

Loblaw

C O M P A N I E S L I M I T E D

2011

ANNUAL INFORMATION FORM

February 23, 2012

LOBLAW COMPANIES LIMITED
2011 ANNUAL INFORMATION FORM
TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS	3
CORPORATE STRUCTURE	4
Incorporation	4
Intercorporate Relationships	4
GENERAL DEVELOPMENT OF THE BUSINESS	5
Products and Services	5
Control Label Program	6
Supply Chain	7
Labour Relations and Employment Matters	8
Information Technology	9
Acquisition of T&T Supermarket Inc.	10
Financial Performance	10
DESCRIPTION OF THE BUSINESS	11
Operations	11
Geographic and Banner Summary	12
Competitive Conditions	14
Customers	15
Control Label Products	15
Marketing	16
Intellectual Property	16
Information Technology	16
Supply Chain	17
Seasonality	17
Foreign Operations	17
Colleagues	18
Lending	18
Environmental, Health and Safety Matters	18
Corporate Social Responsibility	19
Food Safety, Public Health and Labelling	19
Privacy and Ethics	20
Risks and Risk Management	20
CAPITAL STRUCTURE AND MARKET FOR SECURITIES	21
Share Capital	21
Share Trading Price and Volume	22
Medium Term Notes and Debt Securities	23
Credit Ratings	23

DIVIDENDS	25
DIRECTORS AND OFFICERS	26
LEGAL PROCEEDINGS	29
MATERIAL CONTRACTS	29
TRANSFER AGENTS AND REGISTRARS	29
EXPERTS	29
AUDIT COMMITTEE INFORMATION	30
EXTERNAL AUDIT FEES	30
ADDITIONAL INFORMATION	31
ADDPENDIX “A” – AUDIT COMMITTEE CHARTER	

FORWARD-LOOKING STATEMENTS

This Annual Information Form for Loblaw Companies Limited contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects and opportunities. These forward-looking statements are typically identified by words such as "anticipate", "expect", "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. In this Annual Information Form, forward looking statements include the Company's expectation that:

- its capital expenditures in 2012 will be approximately \$1.1 billion;
- costs associated with the transition of certain Ontario conventional stores under collective agreements ratified in 2010 will range from \$30 million to \$40 million;
- incremental costs related to investments in information technology ("IT") and supply chain in 2012 will be approximately \$70 million;
- incremental costs associated with strengthening its customer proposition will be approximately \$40 million; and
- full-year 2012 net earnings per share to be down year-over-year, with more pressure in the first half of the year, as a result of the Company's expectation that operations will not cover the incremental costs related to the investments in IT and supply chain and its customer proposition.

These forward-looking statements are not historical facts but reflect the Company's current expectations concerning future results and events. They also reflect management's current assumptions regarding the risks and uncertainties referred to below and their respective impact on the Company. In addition, the Company's expectation with regard to its net earnings in 2012 is based in part on the assumptions that tax rates will be similar to those in 2011, the Company achieves its plan to increase net retail square footage by 1% and there are no unexpected adverse events or costs related to the Company's investments in IT and supply chain.

These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including, but not limited to:

- failure to realize revenue growth, anticipated cost savings or operating efficiencies from the Company's major initiatives, including investments in the Company's IT systems, including the Company's IT 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;
- heightened competition, whether from current competitors or new entrants to the market place;
- changes in economic conditions including the rate of inflation or deflation, changes in interest and currency exchange rates and derivative and commodity prices;
- public health events including those related to food safety;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements, which could lead to work stoppages;
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrink;
- failure by the Company to maintain appropriate records to support its compliance with accounting, tax or legal rules, regulations and policies;
- failure of the Company's franchise stores to perform as expected;
- 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 or failure to comply with laws and regulations affecting the Company and its business, including 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 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; and
- the inability of the Company to collect on its credit card receivables.

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 MD&A included in the Company's 2011 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 Annual Information Form. The Company disclaims any intention or obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

CORPORATE STRUCTURE

Incorporation

Loblaw Companies Limited was incorporated on January 18, 1956, although portions of its business originated before 1900. It was continued under the *Canada Business Corporations Act* by certificate of continuance dated May 7, 1980. The registered office of the Company is located at 22 St. Clair Avenue East, Toronto, Canada, M4T 2S7. The National Head Office and Store Support Centre of the Company is located at 1 President's Choice Circle, Brampton, Canada, L6Y 5S5.

Intercorporate Relationships

Loblaw Companies Limited is a holding company which carries on its business through its subsidiaries. A list of the subsidiaries of the Company that carry on its principal business is given below. In each case, the Company owns 100% of the voting securities either directly or indirectly. Throughout this AIF, Loblaw Companies Limited and its subsidiaries are collectively referred to as the "Company".

Subsidiary	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

GENERAL DEVELOPMENT OF THE BUSINESS

In 2011, the Company continued to build its foundation and infrastructure of the business while strengthening its customer proposition. The Company re-aligned its retail business into a two division structure – conventional and discount, in order to better serve the distinct needs of its customers. The Company also appointed a new president. The Company continued to invest in its supply chain and IT infrastructure, making headway on its IT system implementation. The Company also began to focus on strategic square footage opportunities and opened three new conventional stores that included a new urban format represented by its flagship Loblaws store at Maple Leaf Gardens®.

Over the past three years, same-store sales increased by 0.9% in 2011 (compared to 2010) from a decline of 1.1% in 2009 (compared to 2008). Total retail square footage, including corporate and franchise stores, increased to 51.2 million from 50.6 million in 2009. Consistent with its 2011 focus on strategic square footage opportunities, the total number of corporate and franchise stores increased to 1,046 in 2011 from 1,029 in 2009.

A comprehensive list of the enterprise risks and related risk management activities can be found in Section 10 of the MD&A included in the Company's 2011 Annual Report.

Products and Services

The Company is Canada's largest food distributor and a leading provider of drugstore, general merchandise and financial products and services. Traditional food offerings remain at the core of the Company's business. The Company operates two retail divisions: conventional and discount, which serve the distinct needs of its customers.

The Company has developed go-to-market strategies based on customer shopping preferences, competitive considerations and market opportunities. In 2009, the Company applied the learnings from a series of successful 2008 pilot projects that were designed to enhance the performance of each of the Company's retail banners and deliver value for its customers. In the West, the Company renovated 26 *Real Canadian Superstore* locations, built two new *nofrills* stores and converted five *Extra Food* stores to *nofrills* stores. These conversions were a direct response to consumer demand for value in specific markets. In the Atlantic, the Company opened its first *nofrills* store in Shediac, New Brunswick. And in Quebec, the Company piloted a conversion of a *Loblaws* to a *Maxi & Cie* store, expanded the "Back to Best" conventional store upgrades to the *Loblaws* banner and piloted the *Provigo Marché de Ville* store. These conversions and upgrades helped to optimize store layouts and space allocation with redesigned priority categories to better serve local market needs and more engaging visual merchandising. The Company renovated more than 200 stores in 2009. Some of these were completed using a model named "Operation Shudder", which involved shutting down a store on the slowest day of the week to minimize disruption and quickly complete core renovations and remodelling. The result was an enhanced shopping experience for customers on their next visit to the store. The Company also continued to work on improving in-store fresh food quality by implementing best practices and improving shop-keeping practices, which led to better in-store processes with greatly improved product availability.

In 2010, the Company continued to upgrade its store network, touching over 200 stores as part of the Company's store revitalization program of which 160 were considered major renovations. The expansion of *nofrills* continued in the West with nine new locations, while 16 *Real Canadian Superstore* locations were renovated to provide a better shopping experience for the customer. In Quebec, the Company franchised 25 *Provigo* stores, and repositioned 110 *Maxi* and *Maxi & Cie* stores with an improved offering focused on meeting customer needs and increasing volume. In Ontario, 16 *Zehrs* and seven *Fortinos* locations were renovated to incorporate elements from the successful Great Foods initiative. In Atlantic Canada, the *nofrills* network expanded to seven locations. Throughout 2010, significant progress was made in enhancing the Company's fresh products, increasing operational productivity and improving inventory management.

In 2011, the Company 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. The Company also began to focus on strategic square footage growth and as a result opened three new conventional stores. The expansion of *nofrills* continued in the West and in the Atlantic, with five stores in the West and one store in the Atlantic being opened. In addition, the *nofrills* business continued to expand in Ontario, with the Company's 200th store opening in Woodstock, Ontario.

In 2012, the Company will focus on initiatives that build on its competitive position of its businesses and invest in opportunities to support long-term profitability. In 2012, while the Company completes its store renewal plan and *nofrills* expansion, it will also revisit its store portfolio across formats and strategically invest in new square footage that will strengthen its competitive positioning in the retail marketplace.

The focus of the Company is to improve its customer proposition with market leading fresh, optimized assortments, a better store experience and a consistently competitive market basket, supported by a competitively differentiated general merchandise offering. In addition, through certain of its corporate and franchised locations, the Company's offerings include gas bars, photo processing, optical products and services and medical clinics. Other products and services offered by the Company are described below.

Further information on the Company's strategies and related risks is provided in the MD&A, included in the Company's 2011 Annual Report, which is incorporated by reference.

Control Label Program

The Company offers a strong and innovative control label program for both food and everyday household needs. This program helps to create customer loyalty and ensure price competitiveness. Over the past three years, the Company has added products to its control label program in the food, health and beauty and apparel categories.

In 2009, the Company launched 524 new *President's Choice* products, improved 718 others and put 1,800 *President's Choice* products with redesigned packaging into stores and celebrated the 25th anniversary of the *President's Choice* brand. In 2010, the Company undertook a number of initiatives to improve the profitability of its control label 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, the Company 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 is the first new line launched by the Company since 2005. 162 *PC* black label products were launched into 140 conventional stores in the fourth quarter of 2011. In addition, the Company successfully redesigned over 400 *Blue Menu* products to make it easier for consumers to understand the health benefits of the products. To further enhance its offerings for health-conscious customers, the Company also launched 13 new *PC Organics* baby food products and 20 new peanut-free products, bringing the offerings in these two areas to over 60 and 80 products respectively. In 2012, the Company will focus on capitalizing on its established control brands across food and general merchandise and providing an in-store environment that is focused on health and wellness. These efforts are aimed to differentiate the Company from its competitors.

In 2009, total retail space for *Joe Fresh* products expanded by 10% and new categories were added into over 250 stores: *Joe Fresh* beauty and bath products, sunglasses and jewelry. In 2010, the Company grew the *Joe Fresh* brand by major media campaigns making it a leading apparel brand and expanding the *Joe Fresh* brand retail footprint to include the first free standing store in Vancouver. In 2011, the Company expanded the *Joe Fresh* brand by adding 11 new free standing stores, including five locations in the United States, and expanding total apparel retail space by 10%. In addition, the Company expanded its general merchandise offerings, launching new product lines including its Jogi fitness line. In 2012, the Company will focus on building on its current successes, building brand recognition and continuing expansion through new square footage in strategic locations.

The Company's control label 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, the Company's Executive Chairman, as spokesperson.

The Company's control label products are manufactured under contract by third-party suppliers. Product development and sourcing of the Company's control brand apparel products is conducted by a third party. In order to preserve brand equity, these suppliers are held to high standards of quality. Ineffective selection, contract terms, management and reliance on third party service providers may impact the Company's ability to source control brand products, to have products available for customers, to market to customers and to operate efficiently and effectively on a day to day basis. Although contractual arrangements are put in place with these suppliers, the Company has no direct influence over how the companies are managed. Negative events affecting the suppliers could in turn negatively affect the reputation, operations and the financial performance of the Company. Inefficient, ineffective or incomplete vendor management strategies, policies and/or procedures may impact the Company's ability to optimize financial performance, meet customer needs and control costs and quality.

Control label vendor production capacity or IT capabilities may limit the Company's ability to service its customers or implement new processes to increase efficiencies and consistencies. Sourcing from developing markets results in enhanced risk.

Supply Chain

Over the past five years, the Company implemented a significant initiative to invest in and improve its supply chain. This initiative 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 2009, three distribution centres were opened or renovated which increased warehouse capacity by approximately 800,000 square feet. Overall availability and service levels improved. Warehouse cost per case improved and inventory levels decreased. Further, the Company made significant investments and progress in the rollout of a new transportation management system and warehouse management system, which will expand capacity and drive productivity.

In 2010, the Company completed its implementation of its transport management system. The new warehouse management system 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, the Company continued to progress with its forecasting, planning and replenishment system integration, and has 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, the Company started to see transportation efficiencies and improvements in service levels and availability in 2011. In addition, during 2011, the Company implemented the warehouse management system in five more distribution centres and completed six deployments of the forecasting, planning and replenishment system. The Company also continued to increase the number of products being shipped in retail-ready packaging.

In 2012, the Company will enter the final phases of its supply chain plan. While most of the work has been completed, 2012 continues to be an important year. Successful integration of the supply chain systems with the IT systems will be a major focus of 2012 and will require a great deal of commitment to ensure a successful outcome.

The need to invest in and improve the Company's supply chain may adversely affect the Company's capacity to effectively and efficiently attract and retain current and potential customers. The Company is entering the final phase of its supply chain renewal program in 2012, which will include the integration of supply chain systems with the IT system. Although this initiative is expected to result in improved service levels and product availability for the Company's stores, the scale of the change and the implementation of new processes could cause disruption in the flow of goods to stores, which would negatively affect the operations and financial performance of the Company. In addition, the integration of new supply chain systems with the IT system could cause disruptions to the network if not properly executed, which would also negatively affect the operations and financial performance of the Company.

Labour Relations and Employment Matters

A majority of the Company's store level and distribution centre workforce is unionized. The Company'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 the Company is to be competitive in the long term. Several of the Company'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 the Company to compete.

In the past three years, 199 collective agreements were successfully negotiated by the Company and by the Company on behalf of its franchisees. Significant labour negotiations took place across the Company in 2011 as 49 collective agreements expired and 77 collective agreements were successfully negotiated, which included agreements that expired in prior years.

In 2011, to drive labour productivity, the Company successfully transitioned certain of its Ontario conventional stores to more cost effective and efficient collective agreements ratified in 2010. These transitions will continue into 2012 and beyond.

Renegotiating collective agreements may result in work stoppages or slowdowns, which could negatively affect the Company'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 the Company 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. Throughout the transition of some Ontario conventional stores to the new operating terms of the collective agreements ratified in 2010, the Company has offered counselling services to the colleagues affected. Despite this continued support, colleague performance may be adversely impacted, which could negatively affect the reputation, operations and the financial performance of the Company.

The Human Resources department, together with management, creates action plans designed to improve colleague engagement. In 2009, the Company's Human Resources function continued to develop programs designed to make the Company a great place to work. Specific focus was on attracting and retaining colleagues, colleague development and succession planning. In recognition of the progress that was been made, the Company was named as one of Canada's Top 100 Employers, one of Greater Toronto's Top Employers and one of the Financial Post's Ten Best Companies to Work For. In addition, turnover at the store level was reduced significantly.

In 2010, the Company 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. These efforts paid off as the Company was recognized as one of Canada's Top 100 Employers for the second consecutive year. The Company was also named one of Canada's Top Employers for Young People and was a regional winner in the Canada's 10 Most Admired Corporate Culture program.

In 2011, the Company 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 recognition of the progress that has been made, the Company was recognized as one of Canada's Top 100 Employers and Greater Toronto's Top Employers for a third consecutive year and one of Canada's Most Admired Corporate Cultures program for the second consecutive year. In addition, for the first time, the Company was named one of Canada's Best Employers for New Canadians and Canada's Best Diversity Employers in recognition of diversity and inclusion. In addition, the Company continued to develop programs supporting colleague attraction and retention, colleague development, succession planning, diversity and inclusion and health, safety and wellness.

For 2012, the Human Resources function will continue to build a fast, flexible performance culture and focus on ensuring colleagues are focused on customers and understand the Company's values and behaviours. In addition, the Company will continue its initiatives to assist in colleague retention, succession planning and development, which are focused on improving colleague engagement and succession plans as well as supporting the Company's goal to "Be a Great Place to Work".

The degree to which the Company is not effective in establishing appropriate succession planning processes and retention strategies could lead to a lack of requisite knowledge, skills and experience on the part of management. This, in turn, could affect the Company's ability to execute its strategies, efficiently run its operations and meet its goals for financial performance. Effective succession planning for senior management and colleague retention are essential to sustaining the growth and success of the Company. In addition, loss of talent to the competition can be a significant risk to the Company's business strategy. Effective retention strategies will be necessary due to the significant changes, potential increase in workload and marketability of those colleagues who have developed specialized skills during the implementation of the IT system and other significant initiatives in the Company.

Information Technology

The Company continues to undertake a major upgrade of its IT infrastructure.

In 2009, the Company made significant investments in its supply chain and IT infrastructure to modernize its systems that will expand capacity and drive productivity. Throughout the year, the Company focused on the first phase of its IT system implementation. The focus of this phase was to build the finance and general ledger systems across Loblaw Properties Limited and President's Choice Financial.

In 2010, the Company 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. In addition, beginning in September 2010, pilots for the next major IT system release related to the merchandising management module were rolled out. The Company used the new IT system functionality to close its third and fourth quarter reporting periods. The Company also began implementing a new Store Time and Attendance System and a National Point of Sale system. As part of the supply chain transformation, the Company continued to implement a warehouse management system and forecasting, planning and replenishment system.

In 2011, the Company made great progress on the implementation of the IT system. The Company successfully completed the transition of all merchandising category product listings on to the system. This transition involved the clean-up of master data with no significant impact on its customers. The Company also implemented the new Store Time and Attendance system in approximately 150 stores and over 240 stores were converted to the National Point of Sale system. As part of its supply chain transformation, the Company also continued to roll out the warehouse management system and the forecasting, planning and replenishment system.

In 2012, the Company will enter the next stages of its systems integrations with the first distribution centre and store targeted to go-live in late 2012. The successful integration of these systems is key to improving execution and efficiency and will require intense focus on data quality as well as transforming the business and adopting standard processes throughout the year. This is one of the largest technology infrastructure programs ever implemented in the retail marketplace and is fundamental to the Company's long-term growth strategies. The Company will look to gain expertise on the new merchandising capabilities of the system while continuing to invest in its future capabilities. To drive labour efficiency and enhance the customer experience, the Company will complete its roll out of the new Store Time and Attendance system to the remaining stores.

The failure to successfully migrate from legacy systems to the IT system could negatively affect the Company's reputation, operations, revenues and financial performance. Failure or disruption in the Company's current IT systems during the implementation of the new IT and other systems may result in a lack of relevant and reliable information 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. In addition, the failure to implement appropriate processes to support the IT system may result in inefficiencies and duplication in current processes.

Significant initiatives within the Company, including the execution of the IT infrastructure plan, are underway. Success of these initiatives is dependent on management effectively realizing the intended benefits and effectively executing the related processes. To assist in the management of change throughout the organization, the Company has positioned a team to support the major change initiatives. This team is dedicated to business change management activities with a focus on integration of the business process and systems changes through communication, training and other change events.

Ineffective change management or inexperienced colleagues leading change management could result in disruptions to the operations of the business or affect the ability of the Company to implement and achieve its long term strategic objectives. This could result from a lack of clear accountabilities, communication, training or lack of requisite knowledge, which in turn may cause colleagues to act in a manner which is inconsistent with Company objectives. Failure to properly execute the various processes may increase the risk of customer dissatisfaction, which in turn could negatively affect the reputation, operations and financial performance of the Company. The failure to properly integrate several large, complex initiatives in a timely manner will adversely impact the operations of the Company. If colleagues are not able to develop and perform new roles, processes and disciplines, the Company may not always achieve the expected cost savings and other benefits of its initiatives.

Acquisition of T&T Supermarket Inc.

On September 28, 2009 the Company acquired T&T Supermarket Inc. ("T&T"), thereby extending its international offering to better serve Canada's largest growing customer segment and positioning it for future growth.

T&T began operations in 1993 and operates 20 stores in the provinces of British Columbia, Alberta and Ontario and three distribution centres in Vancouver and two in Ontario. T&T offers a robust Asian food offering with emphasis on fresh and ready to consume meals.

Financial Performance

Information on the Company's financial performance can be found in the financial statements and MD&A. This information is incorporated by reference and is available at www.sedar.com or at www.loblaw.ca.

DESCRIPTION OF THE BUSINESS

Operations

Loblaw Companies Limited, a subsidiary of George Weston Limited, is Canada's largest food distributor and a leading provider of drugstore, general merchandise, and financial products and services. The Company's mission is to be Canada's best food, health and home retailer by exceeding customer expectations through innovative products at great prices. For over 50 years, the Company has supplied the Canadian market with innovative products and services through corporate, franchised and affiliated stores. The Company has two reportable operating segments. The Retail segment ("Retail") which consists primarily of food and also includes drugstore, gas bars, apparel and other general merchandise. The Financial Services segment ("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 Company operates conventional and discount stores. Corporate owned store banners include *Atlantic Superstore*, *Dominion*⁽¹⁾ (in Newfoundland and Labrador), *Extra Foods*, *Superstore*, *Loblaws*, *Loblaw Great Food*, *Maxi*, *Maxi et Cie*, *Provigo*, *The Real Canadian Superstore*, *T&T Supermarket Inc.* and *Zehrs* and wholesale outlets operating as *Cash & Carry*, *Presto* and *The Real Canadian Wholesale Club*. The Company'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 23 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 banking division of a major Canadian chartered bank and the *PC* points Loyalty Program. The Company also offers home, auto, travel and pet insurance through its insurance entities and offers mobile phone services, including *The Mobile Shop* and *PC Mobile*.

PC Bank offers the *President's Choice Financial MasterCard*[®] throughout Canada. PC Bank outsources to third-party service providers the processing of credit card transactions, provision of call centre services, collections, and the support of certain operational processes in accordance with PC Bank's risk management strategies, all under service-level standards established by PC Bank.

The Company offers *President's Choice Financial* personal banking services and products in all provinces except Quebec, which are provided by the direct banking division of a major Canadian chartered bank. The Company also offers a GIC product in all provinces exclusively through an independent broker channel. *President's Choice Financial* home and auto insurance is an additional service the Company offers in Ontario, Alberta and the Atlantic provinces through its subsidiary, *President's Choice Financial Insurance Broker Inc.* *President's Choice Financial* pet and travel insurance are offered through its subsidiary, *President's Choice Financial Insurance Agency Inc.*, in select provinces. In addition, the Company offers the *PC Mobile* line of prepaid cellular service. The Company operates the prepaid cellular kiosks in many of its stores across the country, offering a range of mobile phone brands, including the *PC Mobile* brand. The *Mobile Shop* full service kiosks, operated by third party providers, are located in certain of the Company's stores across the country offering a range of mobile phone brands. The *Mobile Shop* line of post-paid services is provided by a variety of mobile providers.

Geographic and Banner Summary

Retail

For the recently completed year, the Company 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	13	82	1
Prince Edward Island	4	5	8	31	–
Nova Scotia	32	18	30	192	1
New Brunswick	20	22	20	91	2
Quebec	189	47	174	423	3
Ontario	164	295	61	–	6
Manitoba	24	–	19	–	1
Saskatchewan	29	6	22	–	–
Alberta	56	25	7	–	3
Northwest Territories	2	–	–	–	–
Yukon	1	1	1	–	–
British Columbia	46	35	22	–	6
USA	5	–	–	–	–
Total	584	462	377	819	23

The following table sets out the distribution of the Company's stores:

	Corporate Stores	Franchised Stores	Affiliated Independents
Conventional			
Atlantic SaveEasy	–	44	–
Fortinos	–	21	–
Loblaws	77	–	–
Provigo	35	46	–
SuperValu	1	5	11
T&T Supermarket Inc.	20	–	–
Valu-mart	–	61	–
Your Independent Grocer	–	55	–
Zehrs	43	–	–
Other	–	7	366
Discount			
Extra Foods	52	20	–
Maxi	89	–	–
Maxi & Cie	21	–	–
nofrills	–	203	–
Atlantic Superstore	51	–	–
Dominion ⁽¹⁾ (in Newfoundland and Labrador)	11	–	–
The Real Canadian Superstore	111	–	–
Cash & Carry	16	–	–
Presto	11	–	–
The Real Canadian Wholesale Club	34	–	–
Apparel			
Joe Fresh	7	–	–
Joe Fresh US	5	–	–
Total	584	462	377

(1) Trademark used under license

The average store size at year end 2011 for corporate stores and franchised stores was 64,200 and 29,600 square feet, respectively. Over the last three years, the average store size for corporate stores has increased by 3.0%, while the average store size for franchised stores has declined by 0.3%.

The Company's preferred strategy is to purchase land for future store locations. At year-end 2011, the Company owned 72% of the real estate on which its corporate stores are located, 46% of the real estate on which franchised stores are located, as well as various properties under development or held for future development. The Company's owned properties are largely unencumbered, with \$96 million in mortgage debt on total fixed assets including real estate, having a net book value of approximately \$8.7 billion at year end 2011. 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.

A substantial portion of the Company's revenues and earnings come from amounts paid by franchisees. The Company benefits from the management of these stores by entrepreneurial owner/operators. Franchisees enter into agreements with the Company that generally require the franchisee to purchase inventory from the Company and to pay certain fees in exchange for services provided by the Company or approved suppliers and for the right to use certain trademarks owned by the Company. The Company also participates in the profits of most of its franchise stores by way of preferred shareholdings or other arrangements. Services available to the franchisees by the Company include store set-up, marketing support and accounting systems. Franchisees generally lease the land and store building from the Company and, if eligible, may obtain financing through a structure involving independent funding trusts to facilitate the purchase of the majority of their inventory and fixed assets, consisting mainly of fixtures and equipment.

Franchisees are independent businesses and, as a result, their operations may be negatively affected by factors beyond the Company's control which in turn may negatively affect the Company's reputation, operations and financial performance. Revenues and earnings could also be negatively affected, and the Company's reputation could be harmed, if a significant number of franchisees were to experience operational failures, health and safety exposures or were unwilling or unable to pay the Company for products, rent or other fees. The Company'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 the Company's relationship with its franchisees. The Company provides various services to the franchisees to assist with management of store operations and dedicated personnel manage the Company'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 the Company 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 the Company, including litigation and disruption to revenue from franchise stores could result.

Financial Services

The Company operates 180 *President's Choice Financial* services kiosks in retail stores across the country. In addition, the Company operates *PC Mobile* prepaid cellular kiosks in over 500 of its stores across the country. The *Mobile Shop* full service kiosks, operated by third party providers are located in 75 of the Company's stores across the country.

Competitive Conditions

Retail

The retail industry in Canada is highly competitive. If the Company is ineffective in responding to consumer trends or in executing its strategies, its revenues and financial performance could be negatively impacted.

The Company'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. The Company is also 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. Some of these competitors have extensive resources that allow them to compete vigorously in the market. Several of these competitors operate in a non-union environment. The Company's unionized workforce environment may reduce the ability of the Company to compete on labour costs or may adversely impact the Company's ability to react to the competition in a timely manner. Increased competition and pressures on growth and pricing could adversely affect the Company's ability to achieve its objectives. The Company's inability to effectively predict market activity or compete effectively with its current or future competitors could result in, among other things, reduced market share and lower pricing in response to its competitors' pricing activities.

In addition, competitors could acquire or develop partnerships with other businesses, which could increase their market share or otherwise improve their competitiveness. If significant acquisitions or alliances are undertaken by competitors, the Company could lose opportunities for growth and partnerships in the market or otherwise experience adverse consequences.

The Company monitors its market share and the markets in which it operates and adjusts its operating strategies by closing underperforming stores, relocating stores or reformatting them under a different banner, reviewing and adjusting pricing, product offerings and marketing programs. Failure by the Company to sustain its competitive position could have a negative impact on the revenues and financial performance of the Company.

Financial Services

The Canadian bank card market is highly regulated and competitive. In the past year, the market has consolidated with two significant issuers selling their portfolios to major Canadian banks. 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 dominant players in the market. The Company's inability to meet these customer expectations, predict market activity or compete effectively could adversely affect the Company's ability to achieve its objectives.

The Company'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.

Customers

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

Control Label Products

The Company has developed a successful line of control label 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. The Company's experienced product development team works closely with third-party vendors in developing and manufacturing products for its control label brands.

The Company markets control label 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*, *Club Pack*, *PC G.R.E.E.N*, *Exact*, *Teddy's Choice*, *PC Home* and *Everyday Essentials*.

The Company's goal is to provide iconic leading brands to its customers, to drive customer loyalty through its control label products and differentiate through innovation. Aligned with these goals, the Company offers over 400 *Blue Menu* products and over 300 products under the *PC Organics* label.

A selection of control label general merchandise items has been developed as part of its general merchandise offering. These products are sourced world-wide and cater to all areas of the home including bed, bath, kitchen, home decor and outdoor living. In recent years, the Company has reduced and rationalized its general merchandise offerings while expanding and focusing on its apparel offerings.

Marketing

The Company has extensive marketing programs, many of which are focused on scheduled events and on the promotion and advertising for various control label products and services which are exclusive to the Company. These programs are supported by research activity, including consumer insight and brand awareness measures. The marketing team also influences item selection to be promoted in weekly flyers.

The Company 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 the Company'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 the Company's control label advantage. While the loyalty program for the Company is managed through *President's Choice Financial*, the marketing team supports its brands by including special loyalty offers of PC points, redeemable at any banner for any products, in many marketing promotions. Twice a year, the Company participates in Canada's Fashion Week to promote its *Joe Fresh* apparel brand. The *President's Choice* and the *Joe Fresh* brands receive significant advertising presence on television, in major magazine publications and on the internet.

The Company's focus on marketing initiatives has increased over the last few years, with higher profile marketing and public relations campaigns and a greater emphasis on event marketing.

The Company 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. The Company also uses social networking sites in its marketing efforts.

Intellectual Property

The Company 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 label 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. The Company's trademarks used in connection with its control label program are discussed under the section "Products and Services". Other intellectual property of the Company includes domain names, packaging designs and product formulations and specifications. The intellectual property rights associated with and used in connection with the Company's business are important assets and are defended vigorously. Certain of the Company's trademarks are licensed to third party service providers, primarily in connection with *President's Choice Financial* services. When used in this AIF, the trademarks of the Company are presented in italics.

Decrease in value of the Company's trademarks, banners or control brands, as a result of adverse events, changes to the branding strategies or otherwise, could weaken the demand for the Company's products or services or damage the Company's reputation. The Company endeavours to have the appropriate contractual protections in its arrangements with control label vendors and suppliers of all marketing elements including, printing, flyers and advertising agencies. The Company actively monitors and manages its trademark portfolio. Despite these activities, adverse events could impact the value of the Company's trademarks, banners or brands and may negatively affect revenues and financial performance.

Information Technology

The Company 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 the Company's IT functions. The Company is currently undergoing a significant overhaul of its IT systems, as described elsewhere in this AIF.

The Company operates point of sale 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 the Company's business such as merchandising, finance, human resources and marketing.

The Company 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 the Company's provider of credit card clearing services. The Company also uses outsourced services, in particular for its mainframe-related applications and technology, pharmacy, Photolab businesses and *President's Choice Financial* services.

To support the current and future requirements of the business the Company is reliant on IT systems. These systems are essential to provide management with the appropriate information for decision making, including its key performance indicators, and when necessary must be appropriately supported through systems upgrades to and maintenance of infrastructure.

The process of converting data from legacy systems to the IT system and other new systems increases the risk of poor data integrity and reliability if the data are not accurate and complete upon conversion. In addition, for the next few years the business will operate in new and old systems at the same time. Ensuring that the data is flowing accurately between all systems and ensuring the integrity of this data once it is converted will be critical to maintain the integrity and reliability of the Company's financial information. Ownership of data management is essential to ensure ongoing reliability and relevancy of the data. Any failure or disruption of these systems or during the data conversion process for the IT system could negatively affect the Company's reputation, its operations, revenues and financial performance. Lack of relevant, reliable and accessible information that enables management to effectively manage the business may preclude the Company from optimizing its overall performance.

Supply Chain

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

The Company's Retail supply chain and distribution network is comprised of a total of 23 warehouses and distribution centres. Third-party logistics service providers are used at 11 distribution centres located in Pickering, Ajax, South Caledon, Moncton, Calgary, Vancouver, Regina, Scarborough, and New Jersey. The Company uses various modes of transportation including its own trucking fleet and third-party common carriers, railways and ships. The Company is not dependent on any one third-party transport provider.

Seasonality

The Company'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 the Company 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 the Company, operates the Company's apparel business in the United States. The Company is not dependent on these operations.

Colleagues

As of December 31, 2011, the Company and its franchisees together employed approximately 135,000 full-time and part-time employees, including approximately 134,800 Retail and 200 Financial Services colleagues. A majority of the Company's store level and distribution centre colleagues are unionized. Currently the Company's unionized workforce is covered by a total of 364 collective agreements with 17 unions.

Lending

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

Environmental, Health and Safety Matters

The Company maintains a large portfolio of real estate and infrastructure 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.

The Company operates a number of underground storage tanks, the majority of which are used for the retailing of automotive fuel and for its supply chain transport fleets. Contamination resulting from leaks from these tanks is possible. The Company employs monitoring and testing programs, in addition to risk assessments and audits, to minimize the potential for subsurface impacts from fuel losses. The Company also operates refrigeration equipment in its stores and distribution centres to preserve perishable products as they pass through the supply chain and ultimately into the hands of the consumer. These systems contain refrigerant gases which could be released if the related equipment fails or leaks. It is possible that a release of these gases could have adverse effects on the environment. To minimize the potential for refrigerant releases, the Company has implemented preventative maintenance programs and refrigeration system inspections and is advancing alternate refrigeration systems which significantly reduce the reliance upon refrigerant.

In recent years, provincial and municipal governments have introduced 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. This is a growing trend and the Company expects to be subject to increased costs associated with these laws.

The Company has environmental management programs and has established policies and procedures aimed at ensuring compliance with applicable environmental legislative requirements and to monitoring its operations with a view to protecting the environment. To this end, the Company employs environmental risk assessments and audits using internal and external resources together with employee awareness programs throughout its operating locations. The Environmental, Health and Safety Committee of the Board of Directors (the "Board") receives regular reporting from management addressing current and potential future issues, risks, programs/initiatives and training, identifying new regulatory concerns and related communication efforts. The Company's environmental affairs department works closely with operations to help ensure requirements are met.

Despite these mitigation activities, the Company could be subject to increased or unexpected costs associated with environmental incidents and the related remediation activities, including litigation and regulatory related costs, all of which could negatively impact the Company's reputation and financial performance.

Recent consumer trends include an increasing demand for products with less impact on the environment and that the Company's operations demonstrate environmentally responsible practices. As set out in its annual Corporate Social Responsibility Report, the Company sets environmental goals and monitors its progress towards their achievement. Should the Company fail to meet consumer demand in this area or otherwise face adverse publicity with respect to the environmental impact of its business practices, its reputation may be negatively affected which may lead to decreased revenues and a negative impact on financial performance.

Corporate Social Responsibility ("CSR")

The Company is an active, contributing citizen of the communities in which it operates – helping feed Canadians, creating jobs, giving to community programs, selling local vendors' products, and minimizing its impact on the environment. CSR is a major focus of the Company and the way it does business.

The Company's approach to CSR remains rooted in the five pillars 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.

The Company 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 the Company the means to make the right contributions as a responsible corporate citizen. In addition, the Company 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.

The Company will issue its fifth CSR Report in the spring of 2012.

Food Safety, Public Health and Labelling

The Company is subject to risks associated with food safety, general merchandise product defects and adherence to regulations and/or labeling standards. These risks may arise as part of product procurement, distribution, preparation or display, including the development and manufacturing of the Company's control label products. A majority of the Company's sales are generated from food products and thus could be vulnerable 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 negative publicity, damage to the Company's brands and potentially lead to legal claims. In addition, failure to trace or locate any contaminated or defective products may affect the Company's ability to be effective in a recall situation. Any of these events could negatively impact the Company's revenues and financial performance

In addition, failure to maintain the cleanliness and health standards at store level, including pest control, may negatively impact revenues and the reputation of the Company.

The Company's incident management program identifies risks, provides clear procedures for communication to employees and consumers and is aimed at ensuring that potentially harmful products are expeditiously removed from inventory and are not available for sale. The Company also has extensive food safety procedures and training programs which address safe food handling and preparation standards. The Company endeavours to employ current best practices for the procurement, distribution and preparation and display of food products. Also, it actively supports customer awareness of safe food handling and healthy choices. The Company places special focus on applying a safety and quality management system to ensure its control label products meet all food safety and regulatory requirements. The ability of these programs and procedures to address such events is dependent on their successful execution. The existence of these procedures does not mean that the Company will in all circumstances be able to mitigate the underlying risks and any event related to these matters has the potential to adversely affect the Company's reputation and its financial performance.

Privacy and Ethics

The Company is subject to various laws regarding the protection of personal information of its customers, cardholders and colleagues and has adopted a Privacy Code setting out guidelines for the handling of personal information. Any failure of the Company to comply with these laws could result in damage to its reputation and negatively affect financial performance. The Company's information systems contain personal information of customers, cardholders and colleagues. Any failures or vulnerabilities in these security systems or non-compliance with information security standards, including those in relation to personal information belonging to the Company's customers and colleagues, could result in harm to the reputation of the Company and negatively affect financial performance.

Information security risks will also arise in the implementation of the Company's IT strategic plan. The strategic plan includes the upgrading of information security systems to adhere to information security standards by instituting more stringent security system protocols and corporate information security policies. A failure in these information systems or non-compliance with information security standards, including those in relation to personal information belonging to the Company's customers and colleagues, could result in harm to the reputation or competitive position of the Company and could negatively affect financial performance.

The Company has adopted a Code of Business Conduct which colleagues and directors of the Company are required to acknowledge on a regular basis. The Company has adopted a Vendor Code of Conduct which outlines its ethical expectations to its vendor community in a number of areas, including social responsibility. Any failure of the Company or its vendors to adhere to ethical business conduct policies could significantly affect the Company's reputation and brands and could, therefore, negatively impact the Company's financial performance.

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 an Enterprise Risk Management ("ERM") program. The Board has approved an ERM policy and oversees the ERM program through approval of the Company's risks and risk prioritization. The ERM program assists all areas of the business in managing appropriate levels of risk tolerance by bringing a systematic approach, methodology and tools for evaluating, measuring and monitoring key risks. The results of the ERM program and other business planning processes are used to identify emerging risks to the Company, prioritize risk management activities and develop a risk-based internal audit plan.

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

- Promote a cultural 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 methodology and tools across the organization; and
- Allow the Company to focus on its key risks in the business planning process and optimize financial performance through responsible risk management.

Risk identification and assessments are important elements to the Company's ERM framework. An annual ERM assessment is completed to assist in the update and identification of financial, operational or reputational risks affecting the Company and to effectively prioritize the risks. The annual ERM assessment is primarily carried out through interviews and risk assessments with senior management. Risks are assessed and evaluated based on the Company's vulnerability to the risk and the potential impact that the underlying risk would have on the Company's ability to execute its strategies and achieve its objectives. Risk owners are assigned relevant risks and metrics are developed for the top risks for monitoring. Management provides a semi-annual update to the Audit Committee 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 metrics. In addition, the long-term (1-3 year) risk level is assessed in order to monitor potential long term impacts on the risk which may assist in risk mitigation planning activities.

The Internal Audit and Risk Management group manages the ERM program through the development of the risk framework and methodologies, completion of the annual ERM assessment, continuous monitoring of the key risks and semi-annual reporting to the Audit Committee. The accountability for oversight of the management of each risk is allocated by the Audit Committee to either the full Board or to a Committee of the Board.

Some of the operating, financial and reputational risks and risk management strategies are discussed throughout this AIF. A full discussion of risk and risk management strategies is found in the MD&A which is incorporated herein by reference. Any of these risks has the potential to negatively affect financial performance. The Company has risk management strategies including insurance programs, which are intended to mitigate the potential impact of these risks. Although these strategies are designed to minimize these risks, the strategies do not guarantee that the associated risks will be mitigated or not materialize or that events or circumstances will not occur which could negatively affect the Company's financial condition or performance.

Further information on the Company's business can be found in the MD&A. This information is incorporated herein by reference and is available at www.sedar.com or www.loblaw.ca.

CAPITAL STRUCTURE AND MARKET FOR SECURITIES

Share Capital

Loblaw Companies Limited's authorized share capital is composed of common shares, First Preferred Shares and Second Preferred Shares, Series A.

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 attached to any other class of shares of the Company, to receive any dividend declared by the Company and to receive the remaining property of the Company upon dissolution. As at December 31, 2011 there were 281,385,318 common shares issued and outstanding, an increase of 807,188 common shares from January 1, 2011. There are an unlimited number of authorized common shares.

Options confer upon the holder the right to purchase one common share at a price specific to each option and described upon option issuance. Over the course of fiscal 2011, 686,794 options were exercised resulting in the corresponding delivery of 686,794 common shares. As at December 31, 2011 there were 10,750,993 options outstanding, an increase of 1,430,128 options from January 1, 2011.

The First Preferred Shares are entitled to preference over the common shares or the shares of any other class ranking junior to the First Preferred Shares with respect to the payment of dividends, and may be given such other preferences over the common shares or other shares ranking junior to the First Preferred Shares as may be determined as to the respective series authorized to be issued. The First Preferred Shares of each series rank on a parity with the First Preferred Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, and the First Preferred Shares of any series may be made subject to redemption. Holders of First Preferred Shares are not entitled to vote unless and until the Company fails to pay in the aggregate eight quarterly dividends on any series of First Preferred Shares. The First Preferred Shares are limited in number to 1,000,000. No First Preferred Shares have been issued or are outstanding.

The Company is authorized to issue an unlimited number of Second Preferred Shares without nominal or par value, issuable in series. The Second Preferred Shares of each series, (i) shall rank after the First Preferred Shares to the extent that there is a conflict between the preferences, priorities and rights attaching to the two classes of preferred shares, and (ii) shall be entitled to preferences over the Common Shares and any other shares of the Company ranking junior to the Second Preferred Shares, (a) with respect to the priority in the payment of dividends and (b) with respect to the priority in the distribution of assets of the Company in the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs. The Second Preferred Shares of each series shall rank on a parity with the Second Preferred Shares of every other series with respect to priority in the payment of dividends and with respect to the priority in the distribution of assets of the Company in the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs.

The Second Preferred Shares, Series A rank after the First Preferred Shares. Holders of the Second Preferred Shares, Series A are not entitled to vote. On and after July 31, 2013 the Company may redeem the Second Preferred Shares, Series A for cash or may, at its option, convert them into common shares on specified terms and conditions. Second Preferred Shares, Series A are limited in number to 12,000,000. As at December 31, 2011 there were 9,000,000 Second Preferred Shares, Series A outstanding with a face value of \$225 million.

Share Trading Price and Volume

Loblaw Companies Limited's common shares and Second Preferred Shares, Series A are listed and posted for trading on the Toronto Stock Exchange and trade under the share symbols "L" and "L.PR.A", respectively. The monthly highs and lows and average daily volumes by month for Loblaw Companies Limited's common shares and Second Preferred Shares, Series A for 2011 were as follows:

Common Shares

Month	High (\$ per share)	Low (\$ per share)	Average Daily Volume by Month (in shares)
January	\$40.73	\$37.81	564,120
February	\$40.47	\$38.51	376,603
March	\$39.70	\$37.79	278,009
April	\$40.45	\$37.85	251,939
May	\$42.27	\$39.75	196,488
June	\$41.69	\$38.40	185,272
July	\$39.35	\$36.41	281,719
August	\$37.10	\$34.51	331,974
September	\$39.44	\$34.58	486,956
October	\$39.67	\$36.65	245,162
November	\$39.24	\$35.89	290,120
December	\$38.60	\$35.87	439,701

Second Preferred Shares, Series A

Month	High (\$ per share)	Low (\$ per share)	Average Daily Volume by Month (in shares)
January	\$27.95	\$26.75	15,539
February	\$27.60	\$26.95	17,255
March	\$27.45	\$27.12	3,415
April	\$27.85	\$26.80	2,434
May	\$27.35	\$26.90	4,123
June	\$27.35	\$27.04	2,592
July	\$27.57	\$26.75	14,324
August	\$27.16	\$26.75	6,251
September	\$27.48	\$26.91	2,798
October	\$27.49	\$26.75	16,016
November	\$27.41	\$27.10	4,168
December	\$27.57	\$27.00	6,122

Medium Term Notes and Debt Securities

Loblaw Companies Limited's notes are not listed or quoted on a recognized exchange. These notes may be subject to certain covenants and are unsecured obligations of the Company and rank equally with all the unsecured indebtedness that has not been subordinated. During 2011, a \$350 million unsecured Medium Term Note matured and was repaid. As at December 31, 2011 there was \$3,631 million of notes outstanding.

Loblaw Companies Limited'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 31st 2011, there was \$300 million USD of USPP outstanding. This USD amount is unchanged from the previous year.

Credit Ratings

In 2009, Dominion Bond Rating Service ("DBRS") and Standard & Poor's ("S&P") changed their overall trend and outlook to 'Stable' from 'Negative'.

During the fourth quarter of 2011, DBRS reaffirmed the Company's credit ratings and trend. During the fourth quarter of 2011, S&P also reaffirmed the Company's credit rating and outlook. As at January 9, 2011 Loblaw Companies Limited's corporate credit ratings for various classes of securities were as follows:

	Dominion Bond Rating Service		Standard & Poor's	
	Rating	Trend	Rating	Outlook
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 the ratings on quantitative and qualitative considerations which are relevant for Loblaw Companies Limited. These ratings are intended to give an indication of the risk that Loblaw Companies Limited 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

Long Term Debt (Medium Term Notes, 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.

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.

Preferred Shares

DBRS' credit rating 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.

Standard & Poor's

Long Term Debt (Medium Term Notes, 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.

A S&P's 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 future CreditWatch action. A Negative outlook means that a rating may be lowered whereas a Stable outlook means that a rating is not likely to change.

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.

DIVIDENDS

The Company has paid quarterly dividends on its common shares for over 50 years. The declaration and payment of dividends 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 and other factors the Board considers relevant from time to time. Over the long-term, the Company's objective is for its dividend payment ratio to be in the range of 20% to 25% of the prior year's basic net earnings per common share adjusted as appropriate for items which are not regarded to be reflective of ongoing operations, giving consideration to the year-end cash position, future cash flow requirements and investment opportunities.

The Second Preferred Shares, Series A rank after the First Preferred Shares to the extent that there is a conflict between the preferences, priorities and rights attaching to the two classes of preferred shares, and shall be entitled to preferences over the common shares with respect to the priority in the payment of dividends. Other than the foregoing, there is currently no restriction that would prevent the Company from paying dividends at current levels. The Second Preferred Shares, Series A entitle the holder to a fixed cumulative preferred cash dividend of \$1.4875 per share per annum which will, if declared, be payable quarterly.

For the past three years, dividends on common shares have been declared quarterly in equal amounts. The amount of cash dividends declared in each of the three most recently completed years is as follows:

	2011	2010	2009
Dividends declared per common share	\$ 0.84	\$ 0.84	\$ 0.84
Dividends declared per second preferred share, Series A	\$ 1.49	\$ 1.49	\$ 1.49

Subsequent to year end 2011, the Board declared a quarterly dividend of \$0.21 per common share, payable April 1, 2012 and a quarterly dividend of \$0.37 per Second Preferred Share, Series "A" payable April 30, 2012.

DIRECTORS AND OFFICERS

The following list of Directors and Officers is current to February 22, 2012.

Directors

<u>Name, Province and Country of Residence</u>	<u>Principal Occupation</u>	<u>Director Since</u>
Galen G. Weston ^{1*} Ontario, Canada	Executive Chairman of Loblaw Companies Limited	2006
Stephen E. Bachand ³ Florida, United States	Corporate Director	2009
Paul M. Beeston, C.M. ^{2,3} Ontario, Canada	President and Chief Executive Officer, Toronto Blue Jays Baseball Team	2005
Christie J.B. Clark ² Ontario, Canada	Corporate Director	2011
Gordon A.M. Currie ⁴ Ontario, Canada	Executive Vice President and Chief Legal Officer of Loblaw Companies Limited and George Weston Limited	2006
Christiane Germain ⁵ Quebec, Canada	Co-President, Chief Executive Officer of Groupe Germain	2011
Anthony S. Fell, O.C. ^{3*, 4*} Ontario, Canada	Corporate Director	2001
Anthony R. Graham ^{1,3,4} Ontario, Canada	President, Wittington Investments, Limited	1999
John S. Lacey Ontario, Canada	Corporate Director	2007
Nancy H.O. Lockhart, O.Ont. ^{3,5*} Ontario, Canada	Chief Administrative Officer, Frum Development Group	2005
Thomas C. O'Neill ^{2*} Ontario, Canada	Corporate Director	2003
John D. Wetmore ^{2, 4} Ontario, Canada	Corporate Director	2006

1. Executive Committee
 2. Audit Committee
 3. Governance, Employee Development, Nominating and Compensation Committee
 4. Pension Committee
 5. Environmental, Health and Safety Committee
- * Chairman of the Committee

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

Officers

Name, Province and Country of Residence

Principal Occupation

Galen G. Weston
Ontario, Canada

Executive Chairman

Vicente Trius
Ontario, Canada

President

Sarah R. Davis
Ontario, Canada

Chief Financial Officer

Gordon A.M. Currie
Ontario, Canada

Executive Vice President,
Chief Legal Officer

Peter K. McMahon
Ontario, Canada

Executive Vice President,
Chief Operating Officer

Jocyanne Bourdeau
Quebec, Canada

Executive Vice President,
Maxi et Maxi et Cie.

Mark C. Butler
Ontario, Canada

Executive Vice President,
Conventional Division

Gordon Chem
Alberta, Canada

Executive Vice President,
Extra Foods and Superstore, West and Ontario

Barry K. Columb
Ontario, Canada

President,
President's Choice Bank

Grant Froese
Ontario, Canada

Executive Vice President,
Hard Discount and Superstore

S. Jane Marshall
Ontario, Canada

Executive Vice President,
Real Estate and Business Strategy

Judy A. McCrie
Ontario, Canada

Executive Vice President,
Human Resources and Labour Relations

Peter McLaughlin
Ontario, Canada

Executive Vice President,
Emerging Business

Sylvain Prud'homme
Ontario, Canada

Executive Vice President,
Conventional Grocery and Operations

Garry Senecal
Ontario, Canada

Executive Vice President,
Division Support and Brands

<u>Name, Province and Country of Residence</u>	<u>Principal Occupation</u>
Vince Scorniaenchi Ontario, Canada	Executive Vice President, Fortinos & Fresh Food Development
Robert A. Balcom Ontario, Canada	Senior Vice President and Secretary
Dean Henrico Ontario, Canada	Senior Vice President, Loss Prevention and Risk Management
Robert Chant Ontario, Canada	Senior Vice President, Corporate Affairs and Communications
J. Bradley Holland Ontario, Canada	Senior Vice President, Taxation
Michael Lovsin Ontario, Canada	Senior Vice President, Health and Wellness
Evangelia (Litsa) Popowich Ontario, Canada	Senior Vice President, Controller
Jeremy Roberts Ontario, Canada	Senior Vice President, Finance
Jason Toledano Ontario, Canada	Senior Vice President, Internal Audit and Enterprise Risk Management
Geoffrey H. Wilson Ontario, Canada	Senior Vice President, Shared Services

As a group, the directors and executive officers of the Company hold approximately 0.16% of the outstanding Common Shares.

All the foregoing directors and executive officers have held their present occupations or other positions with the same or associated companies or organizations for the past five years except: Mr. Robert Chant who was an associate at Hill and Knowlton Canada and prior to that was Chief of Staff of the Leader of the Opposition party at the Ontario Legislature; Mr. Christie J.B. Clark who was the Chief Executive Officer and senior partner of PricewaterhouseCoopers LLP; Mr. Barry K. Columb who was President at CitiCards Canada; Ms. Sarah R. Davis who was Vice President, Controller at Rogers Communication Inc.; Mr. Michael Lovsin, who was Vice President, Merchandising for Ultra Salon Cosmetics and Fragrance Ltd.; Ms. Judy A. McCrie who was Vice President, General Manager for Neilson Dairy; Mr. Peter K. McMahon, who was a senior executive at Wal-Mart Europe; Ms. Evangelia (Litsa) Popowich, who was Vice President, Risk Management at Fairmont Raffles Hotels International; Mr. Sylvain Prud'homme, who was President, Sobeys West, Operations and prior to that held positions with Wal-Mart Canada including Senior Vice President, Merchandising and Senior Vice President, Operations; Mr. Jeremy Roberts who held the position of Chief Financial Officer and other senior finance positions at World Color Press Inc. (formerly Quebecor World Inc.); Mr. Vince Scorniaenchi who was President of Medica One Ltd.; Mr. Vicente Trius who was Executive Director at Carrefour Group, and prior to that held senior management positions with Wal-Mart including President and CEO of Wal-Mart Brazil, Executive Vice President and CEO of Wal-Mart Asia and Executive Vice President and CEO of Wal-Mart Latin America; and Mr. Jason Toledano who was Vice President, Audit and Risk Management for Bell Canada Enterprises/Bell Aliant Regional Communications.

Mr. Bachand was a director of Krystal Bond Inc. when it became subject to a cease trade order on April 12, 2002 for failure to file financial statements. Mr. Bachand is no longer a director of Krystal Bond Inc.

Mr. Fell was a director of Teleglobe Inc., a subsidiary of BCE Inc., for a three month period until April 2002. Teleglobe Inc. filed for court protection under insolvency legislation on May 15, 2002.

In December of 1998 Mr. 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 (CCAA) in June 1999. The Loewen Group Inc. emerged from Chapter 11 in January 2003 and CCAA proceedings in November 2006.

In March of 2006 Mr. 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 Board of Directors in November of 2006.

In January of 2008, Mr. Roberts was an officer of Quebecor World Inc. which filed a petition for creditor protection under Chapter 11 of the U.S. Bankruptcy Code and the Companies' Creditors Arrangement Act (CCAA). Quebecor World Inc., which changed its name to World Color Press Inc., emerged from Chapter 11 and CCAA proceedings in July of 2009. Mr. Roberts resigned his position with this company in September of 2009.

As director of Research in Motion Limited ("RIM"), Mr. Wetmore 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 result of RIM making all of the filings it was required to make pursuant to Ontario securities laws.

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.

MATERIAL CONTRACTS

The Company has an agreement with its parent and majority shareholder George Weston Limited ("Weston") to provide certain administrative services by each company to the other. The services to be provided under this agreement include those related to commodity management, pension and benefits, tax, medical, travel, information system, risk management, treasury and legal. Payments are made quarterly based on the actual costs of providing these services. Where services are provided on a joint basis for the benefit of the Company and Weston together, each party pays the appropriate portion of such costs. Net payments under this agreement in 2011 were \$18 million. Fees paid under this agreement are reviewed each year by the Audit Committee.

TRANSFER AGENTS AND REGISTRARS

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

EXPERTS

The Company's auditors are KPMG LLP, who has prepared the Independent Auditors' Report to Shareholders in respect of its 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.

AUDIT COMMITTEE INFORMATION

The Audit Committee Charter, as approved by the Company's Board on February 22, 2012 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. Beeston is an FCA, the CEO of Toronto Blue Jays Baseball Club, and the former President and CEO of Major League Baseball. He received a B.A. from the University of Western Ontario.

Mr. Clark is an FCA and the former Chief Executive Officer and senior partner of PricewaterhouseCoopers LLP. He has a Bachelor of Commerce degree from Queens University.

Mr. O'Neill is an FCA and former Chairman of PricewaterhouseCoopers Consulting, COO of PricewaterhouseCoopers LLP, Global, and CEO of PricewaterhouseCoopers LLP, Canada. Mr. O'Neill has a Bachelor of Commerce Degree from Queen's University.

Mr. Wetmore is the former President and Chief Executive Officer of IBM Canada. He also held various senior finance positions at IBM Americas. He has a Bachelor of Mathematics from the University of Waterloo and graduated from the Advanced Executive Program at the Kellogg School, Northwestern University.

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 2011 and 2010 are as follows:

(\$000's)	2011 Actual	2010 Actual
Audit fees ⁽¹⁾	\$ 2,603	\$ 2,794
Audit-related fees ⁽²⁾	1,748	1,681
All other fees ⁽³⁾	1,076	1,694
Total Fees⁽¹⁾	\$ 5,427	\$ 6,169

(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.

(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 shall pre-approve the retaining of the auditor for any non-audit service. The Audit Committee may delegate to one or more members the authority to pre-approve the retaining of the Auditor for any non-audit service to the extent permitted by law.

ADDITIONAL INFORMATION

1. Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Company's Management Proxy Circular for the Annual Meeting of shareholders to be held May 3, 2012. 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 has been filed on the System for Electronic Document Analysis and Retrieval (SEDAR) available online at www.sedar.com, and with the Office of the Superintendent of Financial Institutions (OSFI) as the primary regulator for the Company's subsidiary, President's Choice Bank.

The Company'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 Charter 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, Employee Development, 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 Charter, 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 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, as the case may be, 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 fulfill 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 Control Compliance group 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

The Audit Committee shall review the Company's enterprise risk management program, including its policies and processes with respect to risk identification and assessment and the management of the Company's risk. The Audit Committee shall receive periodic reports from Internal Audit Services and the Chair of the Audit Committee shall periodically report to the Board on any major issues arising from the enterprise risk management program. The Audit

Committee shall oversee the process by which the major risks are reviewed by either the Audit Committee, another Committee or the full Board on a periodic basis.

(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.

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;
- the management of risk identified pursuant to the enterprise risk management program; and
- all other material matters dealt with by the Audit Committee.

9. REVIEW AND DISCLOSURE

This Charter should be reviewed by the Audit Committee at least annually and be submitted to the Governance, Employee Development, 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, Employee Development, Nominating and Compensation Committee proposes.

This Charter 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.