new STAS in approximately 150 stores and by the end of 2012, all corporate stores were live on the system.

The roll out of STAS will continue during 2013 with the majority of Loblaw's franchise stores expected to be live by the end of the year.

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 system 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 2012 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 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 2010. These new products include *Gadoua MultiGo* Flat Bagels, Pitas and Tortillas, and the *Weston Première Fournée* line of artisan breads. Additionally, Weston Foods relaunched the *Wonder* and *Gadoua MultiGo* lines of breads that are free of artificial additives including preservatives, colours and flavours. In 2010, Weston Foods introduced new products including *Country Harvest* Ancient Grains, *Country Harvest* Raisin Cinnamon with Whole Wheat, *Jake's Bake House, Wonder+ SimplyFree* breads, *D'Italiano* focaccia, Shout Outs! Girl Scout cookies (sensibly sweet cookies) and new products licensed under the Weight Watchers® brand name. Weston Foods also acquired ACE Bakery in 2010 which produces products sold under the *ACE Bakery* brand name including artisan and European-style rustic breads, rolls, baguettes, focaccia, and crisps.

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 February 27, 2013, production facilities for Weston Foods were located in Canada and the United States as follows:

CANADA		UNITED STATES	
Province	Number of Locations	State	Number of Locations
Ontario	14	Georgia	1
Quebec	5	Indiana	1
Alberta	3	New Hampshire	1
Saskatchewan	2	New York	1
British Columbia	2	Ohio	1
Nova Scotia	2	Pennsylvania	1
Manitoba	1	South Carolina	1
Newfoundland and Labrador	1	South Dakota	1
		Virginia	1
		Washington	1
		Wisconsin	1
Total	30		11

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 in the United States also distributes Mrs. Fields® cookie brand and other 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, 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.

Loblaw accounts for approximately 36% of Weston Foods sales and no other single customer accounts for more than 10% of sales. For the 2012 and 2011 fiscal years, sales by Weston Foods to Loblaw amounted to $627 million and $646 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.

Weston Foods anticipates that business restructuring by its competitors will continue to take place in 2013. 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.

Brands

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* and *ACE Bakery*. 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.

Raw Materials

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 2012, 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.

Intellectual Property

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 and its subsidiaries 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* 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 5,600 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.

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. 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.

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 United States MEPPs in which it participated and as a result, was subject to and paid a withdrawal liability of $34 million. During the fourth quarter of 2012, another substantial participating employer withdrew from the plan and a mass withdrawal was triggered. As a result of the mass withdrawal, the Company is subject to an incremental withdrawal liability. Until the current actuarial valuation is made available, the actual amount of the incremental withdrawal liability is unknown. Management's current estimate of the liability is approximately $17 million.

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 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, provincial, municipal and other government bodies 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. This is a growing trend and Weston Foods expects to be subject to increased costs associated with these laws.

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' dedicated Environmental Affairs department works closely with the operations to help ensure requirements are met.

Food Safety, Public Health and Labelling

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 ("BRC") or Safe Quality Food ("SQF") 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 Grupo Bimbo) to leverage off each other's expertise or brands.

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 the *Wonder* and *Gadoua MultiGo* lines of breads that are free of artificial additives including preservatives, colours and flavours.

In 2010, Weston Foods introduced new products including *Country Harvest* Ancient Grains, *Country Harvest* Raisin Cinnamon with Whole Wheat, *Jake's Bake House, Wonder+ SimplyFree* breads, *D'Italiano* focaccia, *Shout Outs!* Girl Scout cookies (sensibly sweet cookies) and products licensed under the Weight Watchers® brand name.

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 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 2012 MD&A, which information is incorporated herein by reference and available at www.sedar.com.

Loblaw

Loblaw is Canada's largest food retailer and a leading provider of drugstore, general merchandise, and financial products and services. For over 50 years, Loblaw has supplied the Canadian market with innovative products and services through corporate, franchised and affiliated stores. Loblaw has two reportable operating segments. Retail consists primarily of food and also includes drugstore, gas bars, apparel and other general merchandise. Financial Services includes credit card services, a retail loyalty program, insurance brokerage services, personal banking services provided by a major Canadian chartered bank, deposit taking services, and telecommunication services.

Retail

The Retail segment is composed of two primary divisions: conventional and discount. Loblaw's conventional 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 the lowest price coupled with service when and where it matters most. The Hard Discount 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 store banners include Atlantic Superstore, *Dominion*[1] (in Newfoundland and Labrador), *Extra Foods*, *Loblaws*, *Maxi*, *Maxi & Cie*, *Provigo*, *The Real Canadian Superstore*, *T&T Supermarket* and *Zehrs* and wholesale outlets operating as *Cash & Carry*, *Presto* and *The Real Canadian Wholesale Club*. Loblaw's franchised and affiliated stores operate under trade names including *Atlantic SaveEasy*, *Fortinos*, *Extra Foods*, *nofrills*, SuperValu, *valu-mart*, *Provigo* and *Your Independent Grocer*. The store network is supported by 21 warehouse facilities located across Canada, 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, personal banking services, which are provided by the direct

(1) Trademark used under license

banking division of a major Canadian chartered bank and the *PC* Points Loyalty Program. Loblaw also offers home, auto, travel and pet insurance through its insurance entities and offers gift card and mobile phone services, including *The Mobile Shop* and *PC* Mobile.

Geographic and Banner Summary

Retail

For the recently completed year, Loblaw operated across Canada and the United States as set out below:

	Corporate Stores	Franchised Stores	Affiliated Independents	Independent Accounts	Warehouses
Newfoundland and Labrador	12	8	14	100	1
Prince Edward Island	5	4	7	27	–
Nova Scotia	31	18	22	255	1
New Brunswick	21	22	19	99	2
Quebec	176	56	148	979	3
Ontario	167	292	65	–	5
Manitoba	27	1	14	–	1
Saskatchewan	29	6	21	–	–
Alberta	54	30	8	–	2
Northwest Territories	2	–	2	–	–
Yukon	1	1	1	–	–
British Columbia	49	35	20	–	6
USA	6	–	–	–	–
Total	580	473	341	1,460	21

The following table sets out the distribution of Loblaw’s stores:

	Corporate Stores	Franchised Stores	Affiliated Independents
Conventional			
Atlantic SaveEasy	2	41	–
Fortinos	2	19	–
Loblaws	76	–	–
Provigo	22	56	–
SuperValu	1	10	11
T&T Supermarket	22	–	–
valu-mart	3	57	–
Your Independent Grocer	2	57	–
Zehrs	44	–	–
Other	–	3	330
Discount			
Extra Foods	48	18	–
Maxi	89	–	–
Maxi & Cie	21	–	–
nofrills	1	212	–
Atlantic Superstore	50	–	–
Dominion(1) (in Newfoundland and Labrador)	11	–	–
The Real Canadian Superstore	112	–	–
Cash & Carry	17	–	–
Presto	11	–	–
The Real Canadian Wholesale Club	33	–	–
Apparel	–	–	–
Joe Fresh	7	–	–
Joe Fresh US	6	–	–
Total	580	473	341

(1) Trademark used under license

The average store size at year end 2012 for corporate stores and franchised stores was 64,800 and 29,400 square feet, respectively. Over the last three years, the average store size for corporate stores has increased by approximately 4.0%, while the average store size for franchised stores has declined by approximately 1.0%.

Loblaw’s preferred strategy is to purchase land for future store locations. At year-end 2012, Loblaw owned 72% of the real estate on which its corporate stores are located, 45% of the real estate on which franchised stores are located, as well as various properties under development or held for future development. Loblaw’s owned properties are largely unencumbered, with $93 million in mortgage debt on total fixed assets including real estate and investment properties having a net book value of approximately $9.1 billion at year end 2012. The total square footage of the owned corporate and franchised stores is approximately 27.0 million square feet and 6.3 million square feet, respectively.

Franchisee Independence and Relationships

A substantial portion of Loblaw's revenues and earnings comes from amounts paid by franchisees. Franchisees 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 Loblaw's reputation, operations and financial performance. 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. Loblaw provides various services to the franchisees to assist with management of store operations and dedicated personnel manage Loblaw's obligations to its franchisees. Despite these efforts, 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 Loblaw could cause or be perceived to cause disruptions to franchise operations and could result in negative effects on franchisee financial performance. Reputational damage or adverse consequences for Loblaw, including litigation and disruption to revenue from franchise stores could result.

Financial Services

Loblaw operates 176 *President's Choice Financial* services kiosks in retail stores across the country. In addition, Loblaw operates *PC* Mobile prepaid cellular end caps in over 500 of its stores across the country. *The Mobile Shop* full service kiosks, operated by third party providers are located in 162 of Loblaw's 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 traditional supermarket operators, as well as mass merchandisers, warehouse clubs, drugstores, 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. Loblaw'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 Loblaw to sustain its competitive position could negatively affect the financial performance of the Company.

Financial Services

The Canadian bank card market is highly regulated and competitive. In the past few years, two significant 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.

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®. PC Bank and Loblaw actively manage and monitor their relationships with all third-party service providers and PC Bank has an outsourcing risk policy and a vendor governance team that provides regular reports on vendor governance and annual vendor risk assessments. Despite these activities, a significant disruption in the services provided by the chartered bank or third party service providers would negatively affect the financial performance of PC Bank and Loblaw.

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.

<u>Customers</u>

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.

<u>Control Brand Products</u>

Loblaw has developed a successful line of control brand products and services that are sold or made available in its corporate, franchised and affiliated 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*, *PC G.R.E.E.N, Exact*, *Teddy's Choice*, *PC* Home and *Everyday Essentials*.

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. Aligned with these goals, Loblaw offers over 420 *Blue Menu* products, more than 250 *PC* black label products and over 320 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 are sourced world-wide and cater to all areas of the home including bed, bath, kitchen, home décor and seasonal categories. In recent years, Loblaw has reset the general merchandise offerings in it 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 core food offering and the needs of its primary customers.

Loblaw relies on vendors, including offshore vendors, that provide Loblaw with goods and services. Although contractual arrangements, sourcing guidelines, supplier audits and Corporate Social Responsibility ("CSR") guidelines are in place, Loblaw has no direct influence over how the vendors are managed. Negative events affecting any vendors or inefficient, ineffective or incomplete vendor management strategies, policies and/or procedures could adversely impact Loblaw's ability to meet customer needs or control costs and quality, which could in turn negatively affect the reputation, operations and financial performance of the Company.

Marketing

Loblaw has extensive marketing programs, many of which are focused on scheduled events and on the promotion and advertising for various control brand products and services which are exclusive to Loblaw. These programs are supported by research activity, including consumer insight and brand awareness measures.

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.

A variety of unique communications media are used to inform and educate consumers about Loblaw's products and services. The *President's Choice Insider's Report* is considered a "must-read" by millions of consumers across the country. The *Insider's Report* is distributed at various times throughout the year and is a creative description of new products offered by the season highlighting price, value and quality of Loblaw's control brand advantage. Loblaw participates in Toronto Fashion Week to promote its *Joe Fresh* apparel brand. The *President's Choice* and the *Joe Fresh* brands receive significant advertising presence on television, print, in major magazine publications and on the internet.

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. These campaigns feature Galen Weston, Loblaw's Executive Chairman, as spokesperson.

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. During 2012, Loblaw also introduced its *President's Choice* BBQTown event, where Canadians nominated their own communities for a chance to win a *President's Choice* BBQTown Grand Prize Event for up to 5,000 people in their community. Also available were 9 secondary prizes of a stop on the *PC* BBQTown Tour. The town of Chatham, Ontario was the grand prize winner and during the event, Loblaw set a new Guinness World Records® title for assembling 1,053 hamburgers in one hour.

Loblaw also promotes its products and engages its consumers through its websites such as pc.ca and joefresh.com and through social media such as Facebook and Twitter, which allow consumers to participate in contests, rate and review food products, and create a personal wardrobe. Loblaw also uses social networking sites in its marketing efforts.

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 both corporate store and franchised store operations. Franchisees use the banner names associated with their franchise program pursuant to licensing arrangements. Loblaw's trademarks used in connection with its control brand program are discussed under the sections "Retail" and "Financial Services". 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.

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

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 significant overhaul 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. Loblaw also uses outsourced services for a number of IT requirements as well as for pharmacy and *President's Choice Financial* services.

Failure to successfully migrate from legacy systems to the IT system or 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 achieve its strategic plan or manage the day-to-day operations of the business, causing significant disruptions to the business and potential financial losses. Failure to implement appropriate processes to support the IT system could result in inefficiencies and duplication in processes and could negatively affect Loblaw's reputation and the operations, revenues and financial performance of the Company.

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

Loblaw is reliant on the continuous and uninterrupted operations of IT systems. POS availability, 24/7 user access and security of all IT systems are critical elements to the operations of Loblaw. Any IT failure pertaining to availability, access or system security could result in disruption for the customer, lost revenue and could negatively impact Loblaw's operations, reputation or financial performance.

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 21 warehouses and distribution centres. Third-party logistics service providers are used at 11 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.

Failure to continue to invest in and improve Loblaw's supply chain could adversely affect Loblaw'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 negatively affect the operations and financial performance of the Company.

Loblaw also uses third-party suppliers, carriers, logistic service providers and operators of warehouses and distribution facilities, including the product development, design and sourcing of Loblaw's control brand apparel products. Ineffective selection, contract terms or relationship management could impact Loblaw's ability to source control brand products, to have products available for customers, to market to customers or to operate efficiently and effectively. Loblaw maintains a strategy of multiple sources for logistics providers so that in the event of a disruption of service from one supplier another supplier can be used. However, disruption in these services is possible, which could interrupt the delivery of merchandise to stores, thereby negatively affecting the operations and financial performance of the Company.

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

Glenhuron Bank Limited, a wholly owned subsidiary of Loblaw with operations in Barbados, is engaged in financial services including cash and investment management and treasury-related activities. JFS Inc., a wholly owned subsidiary of Loblaw, operates Loblaw's apparel business in the United States. Loblaw is not dependent on these operations.

Colleagues

As of December 31, 2012, Loblaw and its franchisees together employed approximately 134,000 full-time and part-time employees. A majority of Loblaw's store level and distribution centre colleagues are unionized. Currently, the unionized workforce employed by Loblaw and its franchisees is covered by a total of 360 collective agreements with 17 unions.

Lending

The board of directors of PC Bank 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.

Environmental Matters

Loblaw 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 Loblaw itself.

Loblaw has a number of underground storage tanks, the majority of which are used for the retailing of automotive fuel or for its supply chain transport fleets. Contamination resulting from leaks from these tanks is possible. Loblaw also operates refrigeration equipment in its stores and distribution centres to preserve perishable products as it passes through the supply chain and ultimately into the hands of the consumer. These systems contain refrigerant gases which could be released if equipment fails or leaks. A release of these gases could have adverse effects on the environment.

Loblaw 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 consumers. There is a risk that Loblaw will be subject to increased costs associated with these laws.

Loblaw has environmental management programs and has established assessment, compliance, monitoring and reporting policies and procedures aimed at ensuring compliance with applicable environmental legislative requirements and protecting the environment. Despite these mitigation activities, Loblaw 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 negatively affect the reputation and financial performance of the Company.

Consumer trends are increasingly demanding that retailers sell products with less impact on the environment and that their operations demonstrate environmentally responsible practices. As set out in its annual CSR Report, Loblaw sets environmental goals and monitors its progress towards their achievement. If Loblaw fails to meet consumer demand in this area or otherwise fails to adequately address the environmental impact of its business practices, its reputation and financial performance could be negatively affected.

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, sourcing products from local vendors, and minimizing its impact on the environment. CSR is the way Loblaw does business.

Loblaw's approach to 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 believes by making positive contributions in the community and minimizing negative impacts on the environment, 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. In addition, Loblaw believes that publishing its CSR objectives and progress in a public document helps keep colleagues engaged and enables others to get involved with its efforts.

Loblaw will issue its sixth CSR Report in the spring of 2013.

Food Safety and Public Health

Loblaw is subject to risks associated with food safety and general merchandise product defects. These risks could arise as part of the procurement, distribution, preparation or display of products, including Loblaw's control brand products. Loblaw 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 Loblaw's customers, negative publicity or damage to Loblaw's brands and could lead to unforeseen liabilities from legal claims or otherwise. In addition, failure to trace or locate any contaminated or defective products could affect Loblaw'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 store level, could negatively affect Loblaw's reputation and the operations and financial performance of the Company.

Loblaw has an incident management process in place to manage such events, should they occur. The existence of these procedures does not mean that Loblaw will, in all circumstances, be able to mitigate the underlying risks, and any event related to these matters has the potential to negatively affect Loblaw's reputation and the operations and financial performance of the Company.

V. PRIVACY AND ETHICS

The Company is committed to managing its activities in an ethical and proper manner in all respects. Each of GWL, 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, Weston Foods 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 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, negatively impact the Company's financial performance.

VI. OPERATING AND FINANCIAL RISKS AND 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") have each approved an ERM policy and oversee their respective ERM program through approval of their respective risks and risk prioritization. The ERM programs assist 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 programs 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 programs. Risks are identified and managed within understood risk tolerances. The ERM programs are 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 are both strategic and operational in nature. Key risks affecting the Company are prioritized under five categories: financial; operational; regulatory; human capital; and reputational risks. The annual ERM assessment is carried out through interviews, surveys and facilitated workshops with management and the Board or the LCL Board. 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 Board of the status of the top 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 (3-5 year) risk level is assessed to monitor potential long term risk impacts, which may assist in risk mitigation planning activities.

Accountability for oversight of each risk is allocated by the Board or the LCL Board either to the full Board or LCL Board, respectively, or delegated to a committee of the respective Board.

The operating, financial, regulatory, human capital and reputational risks and risk management strategies are discussed in the MD&A contained in the Company's 2012 Annual Report and Loblaw's 2012 Annual Report. 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. The discussion regarding risks facing the Company is set forth in the Enterprise Risks and Risk Management section of the MD&A on pages 36 through 46 of the Company's 2012 MD&A and on pages 23 through 31 of Loblaw's 2012 MD&A. This information is incorporated herein by reference and is available at www.sedar.com.

VII. SHARE CAPITAL 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 December 31, 2012 there were 128,221,841 Common Shares issued and outstanding, an increase of 32,998 Common Shares from December 31, 2011. There are an unlimited number of authorized Common Shares.

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

As of December 31, 2012, 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 December 31, 2012, there were no Preferred Shares, Series II outstanding.

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

As of December 31, 2012, 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. On or after July 1, 2012, GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares as follows:

On or after July 1, 2012, at $25.50 per share, together with all accrued and unpaid dividends to the redemption date;
On or after July 1, 2013, 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 December 31, 2012, 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. On or after October 1, 2012, GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares as follows:

On or after October 1, 2012, at $25.50 per share, together with all accrued and unpaid dividends to the redemption date;
On or after October 1, 2013, 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 December 31, 2012, 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. On or after July 1, 2012, GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares as follows:

On or after July 1, 2012, at $25.75 per share, together with all accrued and unpaid dividends to the redemption date;
On or after July 1, 2013, 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 year ended December 31, 2012, are as follows:

	Common Shares			
Month	High ($ per common share)	Low ($ per common share)	Avg. Daily Vol. by Month (in shares)	Total Volume by Month (in shares)
January	$68.60	$64.00	136,501	2,866,524
February	$65.90	$63.22	72,650	1,452,999
March	$63.97	$61.26	120,366	2,648,052
April	$63.98	$61.01	71,252	1,425,038
May	$63.26	$57.21	73,020	1,606,449
June	$60.06	$57.00	58,329	1,224,916
July	$61.41	$57.92	111,625	2,344,117
August	$63.67	$58.26	86,532	1,903,701
September	$63.94	$62.19	95,770	1,819,625
October	$65.22	$61.84	68,949	1,516,881
November	$65.23	$61.76	82,644	1,818,178
December	$71.05	$62.75	157,565	2,993,735

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 year ended December 31, 2012, are as follows:

Month	Preferred Shares Series I			
	High ($ per share)	Low ($ per share)	Avg. Daily Vol. by Month (in shares)	Total Volume by Month (in shares)
January	$26.60	$25.45	9,294	195,165
February	$26.46	$25.46	6,610	132,203
March	$25.95	$25.04	4,469	98,325
April	$25.79	$25.37	4,620	92,404
May	$26.16	$25.41	4,152	91,343
June	$25.91	$25.40	2,976	62,490
July	$25.80	$25.41	3,441	72,253
August	$25.63	$25.22	7,167	157,668
September	$25.60	$25.20	3,793	72,071
October	$25.90	$25.50	4,264	89,538
November	$25.85	$25.36	4,901	107,814
December	$25.78	$25.44	4,523	85,937

Month	Preferred Shares Series III			
	High ($ per share)	Low ($ per share)	Avg. Daily Vol. by Month (in shares)	Total Volume by Month (in shares)
January	$25.91	$25.07	7,575	159,073
February	$25.80	$24.90	4,516	90,320
March	$25.48	$24.70	7,023	154,510
April	$25.11	$24.61	4,353	87,061
May	$25.18	$24.96	4,185	92,064
June	$25.16	$24.88	4,611	96,821
July	$25.45	$24.99	10,100	212,102
August	$25.84	$25.30	6,126	134,773
September	$25.68	$25.24	6,295	119,602
October	$25.84	$25.39	4,573	100,603
November	$25.66	$25.40	4,105	90,314
December	$25.78	$25.32	4,051	76,972

Month	Preferred Shares Series IV			
	High ($ per share)	Low ($ per share)	Avg. Daily Vol. by Month (in shares)	Total Volume by Month (in shares)
January	$25.73	$25.00	3,774	79,264
February	$25.65	$24.84	7,527	150,541
March	$25.50	$24.81	9,525	209,551
April	$25.51	$24.42	9,313	186,258
May	$25.42	$24.95	3,972	87,393
June	$25.21	$24.86	4,291	90,111
July	$25.51	$24.99	9,977	209,525
August	$25.83	$25.36	5,068	111,495
September	$25.85	$25.38	6,417	121,920
October	$25.73	$25.47	4,720	103,844
November	$25.75	$25.53	3,167	69,679
December	$25.78	$25.41	3,784	71,892

Month	Preferred Shares Series V			
	High ($ per share)	Low ($ per share)	Avg. Daily Vol. by Month (in shares)	Total Volume by Month (in shares)
January	$25.20	$23.69	11,391	239,221
February	$25.15	$23.85	11,526	230,518
March	$25.00	$23.20	14,813	325,896
April	$23.75	$23.11	6,928	138,554
May	$24.00	$23.16	6,707	147,549
June	$24.11	$23.39	5,354	112,429
July	$25.00	$23.91	8,147	171,091
August	$25.15	$24.62	5,222	114,893
September	$25.12	$24.78	6,010	114,182
October	$25.16	$24.75	5,634	123,958
November	$25.24	$24.77	4,222	92,894
December	$25.33	$25.00	4,503	85,552

<u>Medium Term Notes and Debt Securities</u>

The outstanding medium-term notes ("MTN") of GWL and LCL are not listed or quoted on a recognized exchange. On October 25, 2011, GWL issued $350 million principal amount of unsecured MTN, Series 2-A pursuant to its MTN, Series 2 program. During 2011, a $300 million unsecured GWL MTN matured and was repaid. As at December 31, 2012 there was $1,266 million of GWL notes and debentures outstanding (excluding LCL).

LCL notes are subject to certain covenants and are unsecured obligations of LCL and rank equally with all unsecured indebtedness that has not been subordinated. During 2011, a $350 million unsecured LCL notes matured and was repaid. As at December 31, 2012 there was $3,631 million of LCL notes and debentures outstanding.

LCL's Private Placement notes ("USPP") are not listed or quoted on a recognized exchange. These notes are subject to certain covenants and are unsecured obligations of the company and rank equally with all the unsecured indebtedness that has not been subordinated. As of December 31, 2012, there was US$300 million of USPP outstanding. This USD amount is unchanged from the previous year.

Credit Ratings

During the third quarter of 2012, Standard & Poor's Rating Services ("S&P") reaffirmed GWL's credit rating and outlook. During the fourth quarter of 2012, Dominion Bond Rating Service Limited ("DBRS") reaffirmed GWL's credit ratings and trend. The ratings, outlook, and trend were reaffirmed following Loblaw's announcement of its intention to create a REIT. GWL's credit ratings for its securities are as follows:

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

During the fourth quarter of 2012, DBRS and S&P also reaffirmed LCL's credit ratings, trend and outlook following Loblaw's announcement of its intention to create a REIT. LCL's credit ratings for its securities are as follows:

Credit Ratings and Trends (Canadian Standards)	Dominion Bond Rating Service		Standard & Poor's	
	Rating	Trend	Credit Rating	Outlook
Issuer Credit Rating	BBB	Stable	BBB	Stable
Medium Term Notes	BBB	Stable	BBB	Stable
Preferred Shares	Pfd-3	Stable	P-3 (high)	Stable
Other Notes and Debentures	BBB	Stable	BBB	Stable

The rating organizations base their credit ratings on quantitative and qualitative considerations which are relevant for the Company and Loblaw, respectively. These ratings are forward-looking and intended to give an indication of the risk that the Company or Loblaw 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 Debt Rating Scale.

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

DBRS' credit ratings for long-term debt range from AAA to D. All rating categories other than AAA and D also contain the 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 debt rated BBB is 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.

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 ten 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.

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 the long term, it is the Company's intention to increase the amount of the dividend while retaining appropriate free cash flow to 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.

During the fourth quarter of 2012, the Board declared a 5.6% increase in the quarterly dividend from $0.36 to $0.38 per common share, commencing with a quarterly dividend payable January 1, 2013.

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 ($)	2012	2011	2010
Common shares	1.46	1.44	9.19(1)
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

(1) Includes the special one-time common share dividend of $7.75 per common share which was declared in 2010 and subsequently paid on January 25, 2011.

Subsequent to year-end, GWL declared a quarterly dividend of $0.38 per common share, payable on April 1, 2013. Quarterly dividends were also declared for the preferred shares as follows: $0.3625 per Preferred Share, Series I, payable on March 15, 2013 and $0.3250 per Preferred Share, Series III and IV, and $0.2969 per Preferred Share, Series V, all payable on April 1, 2013.

Special Dividend

On January 25, 2011, GWL paid a special one-time common share dividend of $1 billion, representing $7.74751 per common share to all common shareholders of record at the close of business day on January 18, 2011. Following this payment, GWL retains a significant amount of cash and short-term investments and continues to evaluate strategic opportunities for the use or deployment of these funds.

Normal Course Issuer Bid

During the second quarter of 2012, GWL filed a Normal Course Issuer Bid to purchase on the TSX, or enter into equity derivatives to purchase, up to 6,409,499 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 9,212 common shares pursuant to the Normal Course Issuer Bid in 2012.

IX. DIRECTORS AND OFFICERS

The following list of directors and senior officers is current to February 27, 2013.

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
Warren Bryant [2,5*] Washington, USA	Corporate Director	2010
Peter B. M. Eby [3] Ontario, Canada	Corporate Director	2000
Darren Entwistle [2] British Columbia, Canada	President and Chief Executive Officer of TELUS Corporation	2011
Anthony R. Graham [1,3,4*] Ontario, Canada	President of Wittington Investments, Limited (holding company) and 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
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 [2,4,5] 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.

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	Chief Financial Officer
Gordon A.M. Currie Ontario, Canada	Executive Vice President, Chief Legal Officer
Robert A. Balcom Ontario, Canada	Senior Vice President, General Counsel – Canada and Secretary
J. Bradley Holland Ontario, Canada	Senior Vice President, Taxation
Khush Dadyburjor Ontario, Canada	Senior Vice President, Corporate Development
Geoffrey H. Wilson Ontario, Canada	Senior Vice President, Financial Control and Investor Relations

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. 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; and Mr. Khush Dadyburjor, who held the position of Vice President & Global Head, M&A at Nortel Networks Canada until December 2010.

As at December 31, 2012, Mr. W. Galen Weston beneficially owned, directly or indirectly, 80,724,599 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 are not included in the Chapter 11 filing. Dana Corporation emerged from bankruptcy proceedings in January 2008.

In December of 1998, Mr. John S. Lacey joined the board of directors of The Loewen Group Inc. and was acting as Chairman 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 1999. The Loewen Group Inc. emerged from Chapter 11 in January of 2003 and CCAA proceedings were held 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 on March 31, 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), 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 at Nortel Networks Canada.

X. LEGAL PROCEEDINGS

The Company is the subject of various legal proceedings and claims that arise in the ordinary course of business. The outcome of all of these proceedings and claims is uncertain. However, based on the information currently available, these proceedings and claims, individually and in the aggregate, are not expected to have a material impact on the Company.

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 (the "SPA") contains a price adjustment clause. The SPA provides, subject to certain limited exceptions, that if any person subsequently acquired more than 50% of the outstanding voting shares of Domtar, the price adjustment clause applies. The Company believes that a price adjustment in the amount of $110 million is payable to it by Domtar and the Company has demanded payment of such amount from Domtar. Domtar's position is that the price adjustment clause does not apply because of the application of an exception contained in the SPA. 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. The parties have exchanged legal pleadings.

XI. MATERIAL CONTRACTS

GWL has an agreement with its subsidiary, LCL, to provide certain administrative services by each company (and its respective wholly owned subsidiaries) 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 the Weston and Loblaw together, each party pays the appropriate portion of such costs. Net payments received by GWL under this agreement in 2012 were $17 million. Fees paid under this agreement are reviewed each year by the Audit Committee.

The purchase and sale agreement relating to the sale of the US fresh baking business by Dunedin Holdings S.à.r.l., a subsidiary of GWL, to Grupo Bimbo, S.A.B. de C.V. for gross and net proceeds of approximately US$2.5 billion, including approximately US$125 million of interest bearing assets is also a material contract of the Company. The sale transaction was completed on January 21, 2009.

XII. RELATED PARTY 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 2012.

Related party transactions between Weston and Loblaw include inventory purchases, cost sharing agreements, real estate matters, borrowings and lendings, income tax matters, management agreements and the administrative 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 pages 46 to 47 of the Company's 2012 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 is independent of the Company in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

XV. AUDIT COMMITTEE INFORMATION

The Audit Committee Charter, as approved by the Board on February 27, 2013, 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 Toronto Dominion Bank. He obtained an M.B.A. from Harvard Business School and is a Fellow of the Institute of Canadian Bankers.

Mr. Bryant is the former Chairman, President and Chief Executive Officer of Longs Drug Stores. Mr. Bryant obtained his B.S. from California State University and an M.B.A. from Azusa Pacific University. Mr. Bryant is also a graduate of the Executive Financial Management Program at Harvard University.

Mr. Entwistle is the President and Chief Executive Officer of TELUS Corporation. He obtained a Bachelor of Economics degree from Concordia University, an M.B.A. in Finance from McGill University and a diploma in Network Engineering from the University of Toronto.

Mr. Rahilly was 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 Group Head of strategy, treasury and corporate services at RBC and is also Chair of the board of directors of RIM (now known as Blackberry). She obtained a H.B.A. from Richard Ivey School of Business and is a Fellow of the Institute of Chartered Accountants of Ontario.

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 2012 and 2011 are as follows:

	2012 $(000's)	2011 $(000's)
Audit fees(1)	3,641	3,690
Audit-related fees(2)	2,502	2,824
All other fees(3)	71	2,189
Total Fees	$6,214	$8,703

(1) Audit fees include fees for services related to the audit of the Company's consolidated financial statements.

(2) Audit-related fees include assurance and related services that are performed by the Company's auditor. These services include the review of quarterly reports to shareholders, audit of pension plans, comfort letters and the interpretation of accounting and financial reporting standards. Fees also include professional services associated with audit procedures performed related to Loblaw's IT system conversion.

(3) Other fees for services related to legislative and/or regulatory compliance and the Company's conversion to International Financial Reporting Standards.

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, will be contained in the Company's Management Proxy Circular for the Annual Meeting of shareholders to be held on May 9, 2013. 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 the System for Electronic Document Analysis and Retrieval ("SEDAR") 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.

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) Review 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 Auditors, 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 Auditors; 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 ethics response 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 and assess the effectiveness of the Company's enterprise risk management 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.