Financial Results

Management's Statement of Responsibility for Financial Reporting

Management of Loblaw Companies Limited is responsible for the preparation, presentation and integrity of the accompanying consolidated financial statements, Management's Discussion and Analysis and all other information in the 2023 Annual Report. This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making the judgments and estimates necessary to prepare the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. It also includes ensuring that the financial information presented elsewhere in the 2023 Annual Report is consistent with that in the consolidated financial statements.

Management is also responsible for providing reasonable assurance that assets are safeguarded and that relevant and reliable financial information is produced. Management is required to design a system of internal controls and certify as to the design and operating effectiveness of internal control over financial reporting. A dedicated control compliance team reviews and evaluates internal controls, the results of which are shared with management on a quarterly basis.

PricewaterhouseCoopers LLP, whose report follows, were appointed as independent auditors by a vote of the Company's shareholders to audit the consolidated financial statements.

The Board of Directors, acting through an Audit Committee comprised solely of directors who are independent, are responsible for determining that management fulfills its responsibilities in the preparation of the consolidated financial statements and the financial control of operations. The Audit Committee recommends the independent auditors for appointment by the shareholders. The Audit Committee meets regularly with senior and financial management, internal auditors and the independent auditors to discuss internal controls, auditing activities and financial reporting matters. The independent auditors and internal auditors have unrestricted access to the Audit Committee. These consolidated financial statements and Management's Discussion and Analysis have been approved by the Board of Directors for inclusion in the 2023 Annual Report based on the review and recommendation of the Audit Committee.

Toronto, Canada
February 21, 2024

[signed]
Per Bank
President and Chief Executive Officer

[signed]
Richard Dufresne
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of Loblaw Companies Limited

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Loblaw Companies Limited and its subsidiaries (together, the Company) as at December 30, 2023 and December 31, 2022, and its financial performance and its cash flows for the 52-week years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of earnings for the 52-week years ended December 30, 2023 and December 31, 2022;
- the consolidated statements of comprehensive income for the 52-week years ended December 30, 2023 and December 31, 2022;
- the consolidated statements of changes in equity for the 52-week years ended December 30, 2023 and December 31, 2022;
- the consolidated balance sheets as at December 30, 2023 and December 31, 2022;
- the consolidated statements of cash flows for the 52-week years ended December 30, 2023 and December 31, 2022; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the 52-week year ended December 30, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of fixed assets and right-of-use assets for retail locations

Refer to note 2 –Accounting Policies, note 3 – Critical Accounting Estimates and Judgments, note 14 – Fixed Assets and note 27 – Leases to the consolidated financial statements.

As at December 30, 2023, the Company had fixed assets of $6,346 million and right-of-use assets of $7,662 million. At each balance sheet date, management reviews the carrying amounts of its fixed assets and right-of-use assets at the Cash Generating Unit (CGU) level to determine whether there is any indication of impairment. Judgment is used to determine whether an indication of impairment exists; if any such indication exists, the CGU is then tested for impairment. In applying this judgment, management considers profitability of the CGU and other qualitative factors. Management determined that each retail location is a separate CGU for purposes of fixed asset and right-of-use asset impairment testing. The fixed assets and right-of-use assets related to the retail location CGUs represent a significant portion of the Company's fixed assets and right-of-use assets.

Management identified indications of impairment for certain retail location CGUs and therefore an impairment test was performed for these CGUs. An impairment loss is recognized for the amount by which the CGU's carrying value exceeds its recoverable amount.

The recoverable amount of each CGU is the higher of its value in use and its fair value less costs to sell (FVLCTS). Value in use is based on the estimated future cash flows from the CGU discounted to their present value using a pre-tax discount rate (discounted cash flow model). The FVLCTS reflects the amount that could be obtained from the disposal of the CGU in an arm's length transaction between knowledgeable and willing parties, net of estimates of the costs of disposal.

Assumptions utilized by management to determine the recoverable amount based on value in use include discount rates, projected future sales and earnings. Assumptions utilized by management to determine the recoverable amount based on FVLCTS include market rental rates, discount rates and capitalization rates.

For the year ended December 30, 2023, the Company recorded $39 million of impairment losses on fixed assets and $11 million of impairment losses on right-of-use assets in respect of 17 retail location CGUs.

We considered this a key audit matter due to the judgments made by management in assessing the indications of impairment and developing the assumptions to determine the recoverable amounts of the retail location CGUs. This resulted in significant audit effort and subjectivity in performing procedures to assess the indications of impairment and to test the recoverable amounts of the retail location CGUs. In addition, the audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.

Our approach to addressing the matter included the following procedures, among others:

- Evaluated management's assessment of indications of impairment, which included the following:
    - Assessed the reasonableness of the profitability of the CGUs on a sample basis by considering the actual historical performance of the CGUs.
    - Assessed other qualitative factors by considering evidence obtained in other areas of the audit.
    - Tested the underlying data used in the indications of impairment assessment on a sample basis by tracing to supporting documentation and testing the mathematical accuracy.
    - Performed a sensitivity analysis over indications of impairment.
- Tested how management determined the recoverable amounts for a sample of retail location CGUs that had indications of impairment, which included the following:
    - Evaluated the appropriateness of the methods used by management.
    - Tested underlying data used in the recoverable amount calculations and tested the mathematical accuracy.
    - Evaluated the reasonableness of the projected future sales and earnings used in the discounted cash flow models by (i) comparing to actual historical sales and earnings generated by the retail location CGUs; and (ii) considering management's budget and strategic plans.
    - Professionals with specialized skill and knowledge in the field of valuation assisted in assessing the reasonableness of the discount rates and the market rental rates.
- Tested the disclosures made in the consolidated financial statements with regards to the impairment assessments of the retail location CGUs

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the 2023 Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Anita McOuat.

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
February 21, 2024

Consolidated Statements of Earnings

For the years ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars except where otherwise indicated)	2023	2022
Revenue	**$ 59,529**	$ 56,504
Cost of sales	**40,492**	38,528
Selling, general and administrative expenses	**15,333**	14,634
Operating income	**$ 3,704**	$ 3,342
Net interest expense and other financing charges (note 6)	**803**	683
Earnings before income taxes	**$ 2,901**	$ 2,659
Income taxes (note 7)	**714**	665
Net earnings	**$ 2,187**	$ 1,994
Attributable to:		
Shareholders of the Company (note 8)	**$ 2,100**	$ 1,921
Non-controlling interests	**87**	73
Net earnings	**$ 2,187**	$ 1,994
Net earnings per common share ($) (note 8)		
Basic	**$ 6.59**	$ 5.82
Diluted	**$ 6.52**	$ 5.75
Weighted average common shares outstanding (millions) (note 8)		
Basic	**316.7**	328.1
Diluted	**320.0**	331.7

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars)	2023	2022
Net earnings	$ 2,187	$ 1,994
Other comprehensive income, net of taxes		
Items that are or may be subsequently reclassified to profit or loss:		
Foreign currency translation gains	$ —	$ 2
Gains on cash flow hedges (note 28)	4	16
Gain (loss) on long term securities (note 28)	1	(2)
Items that will not be reclassified to profit or loss:		
Net defined benefit plan actuarial gains (losses) (note 24)	199	(227)
Other comprehensive income, net of taxes	$ 204	$ (211)
Total comprehensive income	$ 2,391	$ 1,783
Attributable to:		
Shareholders of the Company	$ 2,304	$ 1,710
Non-controlling interests	87	73
Total comprehensive income	$ 2,391	$ 1,783

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Equity

(millions of Canadian dollars except where otherwise indicated)	Common Share Capital	Preferred Share Capital	**Total Share Capital**	**Retained Earnings**	**Contributed Surplus**	Foreign Currency Translation Adjustment	Cash Flow Hedges	Fair Value Adjustments	**Accumulated Other Comprehensive Income**	**Non-Controlling Interests**	**Total Equity**
Balance as at December 31, 2022	$ 6,465	$ 221	**$ 6,686**	**$ 4,461**	**$ 122**	$ 41	$ (15)	$ 4	**$ 30**	**$ 157**	**$ 11,456**
Net earnings	$ —	$ —	**$ —**	**$ 2,100**	**$ —**	$ —	$ —	$ —	**$ —**	**$ 87**	**$ 2,187**
Other comprehensive income	—	—	**—**	**199**	**—**	—	4	1	**5**	**—**	**204**
Total comprehensive income	$ —	$ —	**$ —**	**$ 2,299**	**$ —**	$ —	$ 4	$ 1	**$ 5**	**$ 87**	**$ 2,391**
Common shares purchased and cancelled (note 22)	(277)	—	**(277)**	**(1,352)**	**—**	—	—	—	**—**	**—**	**(1,629)**
Effect of equity-based compensation (note 22 and 25)	69	—	**69**	**—**	**14**	—	—	—	**—**	**—**	**83**
Shares purchased and held in trust (note 22)	(13)	—	**(13)**	**(59)**	**—**	—	—	—	**—**	**—**	**(72)**
Shares released from trust (note 22 and 25)	12	—	**12**	**29**	**—**	—	—	—	**—**	**—**	**41**
Dividends declared per common share – $1.743 (note 22)	—	—	**—**	**(550)**	**—**	—	—	—	**—**	**—**	**(550)**
Dividends declared per preferred share – $1.325 (note 22)	—	—	**—**	**(12)**	**—**	—	—	—	**—**	**—**	**(12)**
Net distribution to non-controlling interests	—	—	**—**	**—**	**—**	—	—	—	**—**	**(89)**	**(89)**
	$ (209)	$ —	**$ (209)**	**$ 355**	**$ 14**	$ —	$ 4	$ 1	**$ 5**	**$ (2)**	**$ 163**
Balance as at December 30, 2023	$ 6,256	$ 221	**$ 6,477**	**$ 4,816**	**$ 136**	$ 41	$ (11)	$ 5	**$ 35**	**$ 155**	**$ 11,619**

(millions of Canadian dollars except where otherwise indicated)	Common Share Capital	Preferred Share Capital	**Total Share Capital**	**Retained Earnings**	**Contributed Surplus**	Foreign Currency Translation Adjustment	Cash Flow Hedges	Fair Value Adjustments	**Accumulated Other Comprehensive Income**	**Non-Controlling Interests**	**Total Equity**
Balance as at January 1, 2022	$ 6,631	$ 221	**$ 6,852**	**$ 4,591**	**$ 116**	$ 39	$ (29)	$ 4	**$ 14**	**$ 164**	**$ 11,737**
Net earnings	$ —	$ —	**$ —**	**$ 1,921**	**$ —**	$ —	$ —	$ —	**$ —**	**$ 73**	**$ 1,994**
Other comprehensive income	—	—	**—**	**(227)**	**—**	2	14	—	**16**	**—**	**(211)**
Total comprehensive income	$ —	$ —	**$ —**	**$ 1,694**	**$ —**	$ 2	$ 14	$ —	**$ 16**	**$ 73**	**$ 1,783**
Common shares purchased and cancelled (note 22)	(254)	—	**(254)**	**(1,204)**	**—**	—	—	—	**—**	**—**	**(1,458)**
Effect of equity-based compensation (note 22 and 25)	100	—	**100**	**—**	**6**	—	—	—	**—**	**—**	**106**
Shares purchased and held in trust (note 22)	(23)	—	**(23)**	**(115)**	**—**	—	—	—	**—**	**—**	**(138)**
Shares released from trust (note 22 and 25)	11	—	**11**	**24**	**—**	—	—	—	**—**	**—**	**35**
Dividends declared per common share – $1.580 (note 22)	—	—	**—**	**(517)**	**—**	—	—	—	**—**	**—**	**(517)**
Dividends declared per preferred share – $1.325 (note 22)	—	—	**—**	**(12)**	**—**	—	—	—	**—**	**—**	**(12)**
Net distribution to non-controlling interests	—	—	**—**	**—**	**—**	—	—	—	**—**	**(80)**	**(80)**
	$ (166)	$ —	**$ (166)**	**$ (130)**	**$ 6**	$ 2	$ 14	$ —	**$ 16**	**$ (7)**	**$ (281)**
Balance as at December 31, 2022	$ 6,465	$ 221	**$ 6,686**	**$ 4,461**	**$ 122**	$ 41	$ (15)	$ 4	**$ 30**	**$ 157**	**$ 11,456**

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets

(millions of Canadian dollars)	As at December 30, 2023	As at December 31, 2022
Assets		
Current assets		
Cash and cash equivalents (note 9)	**$ 1,488**	$ 1,608
Short term investments (note 9)	**464**	326
Accounts receivable (note 10)	**1,298**	1,199
Credit card receivables (note 11)	**4,132**	3,954
Inventories (note 12)	**5,820**	5,855
Prepaid expenses and other assets	**324**	353
Assets held for sale (note 13)	**52**	81
Total current assets	**$ 13,578**	$ 13,376
Fixed assets (note 14)	**6,346**	5,696
Right-of-use assets (note 27)	**7,662**	7,409
Investment properties (note 15)	**53**	60
Intangible assets (note 16)	**5,994**	6,505
Goodwill (note 17)	**4,349**	4,323
Deferred income tax assets (note 7)	**125**	86
Other assets (note 18)	**872**	692
Total assets	**$ 38,979**	$ 38,147
Liabilities		
Current liabilities		
Bank indebtedness (note 31)	**$ 13**	$ 8
Trade payables and other liabilities	**6,324**	6,218
Loyalty liability	**123**	180
Provisions (note 19)	**115**	110
Income taxes payable	**240**	195
Demand deposits from customers	**166**	125
Short term debt (note 11)	**850**	700
Long term debt due within one year (note 20)	**1,191**	727
Lease liabilities due within one year (note 27)	**1,455**	1,401
Associate interest	**370**	434
Total current liabilities	**$ 10,847**	$ 10,098
Provisions (note 19)	**123**	109
Long term debt (note 20)	**6,661**	7,056
Lease liabilities (note 27)	**8,003**	7,714
Deferred income tax liabilities (note 7)	**1,132**	1,279
Other liabilities (notes 21)	**594**	435
Total liabilities	**$ 27,360**	$ 26,691
Equity		
Share capital (note 22)	**$ 6,477**	$ 6,686
Retained earnings	**4,816**	4,461
Contributed surplus (note 25)	**136**	122
Accumulated other comprehensive income	**35**	30
Total equity attributable to shareholders of the Company	**$ 11,464**	$ 11,299
Non-controlling interests	**155**	157
Total equity	**$ 11,619**	$ 11,456
Total liabilities and equity	**$ 38,979**	$ 38,147

Contingent Liabilities (note 30).
See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars)	2023	2022
Operating activities		
Net earnings	**$ 2,187**	$ 1,994
Add (deduct):		
Income taxes (note 7)	**714**	665
Net interest expense and other financing charges (note 6)	**803**	683
Adjustments to investment properties (note 13 and 15)	**9**	(6)
Depreciation and amortization	**2,906**	2,795
Asset impairments, net of recoveries	**17**	34
Change in allowance for credit card receivables (note 11)	**50**	1
Change in provisions (note 19)	**19**	(6)
Change in non-cash working capital (note 9)	**(9)**	(490)
Change in gross credit card receivables (note 11)	**(228)**	(512)
Income taxes paid	**(917)**	(439)
Interest received	**24**	38
Other	**79**	(2)
Cash flows from operating activities	**$ 5,654**	$ 4,755
Investing activities		
Fixed asset purchases (note 14)	**$ (1,665)**	$ (1,152)
Intangible asset additions (note 16)	**(407)**	(419)
(Purchase) disposal of short term investments (note 9)	**(138)**	138
Acquisition of Lifemark Health Group, net of cash acquired (note 5)	**—**	(813)
Proceeds from disposal of assets	**321**	164
Lease payments received from finance leases	**17**	15
Disposal (purchases) of long term securities (note 18)	**45**	(180)
Other	**(18)**	(121)
Cash flows used in investing activities	**$ (1,845)**	$ (2,368)
Financing activities		
Increase (decrease) in bank indebtedness	**$ 5**	$ (44)
Increase in short term debt (note 11)	**150**	250
Increase in demand deposits from customers	**41**	50
Long term debt (note 20)		
Issued	**833**	1,818
Repayments	**(762)**	(1,243)
Interest paid	**(421)**	(344)
Cash rent paid on lease liabilities - Interest (note 6 and 27)	**(370)**	(333)
Cash rent paid on lease liabilities - Principal (note 27)	**(1,071)**	(994)
Dividends paid on common and preferred shares (note 22)	**(562)**	(529)
Common share capital		
Issued (note 25)	**61**	88
Purchased and held in trust (note 22)	**(72)**	(138)
Purchased and cancelled (note 22)	**(1,729)**	(1,258)
Proceeds from financial liabilities (note 27)	**115**	15
Other	**(150)**	(89)
Cash flows used in financing activities	**$ (3,932)**	$ (2,751)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**$ 3**	$ (4)
Decrease in cash and cash equivalents	**$ (120)**	$ (368)
Cash and cash equivalents, beginning of year	**1,608**	1,976
Cash and cash equivalents, end of year	**$ 1,488**	$ 1,608

See accompanying notes to the consolidated financial statements.

Note 1. Nature and Description of the Reporting Entity

Loblaw Companies Limited is a Canadian public company incorporated in 1956 and is Canada's food and pharmacy leader, and the nation's largest retailer. Loblaw Companies Limited provides Canadians with grocery, pharmacy and healthcare services, health and beauty products, apparel, general merchandise, financial services, and wireless mobile products and services. Its registered office is located at 22 St. Clair Avenue East, Toronto, Canada M4T 2S5. Loblaw Companies Limited and its subsidiaries are together referred to, in these consolidated financial statements, as the “Company” or “Loblaw”.

The Company’s controlling shareholder is George Weston Limited (“Weston”), which owns approximately 52.6% of the Company’s outstanding common shares. The Company’s ultimate parent is Wittington Investments, Limited (“Wittington”). The remaining common shares are widely held.

The Company has two reportable operating segments: Retail and Financial Services (see note 33).

Note 2. Accounting Policies

Statement of Compliance The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards” or “GAAP”) and using the accounting policies described herein.

These consolidated financial statements were approved for issuance by the Company’s Board of Directors (“Board”) on February 21, 2024.

Basis of Presentation The consolidated financial statements were prepared on a historical cost basis except for the following items that were measured at fair value:

- investment properties as described in note 15;
- defined benefit pension plan assets with the obligations related to these pension plans measured at their discounted present value as described in note 24;
- liabilities for cash-settled equity-based compensation arrangements as described in note 25; and
- certain financial instruments as described in note 28.

The accounting policies set out below have been applied consistently in the preparation of the consolidated financial statements for all years presented.

The consolidated financial statements are presented in Canadian dollars.

Certain prior year amounts have been reclassified to conform to the fiscal 2023 presentation.

Fiscal Year The fiscal year of the Company ends on the Saturday closest to December 31. Under an accounting convention common in the retail industry, the Company follows a 52-week reporting cycle, which periodically necessitates a fiscal year of 53 weeks. The years ended December 30, 2023 and December 31, 2022 both contained 52 weeks.

Basis of Consolidation The consolidated financial statements include the accounts of the Company and other entities that the Company controls. Control exists when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The Company assesses control on an ongoing basis.

Structured entities are entities controlled by the Company which were designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Structured entities are consolidated if, based on an evaluation of the substance of its relationship with the Company, the Company concludes that it controls the structured entity. Structured entities controlled by the Company were established under terms that impose strict limitations on the decision-making powers of the structured entities' management and that results in the Company receiving the majority of the benefits related to the structured entities' operations and net assets, being exposed to the majority of risks incident to the structured entities' activities, and retaining the majority of the residual or ownership risks related to the structured entities or their assets.

Transactions and balances between the Company and its consolidated entities have been eliminated on consolidation.

Non-controlling interests are recorded in the consolidated financial statements and represent the non-controlling shareholders' equity in an entity consolidated by the Company for which the Company's ownership is less than 100%. Transactions with non-controlling interests are treated as transactions with equity owners of the Company. Changes in the Company's ownership interest in its subsidiaries are accounted for as equity transactions.

Loblaw consolidates the Associates as well as the franchisees of its food retail stores that are subject to a simplified franchise agreement implemented in 2015 ("Franchise Agreement"). An "Associate" is a pharmacist-owner of a corporation that is licensed to operate a retail drug store at a specific location using the Company's trademarks. The consolidation of Associates and franchisees is based on the concept of control, for accounting purposes, which was determined to exist through the agreements that govern the relationships between the Company and the Associates and franchisees. Loblaw does not have any direct or indirect shareholdings in the corporations that operate the Associates. Associate interest reflects the investment the Associates have in the net assets of their businesses. Under the terms of the Associate Agreements, Shoppers Drug Mart Inc. (or an affiliate thereof) agrees to purchase the assets that the Associates use in store operations, primarily at the carrying value to the Associate, when Associate Agreements are terminated by either party. The Associates' corporations and the franchisees remain separate legal entities.

Business Combinations Business combinations are accounted for using the acquisition method as of the date when control is transferred to the Company. The Company measures goodwill as the excess of the sum of the fair value of the consideration transferred over the net identifiable assets acquired and liabilities assumed, all measured as at the acquisition date. Transaction costs that the Company incurs in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Net Earnings per Common Share Basic net earnings per common share ("EPS") is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated by adjusting the net earnings available to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive instruments.

Revenue Recognition The Company recognizes revenue when control of the goods or services has been transferred. Revenue is measured at the amount of consideration to which the Company expects to be entitled to.

Retail Retail segment revenue includes the sale of goods and services to customers through corporate, franchise-owned retail food and Associate-owned drug stores, which includes in-store pharmacies, health care services and other health and beauty products, apparel and other general merchandise. Revenue is measured at the amount of consideration to which the Company expects to be entitled to, net of estimated returns and sales incentives. The Company recognizes revenue made through corporate, franchise and Associate stores at the time the point of sale is made or when service is delivered to the customers. The Company recognizes revenue made through independent wholesale customers at the time of delivery of inventory and when administrative and management services are rendered.

For certain sale of goods in which the Company earns commissions, including but not limited to lottery and third party gift cards, the Company records net revenue as an agent on the basis that the Company does not control pricing or bear inventory risk.

Financial Services Financial Services revenue includes interest income on credit card loans, credit card service fees, commissions, and other revenue related to financial services. Interest income is recognized using the effective interest method. Credit card service fees are recognized when services are rendered. Commission revenue is recorded on a net basis. Other revenue is recognized periodically or according to contractual provisions.

Income Taxes Current and deferred taxes are recognized in the consolidated statement of earnings, except for current and deferred taxes related to a business combination, or amounts charged directly to equity or other comprehensive income, which are recognized in the consolidated balance sheet.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the asset and liability method of accounting on temporary differences arising between the financial statement carrying values of existing assets and liabilities and their respective income tax bases. Deferred tax is measured using enacted or substantively enacted income tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. A deferred tax asset is recognized for temporary differences as well as unused tax losses and credits to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxable entities where the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recorded on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Cash Equivalents Cash equivalents consist of highly liquid marketable investments such as government treasury bills and banker'acceptances with an original maturity date of 90 days or less from the date of acquisition. Credit card and debit card transactions that typically process in three days or less are also classified as cash and cash equivalents.

Short Term Investments Short term investments are investments in highly liquid and rated certificates of deposit, commercial paper or other securities, primarily Canadian and United States government securities and notes of other creditworthy parties, with an original term to maturity of more than 90 days and remaining term to maturity of less than one year from the date of acquisition.

Credit Card Receivables The Company, through President's Choice Bank ("PC Bank"), a wholly owned subsidiary of the Company, has credit card receivables that are stated net of an allowance. Interest income is recorded in revenue and interest expense is recorded in net interest expense and other financing charges using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash receipts through the expected life of the credit card receivable (or, where appropriate, a shorter period) to the carrying amount. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. For credit-impaired credit card receivables, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The Company applies the expected credit loss ("ECL") model to assess impairment on its credit card receivables at each balance sheet date. Credit card receivables are assessed collectively for impairment by applying the three-stage approach. Refer to the Impairment of Financial Assets policy for details of each stage. The application of the ECL model requires PC Bank to apply significant judgments, assumptions and estimations (see note 3 "Impairment of Credit Card Receivables").

Impairment losses and reversals are recorded in selling, general and administrative expenses ("SG&A") in the consolidated statements of earnings with the carrying amount of the credit card receivables adjusted through the use of allowance accounts.

The Company, through PC Bank, participates in various securitization programs that provide the primary source of funds for the operation of its credit card business. PC Bank maintains and monitors co-ownership interest in credit card receivables with independent securitization trusts, in accordance with its financing requirements. PC Bank is required to absorb a portion of the related credit losses. As a result, Loblaw has not transferred all of the risks and rewards related to these assets and continues to recognize these assets in credit card receivables. The transferred receivables are accounted for as financing transactions. The associated liabilities secured by these assets are included in either short term debt or long term debt based on their characteristics and are carried at amortized cost. Loblaw provides a standby letter of credit for the benefit of the independent securitization trusts.

Eagle Credit Card Trust® PC Bank participates in a single seller revolving co-ownership securitization program with *Eagle Credit Card Trust®* ("*Eagle*") and continues to service the credit card receivables on behalf of *Eagle*, but does not receive any fee for its servicing obligations and has a retained interest in the securitized receivables represented by the right to future cash flows after obligations to investors have been met. The Company consolidates *Eagle* as a structured entity.

Other Independent Securitization Trusts The Other Independent Securitization Trusts administer multi-seller, multi-asset securitization programs that acquire assets from various participants, including credit card receivables from PC Bank. These trusts are managed by major Canadian chartered banks. PC Bank does not control the trusts through voting interests and does not exercise any control over the trusts' management, administration or assets. The activities of these trusts are conducted on behalf of the participants and each trust is a conduit through which funds are raised to purchase assets through the issuance of senior and subordinated short term and medium term asset backed notes. These trusts are unconsolidated structured entities.

Inventories The Company values inventories at the lower of cost and net realizable value.

Cost includes the costs of purchases net of vendor allowances plus other costs, such as transportation, that are directly incurred to bring inventories to their present location and condition. The cost of inventories are measured at weighted average cost.

The Company estimates net realizable value as the amount that inventories are expected to be sold taking into consideration fluctuations in retail prices due to seasonality less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling prices, the amount of the write-down previously recorded is reversed. Storage costs, indirect administrative overhead and certain selling costs related to inventories are expensed in the period that these costs are incurred.

Vendor Allowances The Company receives allowances from certain of its vendors whose products it purchases. These allowances are received for a variety of buying and/or merchandising activities, including vendor programs such as volume purchase allowances, purchase discounts, listing fees and exclusivity allowances. Allowances received from a vendor are a reduction in the cost of the vendor's products and services, and are recognized as a reduction in the cost of sales and the related inventory in the consolidated statement of earnings and the consolidated balance sheet, respectively, when it is probable that they will be received and the amount of the allowance can be reliably estimated. Amounts received but not yet earned are presented in other liabilities as deferred vendor allowances.

Certain exceptions apply if the consideration is a payment for goods or services delivered to the vendor or for direct reimbursement of selling costs incurred to promote goods. The consideration is then recognized as a reduction of the cost incurred in the consolidated statements of earnings.

Assets Held for Sale Non-current assets are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets classified as held for sale are measured at the lower of the carrying amount or fair value less cost to sell and are not depreciated. The fair value measurement of assets held for sale is categorized within Level 2 of fair value hierarchy. Assets that were previously classified as investment properties are measured using the fair value model consistent with properties classified as investment properties.

Fixed Assets Fixed assets are recognized and subsequently measured at cost less accumulated depreciation and any net accumulated impairment losses.

Borrowing costs directly attributable to the acquisition, construction or production of fixed assets that necessarily take a substantial period of time to prepare for their intended use and a proportionate share of general borrowings, are capitalized to the cost of those fixed assets, based on a quarterly weighted average cost of borrowing. All other borrowing costs are expensed as incurred and recognized in net interest expense and other financing charges.

Gains and losses on disposal of fixed assets are determined by comparing the fair value of proceeds from disposal with the net book value of the assets and are recognized net, in operating income. For transactions in which the sale of a fixed asset satisfies the requirements of IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), and the asset is leased back by the Company, the Company recognizes, in operating income, only the amount of gains or losses that relate to the rights transferred to the purchaser.

Fixed assets are depreciated on a straight-line basis over their estimated useful lives to their estimated residual value when the assets are available for use. When significant parts of a fixed asset have different useful lives, they are accounted for as separate components and depreciated separately. Estimated useful lives are as follows:

Buildings	10 to 40 years
Equipment and fixtures	2 to 10 years
Building improvements	up to 10 years
Leasehold improvements	Lesser of term of the lease and useful life up to 25 years(i)

(i) If it is reasonably certain that the Company will obtain ownership of the leased asset by the end of the lease term, the associated leasehold improvements are depreciated over the useful life of the asset on the same basis as owned assets.

Fixed assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Refer to the Impairment of Non-Financial Assets policy.

Leases

As a Lessee At inception of a contract, the Company determines whether a contract is or contains a lease. When a contract contains both lease and non-lease components, the Company will allocate the consideration in the contract to each of the components on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Relative stand-alone prices are determined by maximizing the most observable supplier prices for a similar asset and/or service.

The Company recognizes a right-of-use asset and a lease liability based on the present value of future lease payments when the leased asset is available for use by the Company. Lease payments for assets that are exempt through the short-term exemption and variable payments not based on an index or rate are recognized in cost of sales and SG&A expenses on the most systematic basis.

The measurement of lease liabilities includes the fixed and in-substance fixed payments and variable lease payments that depend on an index or a rate, less any lease incentives receivable. If applicable, lease liabilities will also include a purchase option exercise price if the Company is reasonably certain to exercise that option, termination penalties if the lease term also reflects the termination option and amounts expected to be payable under a residual value guarantee. Subsequent to initial measurement, the Company measures lease liabilities at amortized cost using the effective interest method. Lease liabilities are remeasured when there is a change in management's assessment of whether it will exercise a renewal or termination option or a change in future lease payments due to a change in index or rate. Right-of-use assets are adjusted by the same remeasurement amount.

Right-of-use assets are measured at the initial amount of the lease liabilities plus any initial direct costs, lease payments made at or before the commencement date net of lease incentives received, and decommissioning costs. Subsequent to initial measurement, the Company applies the cost model with the exception of the fair value model application to right-of-use assets that meet the definition of investment properties. Right-of-use assets are measured at cost less accumulated depreciation, net accumulated impairment losses, and any remeasurements of lease liabilities. The assets are depreciated on a straight-line basis over the earlier of the assets' useful lives or the end of the lease terms. Right-of-use assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Refer to the Impairment of Non-Financial Assets policy.

Discount rates used in the present value calculation are the interest rates implicit in the leases, or if the rates cannot be readily determined, the Company's incremental borrowing rates. Lease terms applied are the contractual non-cancellable periods of the leases plus periods covered by an option to renew the leases if the Company is reasonably certain to exercise that option and the periods covered by an option to terminate the leases if the Company is reasonably certain not to exercise that option.

For sale and leaseback transactions, the Company applies the requirements of IFRS 15 to determine whether the transfer of the asset should be accounted for as a sale. If the transfer of the asset is a sale in accordance with IFRS 15, the Company will measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Company. If the transfer of the asset is not a sale in accordance with IFRS 15, the Company will continue to account for the asset under International Accounting Standard ("IAS") 16, "Property, Plant and Equipment" and recognize the proceeds received as financial liabilities.

Investment Properties Investment properties are properties owned by the Company that are held to either earn rental income, for capital appreciation, or both. The Company's investment properties include single tenant properties held to earn rental income and certain multiple tenant properties. Land and buildings leased to franchisees are not accounted for as investment properties as these properties are related to the Company's operating activities.

Investment property assets are measured using the fair value model. Under the fair value model, investment properties are initially measured at cost and subsequently measured at fair value. Gains and losses arising from changes in the fair value are recognized in operating income in the period in which they arise. Gains and losses from disposal of investment properties are determined by comparing the fair value of disposal proceeds and the carrying amount and are recognized in operating income.

When a property changes from own use to investment property, the property is remeasured to fair value. Any gain arising from the remeasurement is recognized in operating income to the extent that it reverses a previous impairment loss on that property, with any remaining gain recognized in other comprehensive income. Any loss on remeasurement is recognized in operating income. All subsequent changes in fair value of the property are recognized in operating income. Upon sale of an investment property that was previously classified as fixed assets, amounts included in the revaluation reserve are transferred to retained earnings.

When an investment property carried at fair value changes to own use, the property is recognized in fixed assets at the fair value at the date of change in use. The property is subsequently accounted for under the accounting policy for fixed assets.

Goodwill Goodwill arising in a business combination is recognized as an asset at the date that control is acquired. Goodwill is subsequently measured at cost less accumulated impairment losses. Goodwill is not amortized but is tested for impairment on an annual basis or more frequently if there are indicators that goodwill may be impaired as described in the Impairment of Non-Financial Assets policy.

Intangible Assets Intangible assets with finite lives are measured at cost less accumulated amortization and any accumulated impairment losses. These intangible assets are amortized on a straight-line basis over their estimated useful lives and are tested for impairment as described in the Impairment of Non-Financial Assets policy. Useful lives, residual values and amortization methods for intangible assets with finite useful lives are reviewed at least annually. Amortization expense for intangible assets is recognized in selling, general and administrative expenses. Estimated useful lives are as follows:

Software	3 to 10 years
Prescription files	7 to 8 years
Loyalty program	18 years
Customer relationships	5 to 20 years

Indefinite life intangible assets are measured at cost less any accumulated impairment losses. These intangible assets are tested for impairment on an annual basis or more frequently if there are indicators that intangible assets may be impaired as described in the Impairment of Non-Financial Assets policy.

Impairment of Non-Financial Assets At each balance sheet date, the Company reviews the carrying amounts of its non-financial assets at the cash generating unit ("CGU") level, other than inventories, deferred tax assets and investment properties, to determine whether there is any indication of impairment. If any such indication exists, the asset is then tested for impairment by comparing its recoverable amount to its carrying value. Goodwill and indefinite life intangible assets are tested for impairment at least annually.

For the purpose of impairment testing, assets, including right-of-use assets, are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets. This grouping is referred to as a CGU. The Company has determined that each retail location is a separate CGU for purposes of impairment testing.

Goodwill arising from a business combination is tested for impairment at the minimum grouping of CGUs that are expected to benefit from the synergies of the business combination from which the goodwill arose.

The recoverable amount of a CGU or CGU grouping is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows from the CGU or CGU grouping discounted to their present value using a pre-tax discount rate in a discounted cash flow model that reflects current market assessments of the time value of money and the risks specific to the CGU or CGU grouping. If the CGU or CGU grouping includes right-of-use assets in its carrying amount, the pre-tax discount rate reflects the risks associated with the exclusion of lease payments from the estimated future cash flows. The fair value less costs to sell reflects the amount that could be obtained from the disposal of the CGU or CGU grouping in an arm's length transaction between knowledgeable and willing parties, net of estimates of the costs of disposal.

An impairment loss is recognized if the carrying amount of a CGU or CGU grouping exceeds its recoverable amount. For asset impairments other than goodwill, the impairment loss reduces the carrying amounts of the non-financial assets in the CGU on a pro-rata basis, up to an asset's individual recoverable amount. Any loss identified from goodwill impairment testing is first applied to reduce the carrying amount of goodwill allocated to the CGU grouping, and then to reduce the carrying amounts of the other non-financial assets in the CGU or CGU grouping on a pro-rata basis.

For assets other than goodwill, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

Impairment losses and reversals are recognized in SG&A.

Customer Loyalty Awards Programs The Company defers revenue at the time the award is earned by loyalty program members ("members") based on the relative fair value of the award. The relative fair value is determined by allocating consideration between the fair value of the loyalty awards earned by members, net of breakage, and the goods and services on which the awards were earned, based on their relative stand-alone selling price. The estimated fair value per point for the PC Optimum™ Program is determined based on the program reward schedule and is $1 for every 1,000 points earned. The breakage rate of the program is an estimate of the amount of points that will never be redeemed. The rate is reviewed on an ongoing basis and is estimated utilizing historical redemption activity and anticipated earn and redeem behaviour of members. The majority of the Company's loyalty liability, which is contract liability, is expected to be redeemed and recognized as revenue within one year of issuance.

Financial Instruments and Derivative Financial Instruments Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument. Upon initial recognition, financial instruments, including derivatives and embedded derivatives in certain contracts, are measured at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of financial instruments that are not classified as fair value through profit or loss.

Fair values are based on quoted market prices where available from active markets, otherwise fair values are estimated using valuation methodologies, primarily discounted cash flows taking into account external market inputs where possible. The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal payments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

The following table summarizes the classification and measurement of the Company's financial assets and liabilities:

Asset / Liability	**Classification / Measurement**
Cash and cash equivalents	Amortized cost
Short term investments	Amortized cost / fair value through other comprehensive income
Accounts receivable	Amortized cost
Credit card receivables	Amortized cost
Certain other assets	Amortized cost / fair value through profit and loss
Long term securities	Fair value through other comprehensive income
Bank indebtedness	Amortized cost
Trade payables and other liabilities	Amortized cost
Demand deposits from customers	Amortized cost
Short term debt	Amortized cost
Long term debt	Amortized cost
Associate Interest	Amortized cost
Certain other liabilities	Amortized cost
Derivatives	Fair value through profit and loss / fair value through other comprehensive income

Financial derivative instruments in the form of forwards and futures, as well as non-financial derivatives in the form of futures contracts, options contracts and forward contracts, are recorded at fair value on the consolidated balance sheet. The Company does not use derivative instruments for speculative purposes. Embedded derivatives are separated from the host contract and accounted for separately on the consolidated balance sheet at fair value if the host contract is not a financial asset. Derivative instruments are recorded in current or non-current assets and liabilities based on their remaining terms to maturity. All changes in fair values of the derivative instruments are recorded in net earnings unless the derivative qualifies and is effective as a hedging item in a designated hedging relationship.

The Company has cash flow hedges which are used to manage exposure to fluctuations in foreign currency exchange and interest rates. The effective portion of the change in fair value of the hedging item is recorded in other comprehensive income. If the change in fair value of the hedging item is not completely offset by the change in fair value of the hedged item, the ineffective portion of the hedging relationship is recorded in net earnings. Amounts accumulated in other comprehensive income are reclassified to net earnings when the hedged item is recognized in net earnings. The Company ensures that the hedge accounting relationships are aligned with the Company's risk management objectives and strategy and applies a more qualitative and forward-looking approach to assessing hedge effectiveness. The Company's risk management strategy and hedging activities are disclosed in note 28 "Financial Instruments" and note 29 "Financial Risk Management".

Gains and losses on financial assets and financial liabilities classified as fair value through profit and loss ("FVTPL") are recognized in net earnings in the period in which they are incurred. Settlement date accounting is used to account for the purchase and sale of financial assets. Gains or losses between the trade date and settlement date on FVTPL financial assets are recorded in net earnings.

Valuation Process The determination of the fair value of financial instruments is performed by the Company's treasury and financial reporting departments on a quarterly basis. There was no change in the valuation techniques applied to financial instruments during the current year. The following table describes the valuation techniques used in the determination of the fair values of financial instruments:

Type	Valuation Approach
Cash and cash equivalents, short term investments, accounts receivable, credit card receivables, bank indebtedness, trade payables and other liabilities, demand deposits from customers and short term debt	The carrying amount approximates fair value due to the short term maturity of these instruments.
Derivatives	Specific valuation techniques used to value derivative financial instruments include: • Quoted market prices or dealer quotes for similar instruments; and • The fair values of other derivative instruments are determined based on observable market information as well as valuations determined by external valuators with experience in financial markets.
Long term debt and certain other financial instruments	The fair value is based on the present value of contractual cash flows, discounted at the Company's current incremental borrowing rate for similar types of borrowing arrangements or, where applicable, quoted market prices.

Impairment of Financial Assets The Company applies a forward-looking ECL model at each balance sheet date to financial assets measured at amortized cost or those measured at fair value through other comprehensive income ("FVOCI"), except for investments in equity instruments.

The ECL model applied to financial assets requires judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset. Consideration of how changes in economic factors affect ECLs are determined on a probability-weighted basis.

Impairment losses and reversals are recorded in SG&A with the carrying amount of the financial asset or group of financial assets adjusted through the use of allowance accounts.

Foreign Currency Translation The functional currency of the Company is the Canadian dollar.

Transactions in foreign currencies are translated into the functional currency at the foreign currency exchange rates that approximate the rates in effect at the dates when such items are transacted. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the balance sheet date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognized in operating income.

The assets and liabilities of foreign operations that have a functional currency different from that of the Company, including goodwill and fair value adjustments arising on acquisition, are translated into the functional currency at the foreign currency exchange rate in effect at the balance sheet date. Revenues and expenses of foreign operations are translated into Canadian dollars at the foreign currency exchange rates that approximate the rates in effect at the dates when such items are transacted. The resulting foreign currency exchange gains or losses are recognized in the foreign currency translation adjustment as part of other comprehensive income. When such foreign operation is disposed of, the related foreign currency translation reserve is recognized in net earnings as part of the gain or loss on disposal. On the partial disposal of such foreign operation, the relevant proportion is reclassified to net earnings.

Defined Benefit Post-Employment Plans The Company has a number of contributory and non-contributory defined benefit post-employment plans providing pension and other benefits to eligible employees. The defined benefit pension plans provide a pension based on length of service and eligible pay. The other defined benefits include health care, life insurance and dental benefits provided to eligible employees who retire at certain ages having met certain service requirements. The Company's net defined benefit plan obligations (assets) for each plan are actuarially calculated by a qualified actuary at the end of each annual reporting period using the projected unit credit method pro-rated based on service and management's best estimate of the discount rate, the rate of compensation increase, retirement rates, termination rates, mortality rates and expected growth rate of health care costs. The discount rate used to value the defined benefit plan obligation is based on high quality corporate bonds denominated in the same currency with cash flows that match the terms of the defined benefit plan obligations. Past service costs (credits) arising from plan amendments are recognized in operating income in the year that they arise. The actuarially determined net interest costs on the net defined benefit plan obligation are recognized in net interest expense and other financing charges.

The fair values of plan assets are deducted from the defined benefit plan obligations to arrive at the net defined benefit plan obligations (assets). For plans that result in a net defined benefit asset, the recognized asset is limited to the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan ("asset ceiling"). If it is anticipated that the Company will not be able to recover the value of the net defined benefit asset, after considering minimum funding requirements, the net defined benefit asset is reduced to the amount of the asset ceiling. When the payment in the future of minimum funding requirements related to past service would result in a net defined benefit surplus or an increase in a surplus, the minimum funding requirements are recognized as a liability to the extent that the surplus would not be fully available as a refund or a reduction in future contributions.

Remeasurements including actuarial gains and losses, the effect of the asset ceiling (if applicable) and the impact of any minimum funding requirements are recognized through other comprehensive income and subsequently reclassified from accumulated other comprehensive income to retained earnings.

The Company also participates in pension plans with Weston. The Company has established a stated policy to allocate the net defined benefit cost to the Company and Weston based on the obligation attributable to plan participants, provided by a third-party actuary. Both the service cost and contribution to be paid are determined based on the actuarial valuation.

Other Long Term Employee Benefit Plans The Company offers other long term employee benefits including contributory long term disability benefits and non-contributory continuation of health care and dental benefits to employees who are on long term disability leave. As the amount of the long term disability benefit does not depend on length of service, the obligation is recognized when an event occurs that gives rise to an obligation to make payments. The accounting for other long term employee benefit plans is similar to the method used for defined benefit plans except that all actuarial gains and losses are recognized in operating income.

Defined Contribution Plans The Company maintains a number of defined contribution pension plans for employees in which the Company pays fixed contributions for eligible employees into a registered plan and has no further significant obligation to pay any further amounts. The costs of benefits for defined contribution plans are expensed as employees have rendered service.

Multi-Employer Pension Plans The Company participates in multi-employer pension plans ("MEPPs") which are accounted for as defined contribution plans. The Company's responsibility to make contributions to these plans is limited to amounts established pursuant to its collective agreements. Defined benefit MEPPs are accounted for as defined contribution plans as adequate information to account for the Company's participation in the plans is not available due to the size and number of contributing employers in the plans. The contributions made by the Company to MEPPs are expensed as contributions are due.

Equity-Settled Equity-Based Compensation Plans Stock options, Restricted Share Units ("RSUs"), Performance Share Units ("PSUs"), Director Deferred Share Units ("DSUs") and Executive Deferred Share Units ("EDSUs") issued by the Company are substantially all settled in common shares and are accounted for as equity-settled awards.

Stock options outstanding have a seven year term to expiry, vest 20% cumulatively on each anniversary date of the grant and are exercisable at the designated common share price, which is based on the greater of the volume weighted average trading price of the Company's common share for either the five trading days prior to the date of grant or the trading day immediately preceding the grant date. The fair value of each tranche of options granted is measured separately at the grant date using a Black-Scholes option pricing model, and includes the following assumptions:

- The expected dividend yield is estimated based on the expected annual dividend prior to the option grant date and the closing share price as at the option grant date;
- The expected share price volatility is estimated based on the Company's historical volatility over a period consistent with the expected life of the options;
- The risk-free interest rate is estimated based on the Government of Canada bond yield in effect at the grant date for a term to maturity equal to the expected life of the options; and
- The effect of expected exercise of options prior to expiry is incorporated into the weighted average expected life of the options, which is based on historical experience and general option holder behaviour.

RSUs and PSUs vest after the end of a three year performance period. The number of PSUs that vest is based on the achievement of specified performance measures. The fair value of each RSU and PSU granted is measured separately at the grant date based on the market value of a Loblaw common share. Dividends paid may be reinvested in RSUs and PSUs and are treated as capital transactions.

The Company established a trust for each of the RSU and PSU plans to facilitate the purchase of shares for future settlement upon vesting. The Company is the sponsor of the respective trusts and has assigned Computershare Trust Company of Canada as the trustee. The trusts are considered structured entities and are consolidated in the Company's financial statements with the cost of the acquired shares recorded at book value as a reduction to share capital. Any premium on the acquisition of the shares above book value is applied to retained earnings until the shares are issued to settle RSU and PSU plan obligations.

Members of the Board, who are not management of the Company, may elect to receive a portion of their annual retainers and fees in the form of DSUs. Eligible executives of the Company may elect to defer up to 100% of the Short Term Incentive Plan earned in any year into the EDSU plan. Dividends paid earn fractional DSUs and EDSUs, respectively and are treated as capital transactions. DSUs and EDSUs vest upon grant.

The compensation expense for equity-settled plans is prorated over the vesting or performance period, with a corresponding increase to contributed surplus. Forfeitures are estimated at the grant date and are revised to reflect changes in expected or actual forfeitures.

Upon exercise of options, the amount accumulated in contributed surplus for the award plus the cash received upon exercise is recognized as an increase in share capital. Upon settlement of RSUs and PSUs, the amount accumulated in contributed surplus for the award is reclassified to share capital, with any premium or discount applied to retained earnings.

Employee Share Ownership Plan The Company's contributions to the Employee Share Ownership Plan ("ESOP") are measured at cost and recorded as compensation expense in operating income when the contribution is made. The ESOP is administered through a trust which purchases the Company's common shares on the open market on behalf of its employees.

Note 3. Critical Accounting Estimates and Judgments

The preparation of the consolidated financial statements requires management to make estimates and judgments in applying the Company's accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

Within the context of these consolidated financial statements, a judgment is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Management continually evaluates the estimates and judgments it uses.

The following are the accounting policies subject to judgments and key estimation uncertainty that the Company believes could have the most significant impact on the amounts recognized in the consolidated financial statements. The Company's accounting policies are disclosed in note 2.

Consolidation

Judgments Made in Relation to Accounting Policies Applied The Company uses judgment in determining the entities that it controls and therefore consolidates. The Company controls an entity when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entity's returns. The Company consolidates all of its wholly owned subsidiaries. Judgment is applied in determining whether the Company controls the entities in which it does not have ownership rights or does not have full ownership rights. Most often, judgment involves reviewing contractual rights to determine if rights are participating (giving power over the entity) or protective rights (protecting the Company's interest without giving it power).

Business Combinations - Valuation of Intangible Assets

Key Estimations The Company applies significant judgment in estimating the fair value of intangible assets. In determining the fair value of customer relationships and brands, various valuation techniques are used. Specifically, the Company used the multi-period excess earnings method to fair value customer relationships and the royalty relief method to fair value brands using a discounted cash flow model. Under these valuation approaches, the Company developed assumptions related to revenue and gross margin forecasts, attrition rate, royalty rate and discount rates.

Inventories

Key Estimations Inventories are carried at the lower of cost and net realizable value which requires the Company to utilize estimates related to fluctuations in shrink, future retail prices, the impact of vendor rebates on cost, seasonality and costs necessary to sell the inventory.

Impairment of Non-Financial Assets (Goodwill, Intangible Assets, Fixed Assets and Right-of-Use Assets)

Judgments Made in Relation to Accounting Policies Applied The Company uses judgment in determining CGUs for the purpose of testing fixed assets, right-of-use assets and intangible assets for impairment. Judgment is also used to determine the goodwill CGUs for the purpose of testing goodwill for impairment. The Company has determined that each retail location is a separate CGU. Intangible assets are allocated to the CGUs (or groups of CGUs) to which they relate. Goodwill is allocated to CGUs (or groups of CGUs) based on the level at which management monitors goodwill, which cannot be higher than an operating segment. The allocation of goodwill is made to CGUs (or groups of CGUs) that are expected to benefit from the synergies and future growth of the business combination from which they arose. In addition, judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed. In applying this judgment management considers profitability of the CGU and other qualitative factors.

Key Estimations In determining the recoverable amount of a CGU or a group of CGUs, various estimates are employed. The Company determines fair value less costs to sell using such estimates as market rental rates for comparable properties, discount rates and capitalization rates. The Company determines value in use by using estimates including projected future sales and earnings, and discount rates consistent with external industry information reflecting the risk associated with the specific cash flows.

Impairment of Credit Card Receivables

Judgments Made in Relation to Accounting Policies Applied and Key Estimations In each stage of the ECL model, impairment is determined based on the probability of default, loss given default, and expected exposures at default on drawn and undrawn exposures on credit card receivables. The application of the ECL model requires management to apply the following significant judgments, assumptions and estimations:

- Movement of impairment measurement between the three stages of the ECL model, based on the assessment of the increase in credit risks on credit card receivables. The assessment of changes in credit risks includes qualitative and quantitative factors of the accounts, such as historical credit loss experience and external credit scores;
- Thresholds for significant increase in credit risk based on changes in probability of default over the expected life of the instrument relative to initial recognition; and
- Forecasts of future economic conditions, namely the unemployment rate. Management uses an average of unemployment rate forecasts published by major Canadian Chartered Banks and the Conference Board of Canada to establish the base case scenario and other representative ranges of possible forecast scenarios.

Income and Other Taxes

Judgments Made in Relation to Accounting Policies Applied The calculation of current and deferred income taxes requires management to make certain judgments including expectations about future operating results, the timing and reversal of temporary differences, and the interpretation of tax rules in jurisdictions where the Company performs activities. Where the amount of tax payable or recoverable is uncertain, the Company establishes provisions based on the most likely amount of the liability or recovery.

Segment Information

Judgments Made in Relation to Determining the Aggregation of Operating Segments The Company uses judgment in assessing the criteria used to determine the aggregation of operating segments. The Retail reportable operating segment consists of several operating segments comprised primarily of food retail and Associate-owned drug stores, and also includes in-store pharmacies and healthcare services and other health and beauty products, apparel and other general merchandise. The Company has aggregated its retail operating segments on the basis of their similar economic characteristics, customers and nature of products. This similarity in economic characteristics reflects the fact that the Company's retail operating segments operate primarily in Canada and are therefore subject to the same economic market pressures and regulatory environment. The Company's retail operating segments are subject to similar competitive pressures such as price and product innovation and assortment from existing competitors and new entrants into the marketplace. The similar economic characteristics also include the provision of centralized, common functions such as marketing and information technology ("IT") across all retail operating segments.

The retail operating segments' customer profile is primarily individuals who are purchasing goods for their own or their family's personal needs and consumption. The nature of products and the product assortment sold by each of the retail operating segments is also similar and includes grocery, pharmaceuticals, cosmetics, electronics and housewares. The aggregation of the retail operating segments reflects the nature and financial effects of the business activities in which the Company engages and the economic environment in which it operates.

Provisions

Judgments made in Relation to Accounting Policies Applied and Key Estimations The recording of provisions requires management to make certain judgments regarding whether there is a present legal or constructive obligation as a result of a past event, it is probable that the Company will be required to settle the obligation and if a reliable estimate of the amount of the obligation can be made. The Company has recorded provisions primarily in respect of self-insurance, legal claims and charges related to PC Bank commodity tax matters. The Company reviews the merits, risks and uncertainties of each provision, based on current information, and the amount expected to be required to settle the obligation. Provisions are reviewed on an ongoing basis and are adjusted accordingly when new facts and events become known to the Company.

Leases

Judgments Made in Relation to Accounting Policies Applied Management exercises judgment in determining the appropriate lease term on a lease by lease basis. Management considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option including investments in major leaseholds, store performances, past business practice and the length of time remaining before the option is exercisable. The periods covered by renewal options are only included in the lease term if management is reasonably certain to renew. Management considers reasonably certain to be a high threshold. Changes in the economic environment or changes in the retail industry may impact management's assessment of lease term, and any changes in management's estimate of lease terms may have a material impact on the Company's consolidated balance sheets and statements of earnings.

Key Estimations In determining the carrying amount of right-of-use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets if the interest rate implicit in the lease is not readily determined. Management determines the incremental borrowing rate using a base risk-free interest rate estimated by reference to the Government of Canada bond yield with an adjustment that reflects the Company's credit rating, the security, lease term and value of the underlying leased asset, and the economic environment in which the leased asset operates. The incremental borrowing rates are subject to change due to changes in the business and macroeconomic environment.

Note 4. Amendments to IFRS Accounting Standards

Amendments to IAS 1 In February 2021, the International Accounting Standards Board issued amendments to International Accounting Standard 1 Presentation of Financial Statements ("IAS 1") and IFRS Practice Statement 2 Making Materiality Judgments ("IFRS Practice Statement 2"). The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

Amendments to IAS 12 The Company adopted the amendments to IAS 12, "Income Taxes" ("IAS 12"), issued in May 2023, introducing a mandatory temporary exception to the requirements of IAS 12 under which a company does not recognize or disclose information about deferred tax assets and liabilities related to the proposed Organization for Economic Co-operation and Development ("OECD") Pillar Two model rules ("Pillar Two"). The Company applied the temporary exception as of December 30, 2023 as disclosed in note 7.

Note 5. Business Acquisitions

Acquisition of Lifemark Health Group On May 10, 2022, the Company acquired all of the outstanding common shares of Lifemark Health Group ("Lifemark") for total cash purchase consideration of $829 million. Lifemark is the Canadian leading provider of outpatient physiotherapy, massage therapy, occupational therapy, chiropractic, mental health, and other ancillary rehabilitation services through its more than 300 clinics across Canada. The acquisition of Lifemark adds to the Company's growing role as a healthcare service provider, with a network of health and wellness solutions, accessible in-person and digitally.

The Lifemark acquisition was accounted for using the acquisition method in accordance with IFRS 3, "Business Combinations", with the results of operations consolidated with those of the Company effective May 10, 2022.

In the third quarter of 2022, the Company finalized the purchase price allocation which is summarized as follows:

(millions of Canadian dollars)		
Net Assets Acquired:		
Cash and cash equivalents	**$**	**15**
Accounts receivable[(i)]		**54**
Prepaid expenses and other assets		**2**
Fixed assets		**16**
Right-of-use assets		**75**
Intangible assets		**564**
Goodwill		**365**
Trade payables and other liabilities		**(38)**
Lease liabilities		**(75)**
Deferred income tax liabilities		**(145)**
Other liabilities		**(4)**
Total Net Assets Acquired	**$**	**829**

(i) Trade and other receivables is net of a loss allowance of $2 million.

Goodwill is attributable to expected growth in customers and expansion of the Lifemark footprint. The goodwill arising from this acquisition was not deductible for tax purposes.

Intangible assets are comprised of the following:

(millions of Canadian dollars)			**Estimated Useful Life**
Intangible Assets:			
Brand	**$**	**265**	**Indefinite**
Customer relationships		**295**	**10-20 years**
Computer software		**4**	**3 years**
Total Intangible Assets	**$**	**564**	

Selling, general and administrative expense in 2022 included $16 million of transaction costs related to the acquisition.

Note 6. Net Interest Expense and Other Financing Charges

The components of net interest expense and other financing charges were as follows:

(millions of Canadian dollars)	2023	2022
Interest expense and other financing charges		
Lease liabilities (note 27)	**$ 370**	$ 333
Long term debt[(i)]	**321**	303
Borrowings related to credit card receivables	**82**	52
Post-employment and other long term employee benefits (note 24)	**14**	—
Independent funding trusts	**37**	22
Financial liabilities (note 27)	**12**	5
Bank indebtedness	**1**	1
	$ 837	$ 716
Interest income		
Accretion income	**$ (3)**	$ (4)
Short term interest income	**(31)**	(14)
Post-employment and other long term employee benefits (note 24)	**—**	(4)
	$ (34)	$ (22)
Recovery related to Glenhuron Bank Limited (note 7)	**$ —**	$ (11)
Net interest expense and other financing charges	**$ 803**	$ 683

(i) Included in 2022 is an early repayment premium charge of $7 million related to the early redemption of an $800 million debenture bearing interest at 4.86% with an original maturity date of September 12, 2023.

Note 7. Income Taxes

The components of income taxes recognized in the consolidated statements of earnings were as follows:

(millions of Canadian dollars)	2023	2022
Current income taxes		
Current period	**$ 1,005**	$ 818
Recovery related to Glenhuron Bank Limited	**—**	(33)
Adjustments in respect of prior periods	**(36)**	8
	$ 969	$ 793
Deferred income taxes		
Origination and reversal of temporary differences	**$ (252)**	$ (113)
Adjustments in respect of prior periods	**(3)**	(15)
	$ (255)	$ (128)
Income taxes	**$ 714**	$ 665

In 2021, the Supreme Court of Canada ruled in favour of the Company on the Glenhuron Bank Limited ("Glenhuron") matter. As a result of related reassessments received during the first quarter of 2022, the Company reversed $35 million of previously recorded charges, of which $2 million was recorded as interest income and $33 million was recorded as an income tax recovery, and an additional $9 million, before taxes, was recorded in respect of interest income earned on expected cash tax refunds.

Income tax expense (recovery) recognized in other comprehensive income was as follows:

(millions of Canadian dollars)	**2023**	2022
Net defined benefit plan actuarial gains (losses) (note 24)	**$ 71**	$ (83)
Gains on cash flow hedges (note 28)	**2**	4
Gain on long term securities (note 28)	**—**	1
Net income tax expense (recovery) recognized in other comprehensive income	**$ 73**	$ (78)

The effective tax rate in the consolidated statement of earnings was reported at rates different than the weighted average basic Canadian federal and provincial statutory income tax rates for the following reasons:

	2023	2022
Weighted average basic Canadian federal and provincial statutory income tax rate	**26.5 %**	26.5 %
Net increase (decrease) resulting from:		
Recovery related to Glenhuron	**— %**	(1.2)%
Non-deductible and non-taxable items	**(0.5)%**	0.3 %
Adjustments in respect of prior periods	**(1.3)%**	(0.3)%
Other	**(0.1)%**	(0.3)%
Effective tax rate applicable to earnings before income taxes	**24.6 %**	25.0 %

Unrecognized deferred income tax assets Deferred income tax assets were not recognized on the consolidated balance sheets in respect of the following items:

(millions of Canadian dollars)	**2023**	2022
Deductible temporary differences	**$ 14**	$ 15
Non-capital loss carryforwards	**180**	176
Unrecognized deferred tax assets	**$ 194**	$ 191

The non-capital loss carryforwards expire in the years 2029 to 2043. The deductible temporary differences do not expire under current income tax legislation. Deferred income tax assets were not recognized in respect of these items because it is not probable that future taxable income will be available to the Company to utilize the benefits.

Recognized deferred income tax assets and liabilities Deferred income tax assets and liabilities were attributable to the following:

(millions of Canadian dollars)	**As at December 30, 2023**	As at December 31, 2022
Trade payables and accrued liabilities	**$ 94**	$ 74
Other liabilities	**204**	217
Lease liabilities	**2,476**	2,405
Fixed assets	**(588)**	(641)
Right-of-use assets	**(2,004)**	(1,969)
Goodwill and intangible assets	**(1,282)**	(1,347)
Non-capital loss carryforwards (expiring 2029 to 2043)	**64**	43
Other	**29**	25
Net deferred income tax liabilities	**$ (1,007)**	$ (1,193)
Recorded on the consolidated balance sheets as follows:		
Deferred income tax assets	**$ 125**	$ 86
Deferred income tax liabilities	**(1,132)**	(1,279)
Net deferred income tax liabilities	**$ (1,007)**	$ (1,193)

Global Minimum Tax (Pillar Two) In December 2021, the OECD issued model rules for a new global minimum tax framework. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Company operates, and will be effective for the Company's fiscal year ended December 28, 2024.

The Company is in the process of assessing its exposure to Pillar Two legislation based on the most recent tax filings, country-by-country reporting and financial statements of the Company. The Company does not expect Pillar Two top-up taxes to have a material impact on the Company's consolidated results of operations.

The Company is applying the exception to recognizing and disclosing information about deferred tax asset and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Note 8. Basic and Diluted Net Earnings per Common Share

(millions of Canadian dollars except where otherwise indicated)	2023	2022
Net earnings attributable to shareholders of the Company	$ 2,100	$ 1,921
Dividends on preferred shares in equity (note 22)	(12)	(12)
Net earnings available to common shareholders	$ 2,088	$ 1,909
Weighted average common shares outstanding (note 22)	316.7	328.1
Dilutive effect of equity-based compensation	2.6	3.0
Dilutive effect of certain other liabilities	0.7	0.6
Diluted weighted average common shares outstanding	320.0	331.7
Basic net earnings per common share ($)	$ 6.59	$ 5.82
Diluted net earnings per common share ($)	$ 6.52	$ 5.75

In 2023, 49,863 (2022 – 1,106,204) potentially dilutive instruments were excluded from the computation of diluted net earnings per common share as they were anti-dilutive.

Note 9. Cash and Cash Equivalents, Short Term Investments and Change in Non-cash Working Capital

The components of cash and cash equivalents, short term investments and change in non-cash working capital were as follows:

Cash and cash equivalents

(millions of Canadian dollars)	As at December 30, 2023	As at December 31, 2022
Cash	$ 947	$ 777
Cash equivalents	541	831
Total cash and cash equivalents	$ 1,488	$ 1,608

Short Term Investments

(millions of Canadian dollars)	As at December 30, 2023	As at December 31, 2022
Government treasury bills	$ 353	$ 299
Bankers' acceptances	87	3
Guaranteed investment certificates	22	21
Other	2	3
Total short term investments	$ 464	$ 326

Changes in Non-cash Working Capital

(millions of Canadian dollars)	December 30, 2023	December 31, 2022
Change in:		
Accounts receivable	$ (163)	$ (214)
Prepaid expenses and other assets	19	(94)
Inventories	35	(689)
Trade payables and other liabilities	116	507
Other	(16)	—
Change in non-cash working capital	$ (9)	$ (490)

Note 10. Accounts Receivable

The following are continuities of the Company's allowances for uncollectible accounts receivable:

(millions of Canadian dollars)		**2023**		2022
Allowances, beginning of year	**$**	**(31)**	$	(23)
Net addition		**(5)**		(8)
Allowances, end of year	**$**	**(36)**	$	(31)

Credit risk associated with accounts receivable is discussed in note 29.

Note 11. Credit Card Receivables

The components of credit card receivables were as follows:

(millions of Canadian dollars)		**As at December 30, 2023**		As at December 31, 2022
Gross credit card receivables	**$**	**4,388**	$	4,160
Allowance for credit card receivables		**(256)**		(206)
Credit card receivables	**$**	**4,132**	$	3,954
Securitized to independent securitization trusts:				
Securitized to *Eagle Credit Card Trust*® (note 20)	**$**	**1,350**	$	1,350
Securitized to Other Independent Securitization Trusts		**850**		700
Total securitized to independent securitization trusts	**$**	**2,200**	$	2,050

The Company, through PC Bank, participates in various securitization programs that provide a source of funds for the operation of its credit card business. PC Bank maintains and monitors a co-ownership interest in credit card receivables with independent securitization trusts, including *Eagle* and Other Independent Securitization Trusts, in accordance with its financing requirements.

The associated liability of *Eagle* is recorded in long term debt (see note 20). The associated liabilities of credit card receivables securitized to the Other Independent Securitization Trusts are recorded in short term debt.

The securitization agreements between PC Bank and the Other Independent Securitization Trusts are renewed and extended on an annual basis. The existing agreements were renewed in 2023, with their respective maturity dates extended to 2025 and with all other terms and conditions remaining substantially the same.

As at December 30, 2023, PC Bank recorded a $150 million net increase of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts as a result of growth in the credit card portfolio.

The undrawn commitments on facilities available from the Other Independent Securitization Trusts as at December 30, 2023 were $100 million (December 31, 2022 – $250 million).

The Company has arranged letters of credit on behalf of PC Bank for the benefit of the independent securitization trusts (see note 31).

Under its securitization programs, PC Bank is required to maintain, at all times, a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability. PC Bank was in compliance with this requirement as at December 30, 2023 and throughout 2023.

The following table provides gross carrying amounts of credit card receivables by internal risk ratings for credit risk management purposes:

				As at December 30, 2023
	12-month ECL (Stage 1)	**Lifetime ECL-not credit impaired (Stage 2)**	**Lifetime ECL-credit impaired (Stage 3)**	**Total**
Low risk	**$ 2,194**	**$ 13**	**$ —**	**$ 2,207**
Moderate risk	**1,215**	**38**	**—**	**1,253**
High risk	**461**	**414**	**53**	**928**
Total gross carrying amount	**$ 3,870**	**$ 465**	**$ 53**	**$ 4,388**
ECL allowance	**(104)**	**(110)**	**(42)**	**(256)**
Net carrying amount	**$ 3,766**	**$ 355**	**$ 11**	**$ 4,132**

				As at December 31, 2022
	12-month ECL (Stage 1)	Lifetime ECL-not credit impaired (Stage 2)	Lifetime ECL-credit impaired (Stage 3)	Total
Low risk	$ 2,113	$ 13	$ —	$ 2,126
Moderate risk	1,163	35	—	1,198
High risk	424	370	42	836
Total gross carrying amount	$ 3,700	$ 418	$ 42	$ 4,160
ECL allowance	(79)	(92)	(35)	(206)
Net carrying amount	$ 3,621	$ 326	$ 7	$ 3,954

The following are continuities of the Company's allowance for credit card receivables for the years ended December 30, 2023 and December 31, 2022:

(millions of Canadian dollars)				**As at December 30, 2023**
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance, beginning of year	**$ 79**	**$ 92**	**$ 35**	**$ 206**
Increase / (decrease) during the year:				
Transfers[(i)]				
To Stage 1	**27**	**(27)**	**—**	**—**
To Stage 2	**(7)**	**9**	**(2)**	**—**
To Stage 3	**(3)**	**(20)**	**23**	**—**
New loans originated[(ii)]	**15**	**8**	**4**	**27**
Net remeasurements[(iii)]	**(7)**	**48**	**140**	**181**
Write-offs	**—**	**—**	**(183)**	**(183)**
Recoveries	**—**	**—**	**25**	**25**
Balance, end of year	**$ 104**	**$ 110**	**$ 42**	**$ 256**

(i) Transfers reflect allowance movements between stages for loans that were recognized as of the beginning of the year.
(ii) New loans originated reflect the stage of loan, and the related loan balance, as of the end of the year.
(iii) Net remeasurements includes the impact from changes in loan balances, model enhancements and credit quality during the year.

(millions of Canadian dollars)				As at December 31, 2022
	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of year	$ 75	$ 98	$ 32	$ 205
Increase / (decrease) during the year:				
Transfers[(i)]				
To Stage 1	22	(22)	—	—
To Stage 2	(5)	7	(2)	—
To Stage 3	(2)	(15)	17	—
New loans originated[(ii)]	13	8	5	26
Net remeasurements[(iii)]	(24)	16	81	73
Write-offs	—	—	(127)	(127)
Recoveries	—	—	29	29
Balance, end of year	$ 79	$ 92	$ 35	$ 206

(i) Transfers reflect allowance movements between stages for loans that were recognized as of the beginning of the year.
(ii) New loans originated reflect the stage of loan, and the related loan balance, as of the end of the year.
(iii) Net remeasurements includes the impact from changes in loan balances, model enhancements and credit quality during the year.

The allowances for credit card receivables recorded in the consolidated balance sheets are maintained at a level which is considered adequate to endure credit-related losses on credit card receivables.

Note 12. Inventories

For inventories recorded as at December 30, 2023, the Company has an inventory provision of $46 million (December 31, 2022 – $43 million) for the write-down of inventories below cost to net realizable value. The write-down was included in cost of sales. There were no reversals of previously recorded write-downs of inventories during 2023 and 2022.

Note 13. Assets Held for Sale

The Company classifies certain assets, primarily land and buildings, that it expects to sell in the next 12 months, as assets held for sale. These assets were either originally used in the Company's retail business segment or held in investment properties. In 2023, the Company disposed of nine properties (2022 – eleven) included in assets held for sale for proceeds of $38 million (2022 – $151 million) and recognized a net gain of $12 million (2022 – net gain of $76 million). A net fair value write-down of $14 million (2022 – nominal fair value gain) was recognized on assets held for sale in 2023.

Note 14. Fixed Assets

The following are continuities of the cost and the accumulated depreciation of fixed assets for the years ended December 30, 2023 and December 31, 2022:

	2023					
(millions of Canadian dollars)	Land	Buildings and building improvements	Equipment and fixtures	Leasehold improvements	Assets under construction	Total
Cost						
Balance, beginning of year	**$ 212**	**$ 1,872**	**$ 9,955**	**$ 4,435**	**$ 479**	**$16,953**
Additions[i]	**—**	**—**	**149**	**33**	**1,520**	**1,702**
Business acquisitions	**—**	**—**	**1**	**1**	**—**	**2**
Disposals	**(30)**	**(188)**	**(86)**	**(12)**	**—**	**(316)**
Net transfer to assets held for sale	**1**	**1**	**—**	**—**	**—**	**2**
Transfer from assets under construction	**6**	**15**	**721**	**271**	**(1,013)**	**—**
Balance, end of year	**$ 189**	**$ 1,700**	**$ 10,740**	**$ 4,728**	**$ 986**	**$18,343**
Accumulated depreciation						
Balance, beginning of year	**$ 4**	**$ 957**	**$ 7,495**	**$ 2,799**	**$ 2**	**$ 11,257**
Depreciation	**—**	**53**	**565**	**295**	**—**	**913**
Impairment losses	**—**	**5**	**33**	**4**	**—**	**42**
Reversal of impairment losses	**(1)**	**(1)**	**(6)**	**(6)**	**—**	**(14)**
Disposals	**—**	**(104)**	**(86)**	**(11)**	**—**	**(201)**
Balance, end of year	**$ 3**	**$ 910**	**$ 8,001**	**$ 3,081**	**$ 2**	**$ 11,997**
Carrying amount as at: December 30, 2023	**$ 186**	**$ 790**	**$ 2,739**	**$ 1,647**	**$ 984**	**$ 6,346**

(i) Additions to fixed assets include $37 million of prepayments that were transferred from other assets in 2023.

	2022					
(millions of Canadian dollars)	Land	Buildings and building improvements	Equipment and fixtures	Leasehold improvements	Assets under construction	Total
Cost						
Balance, beginning of year	$ 219	$ 1,834	$ 9,343	$ 4,204	$ 361	$ 15,961
Additions[i]	—	—	147	55	950	1,152
Business acquisitions (note 5)	—	—	6	10	—	16
Disposals	(1)	(27)	(104)	(38)	—	(170)
Net transfer to assets held for sale	(6)	—	—	—	—	(6)
Transfer from assets under construction	—	65	563	204	(832)	—
Balance, end of year	$ 212	$ 1,872	$ 9,955	$ 4,435	$ 479	$ 16,953
Accumulated depreciation						
Balance, beginning of year	$ 1	$ 926	$ 7,070	$ 2,515	$ 2	$ 10,514
Depreciation	—	54	522	308	—	884
Impairment losses	3	—	11	15	—	29
Reversal of impairment losses	—	(1)	(5)	(2)	—	(8)
Disposals	—	(22)	(103)	(37)	—	(162)
Balance, end of year	$ 4	$ 957	$ 7,495	$ 2,799	$ 2	$ 11,257
Carrying amount as at: December 31, 2022	$ 208	$ 915	$ 2,460	$ 1,636	$ 477	$ 5,696

(i) Includes $16 million related to the acquisition of Lifemark (see note 5).

Fixed Asset Commitments As at December 30, 2023, the Company had entered into commitments of $704 million (December 31, 2022 – $866 million) for the construction, expansion and renovation of buildings and the purchase of real property.

Impairment Losses and Reversals of Fixed Assets and Right-of-Use Assets Management identified indications of impairment for certain retail location CGUs and therefore an impairment test was performed for these CGUs. For the year ended December 30, 2023, the Company recorded $39 million (2022 – $22 million) of impairment losses on fixed assets and $11 million (2022 – $14 million) of impairment losses on right-of-use assets (see note 27) in respect of 17 CGUs (2022 – 18 CGUs) in the retail operating segment. The recoverable amount was based on the greater of the CGU's fair value less costs to sell and its value in use. No CGUs (2022 – nil) were impaired on the basis of their carrying values exceeding their fair value less costs to sell (2022 – nil).

For the year ended December 30, 2023, the Company recorded $14 million (2022 – $8 million) of impairment reversals on fixed assets and $22 million (2022 – $6 million) of impairment reversals on right-of-use assets (see note 27) in respect of 12 CGUs (2022 – 7 CGUs) in the retail operating segment. Impairment reversals are recorded where the recoverable amount of the retail location exceeds its carrying values. No CGUs (2022 – nil) with impairment reversals had fair value less costs to sell greater than their carrying values (2022 – nil).

When determining the value in use of a retail location, the Company develops a discounted cash flow model for each CGU. The duration of the cash flow projections for individual CGUs varies based on the remaining useful life of the significant assets within the CGU for owned locations or the remaining lease term of the CGU for leased locations. Projected future sales and earnings for cash flows are based on actual operating results, operating budgets, and long term growth rates that are consistent with industry averages, all of which are consistent with strategic plans presented to the Company's Board. The estimate of the value in use of relevant CGUs was determined using a pre-tax discount rate of 8.3% to 9.6% at December 30, 2023 (December 31, 2022 – 8.4% to 9.1%).

Additional impairment losses on fixed assets of $3 million (2022 – $7 million) were incurred related to store closures, renovations and conversions of retail locations.

Note 15. Investment Properties

The following are continuities of investment properties for the years ended December 30, 2023 and December 31, 2022:

(millions of Canadian dollars)	**2023**	2022
Balance, beginning of year	**$ 60**	$ 111
Adjustment to fair value of investment properties	**5**	6
Net transfer to assets held for sale	**(12)**	(57)
Balance, end of year	**$ 53**	$ 60

The valuations of investment properties using the income approach include assumptions as to market rental rates for properties of similar size and condition located within the same geographical areas, recoverable operating costs for leases with tenants, non-recoverable operating costs, vacancy periods, tenant inducements and terminal capitalization rates for the purposes of determining the estimated net proceeds from the sale of the property. As at December 30, 2023, the pre-tax discount rates used in the valuations for investment properties ranged from 6.25% to 8.87% (December 31, 2022 – 6.5% to 8.75%) and the terminal capitalization rates ranged from 5.5% to 7.5% (December 31, 2022 – 5.0% to 7.0%).

Note 16. Intangible Assets

The following are continuities of the cost and the accumulated amortization of intangible assets for the years ended December 30, 2023 and December 31, 2022:

(millions of Canadian dollars)	2023 Indefinite life intangible assets	Software	Other definite life intangible assets(i)	Total
Cost				
Balance, beginning of year	**$ 3,756**	**$ 4,239**	**$ 6,204**	**$ 14,199**
Additions	**—**	**402**	**5**	**407**
Business acquisitions	**—**	**—**	**12**	**12**
Disposals	**—**	**(12)**	**—**	**(12)**
Balance, end of year	**$ 3,756**	**$ 4,629**	**$ 6,221**	**$ 14,606**
Accumulated amortization				
Balance, beginning of year	**$ —**	**$ 3,151**	**$ 4,543**	**$ 7,694**
Amortization	**—**	**413**	**517**	**930**
Disposal	**—**	**(12)**	**—**	**(12)**
Balance, end of year	**$ —**	**$ 3,552**	**$ 5,060**	**$ 8,612**
Carrying amount as at: December 30, 2023	**$ 3,756**	**$ 1,077**	**$ 1,161**	**$ 5,994**

(i) Other definite life intangible assets includes prescription files with a net book value of $557 million related to the acquisition of Shoppers Drug Mart in 2014 which will be fully amortized by 2025.

(millions of Canadian dollars)	2022 Indefinite life intangible assets	Software	Other definite life intangible assets(ii)	Total
Cost				
Balance, beginning of year	$ 3,491	$ 3,821	$ 5,892	$ 13,204
Additions	—	418	1	419
Business acquisitions(i)	265	—	311	576
Balance, end of year	$ 3,756	$ 4,239	$ 6,204	$ 14,199
Accumulated amortization				
Balance, beginning of year	$ —	$ 2,765	$ 4,037	$ 6,802
Amortization	—	381	506	887
Impairment losses	—	5	—	5
Balance, end of year	$ —	$ 3,151	$ 4,543	$ 7,694
Carrying amount as at: December 31, 2022	$ 3,756	$ 1,088	$ 1,661	$ 6,505

(i) Includes $564 million related to the acquisition of Lifemark (see note 5).

(ii) Other definite life intangible assets includes prescription files with a net book value of $1,009 million related to the acquisition of Shoppers Drug Mart in 2014 which will be fully amortized by 2025.

Indefinite Life Intangible Assets Indefinite life intangible assets are comprised of brand names, trademarks, import purchase quotas and certain liquor licenses. The brand names and trademarks are a result of the Company's acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart"), Lifemark and T&T Supermarket Inc. The Company expects to renew the registration of the brand names, trademarks, import purchase quotas and liquor licenses at each expiry date indefinitely, and expects these assets to generate economic benefit in perpetuity. As such, the Company has assigned these intangible assets indefinite useful lives.

Software Software is comprised of software purchases and development costs. There were no capitalized borrowing costs included in 2023 and 2022.

Other Definite Life Intangible Assets Other definite life intangible assets primarily consist of prescription files, the customer loyalty awards program and customer relationships.

Note 17. Goodwill

The following are continuities of the cost and the accumulated impairment of goodwill for the years ended December 30, 2023 and December 31, 2022:

(millions of Canadian dollars)	**2023**	2022
Cost		
Balance, beginning of year	**$ 5,317**	$ 4,943
Business acquisitions[(i)]	**26**	374
Balance, end of year	**$ 5,343**	$ 5,317
Accumulated impairment losses		
Balance, beginning of year	**$ 994**	$ 994
Impairment losses	**—**	—
Balance, end of year	**$ 994**	$ 994
Carrying amount as at the end of the year	**$ 4,349**	$ 4,323

(i) Includes $365 million related to the acquisition of Lifemark in 2022 (see note 5).

The carrying amount of goodwill attributed to each CGU grouping was as follows:

(millions of Canadian dollars)	**As at December 30, 2023**	As at December 31, 2022
Shoppers Drug Mart	**$ 2,996**	$ 2,981
Market	**238**	376
Discount[(i)]	**603**	461
Lifemark	**376**	369
T&T Supermarket Inc.	**129**	129
All other	**7**	7
Carrying amount as at the end of the year	**$ 4,349**	$ 4,323

(i) Includes goodwill reallocated from the Market division as a result of store conversions.

Impairment Testing of Goodwill and Indefinite Life Intangibles

The Company tests goodwill and indefinite-life intangible assets for impairment annually or more frequently if indicators of impairment are identified.

The key assumptions used to calculate the fair value less costs to sell are revenue and gross margin forecasts, growth/attrition rates, discount rate, and terminal rate. These assumptions are considered to be Level 3 in the fair value hierarchy.

The weighted average cost of capital was determined to be 7.1% to 10.1% (December 31, 2022 – 7.1% to 9.3%) and is based on a risk-free rate, an equity risk premium adjusted for betas of comparable publicly traded companies, an unsystematic risk premium, an after-tax cost of debt based on corporate bond yields and the capital structure of comparable publicly traded companies.

Cash flow projections have been discounted using a rate derived from an after-tax weighted average cost of capital. At December 30, 2023, the after-tax discount rate used in the recoverable amount calculations was 7.1% to 10.1% (December 31, 2022 – 7.1% to 9.3%).

The Company included a minimum of three years of cash flows in its discounted cash flow model. The cash flow forecasts were extrapolated beyond the three year period using an estimated long term growth rate of 2.0% to 2.5% (December 31, 2022 – 2.0%). The budgeted EBITDA growth was based on the Company's strategic plan approved by the Board of Directors.

The Company completed its annual impairment tests for goodwill and indefinite life intangible assets and concluded there was no impairment.

Note 18. Other Assets

The components of other assets were as follows:

(millions of Canadian dollars)	**As at December 30, 2023**	As at December 31, 2022
Sundry investments and other receivables	**$ 115**	$ 66
Accrued benefit plan asset	**297**	52
Finance lease receivable	**68**	77
Investments accounted for under the equity method[(i)]	**80**	87
Long term securities	**201**	246
Other[(ii)]	**111**	164
Total other assets	**$ 872**	$ 692

(i) During 2022, the Company agreed to invest a total of $42 million in Rapid Retail Canada Inc. ("Rapid") in exchange for a minority interest. Rapid will provide on-demand grocery and convenience items to customers in Canada. As at December 30, 2023, the Company had invested $18 million, with no additional investment made in 2023. (December 31, 2022 – $18 million).

(ii) As at December 30, 2023, other includes $33 million related to fixed asset prepayments (December 31, 2022 – $70 million).

Note 19. Provisions

The following are continuities of provisions for the years ended December 30, 2023 and December 31, 2022:

(millions of Canadian dollars)		2023		2022
Balance, beginning of year	**$**	**219**	$	225
Additions		**105**		191
Payments		**(77)**		(192)
Reversals		**(9)**		(5)
Balance, end of year	**$**	**238**	$	219

(millions of Canadian dollars)		As at December 30, 2023		As at December 31, 2022
Recorded on the consolidated balance sheets as follows:				
Current portion of provisions	**$**	**115**	$	110
Non-current portion of provisions		**123**		109
Total provisions	**$**	**238**	$	219

Provisions consist primarily of amounts recorded in respect of self-insurance, legal claims and charges related to PC Bank commodity tax matters.

Charges related to PC Bank commodity tax matters In July 2022, the Tax Court of Canada (“Tax Court”) released a decision relating to PC Bank, a subsidiary of the Company. The Tax Court of Canada ruled that PC Bank is not entitled to claim notional input tax credits for certain payments it made to Loblaws Inc. in respect of redemptions of loyalty points. On September 29th, 2022, PC Bank filed a Notice of Appeal with the Federal Court of Appeal and in the first half of 2023 both PC Bank and the Crown submitted their respective facta for the appeal. Subsequent to December 30, 2023, the Federal Court of Appeal scheduled the hearing of the appeal for March 6, 2024. The Company has not reversed any portion of the charge of $111 million, inclusive of interest, recorded in the second quarter of 2022. The Company believes that this provision is sufficient to cover its liability, if the appeal is ultimately unsuccessful.

In the second quarter of 2023, the Federal government enacted certain commodity tax legislation that applies to PC Bank on a retroactive basis. A charge of $37 million, inclusive of interest, was recorded for this matter. In the fourth quarter of 2023, the Company reversed $13 million of previously recorded charges. The reversal was a result of new guidance issued by the Canada Revenue Agency.

Competition Bureau Investigation In 2017, the Company and Weston announced actions taken to address their involvement in an industry wide price-fixing arrangement. In connection with the arrangement, the Company offered customers a $25 Loblaw Card, which can be used to purchase items sold in Loblaw grocery stores across Canada. As at December 30, 2023, the Loblaw Card Program liability was $15 million (December 31, 2022 – $15 million). The Company expects that Loblaw Cards issued to customers will be an offset against civil liability. The charge recorded for the Loblaw Card Program should not be viewed as an estimate of damages (see note 30).

Note 20. Long Term Debt

The components of long term debt were as follows:

(millions of Canadian dollars)	As at December 30, 2023	As at December 31, 2022
Debentures		
Loblaw Companies Limited Notes		
3.92%, due 2024	**$ 400**	$ 400
6.65%, due 2027	**100**	100
6.45%, due 2028	**200**	200
4.49%, due 2028	**400**	400
6.50%, due 2029	**175**	175
2.28%, due 2030	**350**	350
11.40%, due 2031		
Principal	**151**	151
Effect of coupon repurchase	**28**	30
5.01%, due 2032	**400**	400
6.85%, due 2032	**200**	200
6.54%, due 2033	**200**	200
8.75%, due 2033	**200**	200
6.05%, due 2034	**200**	200
6.15%, due 2035	**200**	200
5.90%, due 2036	**300**	300
6.45%, due 2039	**200**	200
7.00%, due 2040	**150**	150
5.86%, due 2043	**55**	55
5.34%, due 2052	**400**	400
Guaranteed Investment Certificates		
0.40% – 5.36%, due 2023 – 2027	**1,654**	1,567
Independent Securitization Trust		
3.10%, due 2023	**—**	250
2.28%, due 2024	**250**	250
1.34%, due 2025	**300**	300
1.61%, due 2026	**300**	300
4.78%, due 2027	**232**	232
5.63%, due 2027	**9**	9
6.83%, due 2027	**9**	9
5.13%, due 2028	**232**	—
6.11%, due 2028	**9**	—
7.36%, due 2028	**9**	—
Independent Funding Trusts	**558**	574
Transaction costs and other	**(19)**	(19)
Total long term debt	**$ 7,852**	$ 7,783
Less amount due within one year	**1,191**	727
Long Term Debt	**$ 6,661**	$ 7,056

Significant long term debt transactions are described below.

Debentures There were no debentures issued in 2023. The following table summarizes the debentures issued in 2022.

(millions of Canadian dollars except where otherwise indicated)	Interest Rate	Maturity Date		**Principal Amount 2022**
Loblaw Companies Limited Notes[(i)]	5.01%	September 13, 2032	**$**	**400**
Loblaw Companies Limited Notes[(i)]	5.34%	September 13, 2052		**400**
Total debentures issued			**$**	**800**

(i) During 2022, the Company completed a dual-tranche issuance of $800 million aggregate principal amount of senior unsecured notes. In connection with this issuance, the Company used the net proceeds of the issuance to redeem $800 million outstanding principal amount of its Series 2023 unsecured notes.

There were no debentures repaid in 2023. The following table summarizes the debentures repaid in 2022.

(millions of Canadian dollars except where otherwise indicated)	Interest Rate	Maturity Date		**Principal Amount 2022**
Loblaw Companies Limited Notes[(i)]	4.86%	September 12, 2023	**$**	**800**
Total debentures repaid			**$**	**800**

(i) The Company recorded an early repayment premium charge of $7 million in net interest expense and other financing charges when the Company redeemed the $800 million outstanding principal amount of its Series 2023 senior unsecured notes with original maturity date of September 12, 2023 on September 21, 2022.

Guaranteed Investment Certificates The following table summarizes PC Bank's Guaranteed Investment Certificates ("GICs") activity, before commissions, in 2023 and 2022:

(millions of Canadian dollars)		**2023**		2022
Balance, beginning of year	**$**	**1,567**	$	996
GICs issued		**583**		764
GICs matured		**(496)**		(193)
Balance, end of year	**$**	**1,654**	$	1,567

Independent Securitization Trust The notes issued by *Eagle* are debentures, which are collateralized by PC Bank's credit card receivables (see note 11).

During 2023, *Eagle* issued $250 million (2022 – $250 million) of senior and subordinated term notes with a maturity date of June 17, 2028 (2022 – July 17, 2027). These notes have a weighted average interest rate of 5.25% (2022 – 4.89%). In connection with this issuance, $125 million (2022 – $140 million) of bond forward agreements were settled, resulting in a realized fair value gain of $4 million (2022 – gain of $8 million) before income taxes, which was cumulatively recorded in other comprehensive income as unrealized prior to the settlement of the agreement. The gain will be reclassified to net earnings over the life of the *Eagle* notes. This settlement resulted in a net effective interest rate of 4.95% (2022 – 4.24%) on the *Eagle* notes issued (see note 28).

During 2023, $250 million (2022 – $250 million) of senior and subordinated term notes at weighted average interest rate of 3.10% (2022 – 2.71%), previously issued by *Eagle,* matured and were repaid on July 17, 2023 (2022 – October 17, 2022). As a result, during 2023, there was no net change in the balances related to *Eagle* notes.

Independent Funding Trusts As at December 30, 2023, the independent funding trusts had drawn $558 million (December 31, 2022 – $574 million) from the revolving committed credit facility that is the source of funding to the independent funding trusts.

The Company has a $700 million revolving committed credit facility that is the source of funding to the independent funding trusts that has a maturity date of April 14, 2025.

Committed Credit Facility The Company has a committed credit facility with a maturity date of July 15, 2027, provided by a syndicate of lenders. On December 14, 2023, the Company increased the committed credit facility from $1.0 billion to $1.5 billion with all other terms and conditions remaining substantially the same. This committed credit facility contains certain financial covenants (see note 23). As at December 30, 2023 and December 31, 2022, there were no amounts drawn under this facility.

Long Term Debt Due Within One Year The following table summarizes long term debt due within one year:

(millions of Canadian dollars)	**As at December 30, 2023**	As at December 31, 2022
Loblaw Companies Limited notes	**$ 400**	$ —
Guaranteed investment certificates	**541**	477
Independent securitization trust	**250**	250
Long term debt due within one year	**$ 1,191**	$ 727

Schedule of Repayments The schedule of repayments of long term debt, based on maturity, is as follows:

(millions of Canadian dollars)	**As at December 30, 2023**
2024	**$ 1,191**
2025	**1,191**
2026	**559**
2027	**616**
2028	**1,105**
Thereafter	**3,209**
Total long term debt (excludes transaction costs)	**$ 7,871**

See note 28 for the fair value of long term debt.

Reconciliation of Long Term Debt The following table reconciles the changes in cash flows from financing activities for long term debt:

(millions of Canadian dollars)	**2023**	2022
Long term debt, beginning of year	**$ 7,783**	$ 7,213
Long term debt issuances[(i)]	**$ 833**	$ 1,818
Long term debt repayments	**(762)**	(1,243)
Total cash flow from long term debt financing activities	**$ 71**	$ 575
Other non-cash changes	**$ (2)**	$ (5)
Long term debt, end of year	**$ 7,852**	$ 7,783

(i) Includes net movements from the Independent Funding Trust, which are revolving debt instruments.

Note 21. Other Liabilities

The components of other liabilities were as follows:

(millions of Canadian dollars)	As at December 30, 2023	As at December 31, 2022
Net defined benefit plan obligation (note 24)	$ 242	$ 237
Other long term employee benefit obligation	128	106
Financial liabilities (note 27)	179	69
Equity-based compensation liabilities (note 25)	3	3
Other	42	20
Total other liabilities	$ 594	$ 435

Note 22. Share Capital

First Preferred Shares (authorized - 1.0 million shares) There were no First Preferred Shares outstanding as at December 30, 2023 and December 31, 2022.

Second Preferred Shares (authorized - unlimited) The Company has outstanding 9.0 million 5.30% non-voting Second Preferred Shares, Series B, with a face value of $225 million, which were issued for net proceeds of $221 million. These preferred shares are presented as a component of equity on the consolidated balance sheets.

Common Shares (authorized – unlimited) Common shares issued are fully paid and have no par value. The activities in the common shares issued and outstanding were as follows:

	December 30, 2023 (52 weeks)		December 31, 2022 (52 weeks)	
(millions of Canadian dollars except where otherwise indicated)	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of period	324,062,608	$6,489	333,527,369	$ 6,643
Issued for settlement of stock options (note 25)	984,923	69	1,487,377	100
Purchased and cancelled	(14,521,152)	(277)	(10,952,138)	(254)
Issued and outstanding, end of period	310,526,379	$ 6,281	324,062,608	$ 6,489
Shares held in trust, beginning of period	(1,222,278)	$ (24)	(595,495)	$ (12)
Purchased for future settlement of RSUs and PSUs	(625,000)	(13)	(1,172,000)	(23)
Released for settlement of RSUs and PSUs (note 25)	578,039	12	545,217	11
Shares held in trust, end of period	(1,269,239)	$ (25)	(1,222,278)	$ (24)
Issued and outstanding, net of shares held in trust, end of period	309,257,140	$6,256	322,840,330	$ 6,465
Weighted average outstanding, net of shares held in trust (note 8)	316,732,641		328,068,749	

Dividends The declaration and payment of dividends on the Company's common shares and the amount thereof are at the discretion of the Board, which takes into account the Company's financial results, capital requirements, available cash flow, future prospects of the Company's business and other factors considered relevant from time to time. Over the long term, it is the Company's intention to increase the amount of the dividend while retaining appropriate free cash flow to finance future growth. In the second quarter of 2023 and in the second quarter of 2022, the Board raised the quarterly dividend by $0.041 to $0.446 and $0.04 to $0.405 per common share, respectively.

The following table summarizes the Company's cash dividends declared for the periods as indicated:

	2023(i)	2022
Dividends declared per share ($)		
Common Share	**$ 1.743**	$ 1.580
Second Preferred Share, Series B	**$ 1.325**	$ 1.325

(i) The Common Share dividends declared in the fourth quarter of 2023 of $0.446 per share had a payment date of December 30, 2023. The Second Preferred Shares, Series B dividends declared in the fourth quarter of 2023 of $0.33125 per share had a payment date of December 31, 2023.

(millions of Canadian dollars)	2023	2022
Dividends declared		
Common Share	**$ 550**	$ 517
Second Preferred Share, Series B (note 5)	**12**	12
Total dividends declared	**$ 562**	$ 529

Subsequent to December 30, 2023, the Board declared a quarterly dividend of $0.446 per common share, payable on April 1, 2024 to shareholders of record on March 15, 2024 and a quarterly dividend of $0.33125 per share on the Second Preferred Shares, Series B payable on March 31, 2024 to shareholders of record on March 15, 2024.

Normal Course Issuer Bid Activities under the Company's Normal Course Issuer Bid ("NCIB") during the periods were as follows:

(millions of Canadian dollars except where otherwise indicated)	2023	2022
Common shares repurchased under the NCIB for cancellation (number of shares)(i)	**14,521,152**	10,952,138
Cash consideration paid	**$ 1,729**	$ 1,258
Premium charged to retained earnings(ii)	**1,352**	1,204
Reduction in common share capital(iii)	**277**	254
Common shares repurchased under the NCIB and held in trust (number of shares)	**625,000**	1,172,000
Cash consideration paid	**$ 72**	$ 138
Premium charged to retained earnings	**59**	115
Reduction in common share capital	**13**	23

(i) Common shares repurchased and cancelled as at December 30, 2023 do not include the shares that may be repurchased subsequent to the end of the quarter under the automatic share repurchase plan, as described below.

(ii) Includes $84 million related to the automatic share purchase plan, as described below.

(iii) Includes $16 million related to the automatic share purchase plan, as described below.

In the second quarter of 2023, the Company renewed its NCIB to purchase on the Toronto Stock Exchange or through alternative trading systems up to 16,055,686 of the Company's common shares, representing approximately 5% of issued and outstanding common shares. As at December 30, 2023, the Company had purchased 10,992,986 common shares for cancellation under its current NCIB. The Company is still permitted to purchase its common shares from Weston under its NCIB, pursuant to an automatic disposition plan agreement among the Company's broker, the Company and Weston, in order for Weston to maintain its proportionate ownership interest in the Company. The maximum number of common shares that may be purchased pursuant to the NCIB will be reduced by the number of common shares purchased from Weston.

During 2023, 14,521,152 common shares (2022 – 10,952,138) were purchased under the NCIB for cancellation, for aggregate consideration of $1,729 million (2022 – $1,258 million), including 7,132,579 common shares (2022 – 4,868,949) purchased from Weston, for aggregate consideration of $847 million (2022 – $558 million).

From time to time, the Company participates in an automatic share purchase plan ("ASPP") with a broker in order to facilitate the repurchase of the Company's common shares under its NCIB. During the effective period of the ASPP, the Company's broker may purchase common shares at times when the Company would not be active in the market. As at December 30, 2023, an obligation to repurchase shares of $100 million was recognized under the ASPP in trade payables and other liabilities.

Note 23. Capital Management

In order to manage its capital structure, the Company may, among other activities, adjust the amount of dividends paid to shareholders, purchase shares for cancellation pursuant to its NCIB, issue new shares or issue or repay long term debt with the objective of:

- ensuring sufficient liquidity is available to support its financial obligations and to execute its operating and strategic plans;
- maintaining financial capacity and flexibility through access to capital to support future development of the business;
- minimizing the after-tax cost of its capital while taking into consideration current and future industry, market and economic risks and conditions;
- utilizing short term funding sources to manage its working capital requirements and long term funding sources to manage the long term capital investments of the business;
- returning an appropriate amount of capital to shareholders; and
- targeting an appropriate leverage and capital structure for the Company and each of its reportable operating segments.

The Company has policies in place which govern debt financing plans and risk management strategies for liquidity, interest rates and foreign exchange. These policies outline measures and targets for managing capital, including a range for leverage consistent with the desired credit rating. Management and the Audit Committee regularly review the Company's compliance with, and performance against, these policies. In addition, management regularly reviews these policies to ensure they remain consistent with the risk tolerance acceptable to the Company.

The following table summarizes the Company's total capital under management:

(millions of Canadian dollars)		As at December 30, 2023		As at December 31, 2022
Bank indebtedness	**$**	**13**	$	8
Demand deposits from customers		**166**		125
Short term debt(i)		**850**		700
Long term debt due within one year		**1,191**		727
Long term debt		**6,661**		7,056
Certain other liabilities(ii)		**280**		153
Total debt excluding lease liabilities	**$**	**9,161**	$	8,769
Lease liabilities due within one year		**1,455**		1,401
Lease liabilities		**8,003**		7,714
Total debt including lease liabilities	**$**	**18,619**	$	17,884
Equity attributable to shareholders of the Company		**11,464**		11,299
Total capital under management	**$**	**30,083**	$	29,183

(i) During 2023, PC Bank recorded a $150 million net increase of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts.

(ii) As at December 30, 2023, certain other liabilities include financial liabilities of $190 million related to the sale and leaseback of retail properties (December 31, 2022 – $73 million) (see note 27).

Covenants and Regulatory Requirements The Company is subject to certain key financial and non-financial covenants under its existing committed credit facility, certain debentures and letters of credit. These covenants, which include interest coverage and leverage ratios, as defined in the respective agreements, are measured by the Company on a quarterly basis to ensure compliance with these agreements. As at December 30, 2023 and throughout the year, the Company was in compliance with each of the covenants under these agreements.

The Company is subject to externally imposed capital requirements from the Office of the Superintendent of Financial Institutions ("OSFI"), the primary regulator of PC Bank. PC Bank's capital management objectives are to maintain a consistently strong capital position while considering the economic risks generated by its credit card receivables portfolio and to meet all regulatory capital requirements as defined by OSFI. PC Bank uses Basel III as its regulatory capital management framework, which includes a target common equity Tier 1 capital ratio of 7.0%, a Tier 1 capital ratio of 8.5% and a total capital ratio of 10.5%. In addition to the regulatory capital ratios requirement, PC Bank is subject to the Basel III Leverage ratio. PC Bank is also subject to the OSFI's Guideline on Liquidity Adequacy Requirements ("LARs"). The LARs guideline establishes standards based on the Basel III framework, including a Liquidity Coverage Ratio standard. As at December 30, 2023 and throughout the year, PC Bank has met all applicable regulatory requirements.

Note 24. Post-Employment and Other Long Term Employee Benefits

The Company sponsors a number of pension plans, including registered defined benefit pension plans, registered defined contribution pension plans and supplemental unfunded arrangements providing pension benefits in excess of statutory limits. Certain obligations of the Company under these supplemental pension arrangements are secured by a standby letter of credit issued by a major Canadian chartered bank.

The Company's Pension Committee oversees the Company's pension plans. The Pension Committee is responsible for assisting the Board in fulfilling its general oversight responsibilities for the plans. The Pension Committee assists the Board with oversight of management's administration of the plans, pension investment and monitoring responsibilities, and compliance with legal and regulatory requirements.

The Company's defined benefit pension plans are primarily funded by the Company, predominantly non-contributory and the benefits are, in general, based on career average earnings subject to limits. The funding is based on regulatory going concern and solvency valuations for which the assumptions may differ from the assumptions used for accounting purposes as detailed in this note.

The Company also offers certain other defined benefit plans other than pension plans. These other defined benefit plans are generally not funded, are mainly non-contributory and include health care, life insurance and dental benefits. Employees eligible for these other defined benefits are those who retire at certain ages having met certain service requirements. The majority of other defined benefit plans for current and future retirees include a limit on the total benefits payable by the Company.

The Company's defined benefit pension plans and other defined benefit plans expose it to a number of actuarial risks, such as longevity risk, interest rate risk and market risk.

In Canada, the Company also has a national defined contribution plan for salaried employees. All newly hired salaried employees are only eligible to participate in this defined contribution plan.

The Company also contributes to various MEPPs, which are administered by independent boards of trustees generally consisting of an equal number of union and employer representatives. The Company's responsibility to make contributions to these plans is limited by amounts established pursuant to its collective agreements.

The Company expects to make contributions in 2024 to its defined benefit and defined contribution plans and the MEPPs in which it participates as well as benefit payments to the beneficiaries of the supplemental unfunded defined benefit pension plans, other defined benefit plans and other long term employee benefit plans.

Other Long Term Employee Benefits The Company offers other long term employee benefit plans that include long term disability benefits and continuation of health care and dental benefits while on disability.

Defined Benefit Pension Plans and Other Defined Benefit Plans Information on the Company's defined benefit pension plans and other defined benefit plans, in aggregate, is summarized as follows:

	2023		2022	
(millions of Canadian dollars)	**Defined Benefit Pension Plans**	**Other Defined Benefit Plans**	Defined Benefit Pension Plans	Other Defined Benefit Plans
Present value of funded obligations	**$ (1,429)**	**$ —**	$ (1,249)	$ —
Present value of unfunded obligations	**(119)**	**(114)**	(110)	(116)
Total present value of defined benefit obligation	**$ (1,548)**	**$ (114)**	$ (1,359)	$ (116)
Fair value of plan assets	**1,729**	**—**	1,552	—
Total funded status of surpluses (obligations)	**$ 181**	**$ (114)**	$ 193	$ (116)
Assets not recognized due to asset ceiling	**(12)**	**—**	(262)	—
Total net defined benefit plan surpluses (obligations)	**$ 169**	**$ (114)**	$ (69)	$ (116)
Recorded on the consolidated balance sheets as follows:				
Other assets (note 18)	**$ 297**	**$ —**	$ 52	$ —
Other liabilities (note 21)	**$ (128)**	**$ (114)**	$ (121)	$ (116)

The following are the continuities of the fair value of plan assets and the present value of the defined benefit plan obligations:

	2023			2022		
(millions of Canadian dollars)	**Defined Benefit Pension Plans**	**Other Defined Benefit Plans**	**Total**	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
Changes in the fair value of plan assets						
Fair value, beginning of year	**$1,552**	**$ —**	**$1,552**	$ 2,130	$ —	$ 2,130
Employer contributions	**21**	**—**	**21**	1	—	1
Employee contributions	**2**	**—**	**2**	3	—	3
Benefits paid	**(46)**	**—**	**(46)**	(54)	—	(54)
Interest income	**82**	**—**	**82**	69	—	69
Actuarial gains (losses) in other comprehensive income	**121**	**—**	**121**	(593)	—	(593)
Other	**(3)**	**—**	**(3)**	(4)	—	(4)
Fair value, end of year	**$1,729**	**$ —**	**$1,729**	$ 1,552	$ —	$ 1,552
Changes in the present value of the defined benefit plan obligations						
Balance, beginning of year	**$1,359**	**$ 116**	**$1,475**	$ 1,810	$ 145	$ 1,955
Current service cost	**44**	**4**	**48**	62	3	65
Interest cost	**69**	**6**	**75**	57	5	62
Benefits paid	**(52)**	**(2)**	**(54)**	(60)	(5)	(65)
Employee contributions	**2**	**—**	**2**	3	—	3
Actuarial losses (gains) in other comprehensive income	**126**	**(10)**	**116**	(513)	(32)	(545)
Balance, end of year	**$1,548**	**$ 114**	**$1,662**	$ 1,359	$ 116	$ 1,475
Total funded status of surpluses (obligations)	**$ 181**	**$ (114)**	**$ 67**	$ 193	$ (116)	$ 77
Changes in the assets not recognized due to asset ceiling						
Balance, beginning of year	**$ 262**	**$ —**	**$ 262**	$ —	$ —	$ —
Change in liability arising from change in asset ceiling	**(265)**	**—**	**(265)**	262	—	262
Interest expense on assets not recognized due to asset ceiling	**15**	**—**	**15**	—	—	—
Balance, end of year	**$ 12**	**$ —**	**$ 12**	$ 262	$ —	$ 262
Total net defined benefit plan surpluses (obligations)	**$ 169**	**$ (114)**	**$ 55**	$ (69)	$ (116)	$ (185)

For 2023, the actual gain on plan assets was $203 million (2022 – loss of $524 million).

The net defined benefit obligation can be allocated to the plans' participants as follows:

- Active plan participants 51% (2022 – 58%);
- Deferred plan participants 13% (2022 – 12%); and
- Retirees 36% (2022 – 30%).

During 2024, the Company expects to contribute approximately $20 million (2023 – contributed $21 million) to its registered defined benefit pension plans. The actual amount of contributions may vary from the estimate depending on the funded positions of the plans, filing of any actuarial valuations, any new regulatory requirements or other factors.

The net cost recognized in earnings before income taxes for the Company's defined benefit pension plans and other defined benefit plans was as follows:

	2023			2022		
(millions of Canadian dollars)	**Defined Benefit Pension Plans**	**Other Defined Benefit Plans**	**Total**	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
Current service cost	**$ 44**	**$ 4**	**$ 48**	$ 62	$ 3	$ 65
Net interest cost (income) on net defined benefit plan assets (obligations)	**2**	**6**	**8**	(12)	5	(7)
Other	**3**	**—**	**3**	4	—	4
Net post-employment defined benefit cost	**$ 49**	**$ 10**	**$ 59**	$ 54	$ 8	$ 62

The actuarial gains (losses) recognized in other comprehensive income (loss) net of taxes for defined benefit plans were as follows:

	2023			2022		
(millions of Canadian dollars)	**Defined Benefit Pension Plans**	**Other Defined Benefit Plans**	**Total**	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
Return (loss) on plan assets, excluding amounts included in net interest expense and other financing charges	**$ 121**	**$ —**	**$ 121**	$ (593)	$ —	$ (593)
Experience adjustments	**(20)**	**12**	**(8)**	—	3	3
Actuarial gains (losses) from change in demographic assumptions	**35**	**8**	**43**	—	(6)	(6)
Actuarial (losses) gains from change in financial assumptions(i)	**(141)**	**(10)**	**(151)**	513	35	548
Change in liability arising from change in asset ceiling(i)	**265**	**—**	**265**	(262)	—	(262)
Total net actuarial gains (losses) recognized in other comprehensive income (loss) before income taxes	**$ 260**	**$ 10**	**$ 270**	$ (342)	$ 32	$ (310)
Income tax (expenses) recoveries on actuarial gains (losses) (note 7)	**(69)**	**(2)**	**(71)**	91	(8)	83
Actuarial gains (losses) net of income tax recoveries (expenses)	**$ 191**	**$ 8**	**$ 199**	$ (251)	$ 24	$ (227)

(i) The actuarial losses and the change in liability arising from change in asset ceiling were primarily driven by a decrease in discount rates.

The cumulative actuarial gains (losses) before income taxes recognized in equity for the Company's defined benefit plans were as follows:

	2023			2022		
(millions of Canadian dollars)	**Defined Benefit Pension Plans**	**Other Defined Benefit Plans**	**Total**	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
Cumulative amount, beginning of year	**$ 66**	**$ 132**	**$ 198**	$ 408	$ 100	$ 508
Net actuarial gains (losses) recognized in the year before income taxes	**260**	**10**	**270**	(342)	32	(310)
Cumulative amount, end of year	**$ 326**	**$ 142**	**$ 468**	$ 66	$ 132	$ 198

Composition of Plan Assets The defined benefit pension plan assets are held in trust and consist of the following asset categories:

(millions of Canadian dollars, except where otherwise indicated)	2023		2022	
Equity securities				
Canadian - pooled funds	**$ 22**	**1 %**	$ 24	2 %
Foreign - pooled funds	**783**	**45 %**	832	53 %
Total equity securities	**$ 805**	**46 %**	$ 856	55 %
Debt securities				
Fixed income securities:				
- government	**$ 515**	**30 %**	$ 382	25 %
- corporate	**149**	**9 %**	78	5 %
Total debt securities	**$ 664**	**39 %**	$ 460	30 %
Other investments	**220**	**13 %**	202	13 %
Cash and cash equivalents	**40**	**2 %**	34	2 %
Total	**$ 1,729**	**100 %**	$ 1,552	100 %

As at December 30, 2023 and December 31, 2022, the defined benefit pension plans did not directly include any of the Company's securities.

All equity and debt securities and other investments are valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities or based on inputs other than quoted prices in active markets that are observable for the asset or liability, either directly as prices or indirectly, either derived from prices or as per agreements for contractual returns.

The Company's asset allocation reflects a balance of interest-rate sensitive investments, such as fixed income investments, and equities, which are expected to provide higher returns over the long term. The Company's targeted asset allocations are actively monitored and adjusted on a plan by plan basis to align the asset mix with the liability profiles of the plans.

Principal Actuarial Assumptions The principal actuarial assumptions used in calculating the Company's defined benefit plan obligations and net defined benefit plan cost for the year were as follows (expressed as weighted averages):

	2023		2022	
	Defined Benefit Pension Plans	**Other Defined Benefit Plans**	Defined Benefit Pension Plans	Other Defined Benefit Plans
Defined Benefit Plan Obligations				
Discount rate	**4.60 %**	**4.60 %**	5.30 %	5.30 %
Rate of compensation increase	**4% for 2023 and 3% thereafter**	**n/a**	4% for 2022 and 2023 and 3% thereafter	n/a
Mortality table(i)	**CPM-RPP2014 Pub/Priv Generational**	**CPM-RPP2014 Pub/Priv Generational**	CPM-RPP2014 Pub/Priv Generational	CPM-RPP2014 Pub/Priv Generational
Net Defined Benefit Plan Cost				
Discount rate	**5.30 %**	**5.30 %**	3.30 %	3.20 %
Rate of compensation increase	**4.00 %**	**n/a**	3.00 %	n/a
Mortality table(i)	**CPM-RPP2014 Pub/Priv Generational**	**CPM-RPP2014 Pub/Priv Generational**	CPM-RPP2014 Pub/Priv Generational	CPM-RPP2014 Pub/Priv Generational

n/a – not applicable

(i) An adjusted public or private sector mortality table is used depending on the prominent demographics and actual experience for each plan.

The weighted average duration of the defined benefit obligation as at December 30, 2023 is 14.2 years (December 31, 2022 – 14.3 years).

The growth rate of health care costs, primarily drug and other medical costs, for the other defined benefit plan obligations as at the end of the year was estimated at 4.90% and is expected to increase to 5.10% as at year end 2024.

Sensitivity of Key Actuarial Assumptions The following table outlines the key assumptions for 2023 (expressed as weighted averages) and the sensitivity of each of these assumptions on the defined benefit plan obligations.

The sensitivity analysis provided in the table is hypothetical and should be used with caution. The sensitivities of each key assumption have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

	Defined Benefit Pension Plans	Other Defined Benefit Plans
Increase (Decrease) (millions of Canadian dollars except where otherwise indicated)	**Benefit Plan Obligations**	**Benefit Plan Obligations**
Discount rate	**4.60 %**	**4.60 %**
Impact of:		
1% increase	**$ (190)**	**$ (13)**
1% decrease	**$ 236**	**$ 16**
Expected growth rate of health care costs		**4.90 %**
Impact of:		
1% increase	**n/a**	**$ 11**
1% decrease	**n/a**	**$ (9)**
Mortality rates		
Impact of:		
One year increase in life expectancy	**$ 26**	**$ 2**
One year decrease in life expectancy	**$ (25)**	**$ (1)**

n/a – not applicable

Multi-Employer Pension Plans During 2023, the Company recognized an expense of $69 million (2022 – $70 million) in operating income, which represents the contributions made in connection with MEPPs. During 2024, the Company expects to continue to make contributions into these MEPPs.

The Company, together with its franchises, is the largest participating employer in the Canadian Commercial Workers Industry Pension Plan ("CCWIPP"), with approximately 54,000 (2022 – 57,000) employees as members. Included in the 2023 expense described above are contributions of $69 million (2022 – $69 million) to CCWIPP.

Post-Employment and Other Long Term Employee Benefit Costs The net cost recognized in earnings before income taxes for the Company's post-employment and other long term employee benefit plans was as follows:

(millions of Canadian dollars)	2023	2022
Net post-employment defined benefit cost	**$ 59**	$ 62
Defined contribution costs(i)	**32**	31
Multi-employer pension plan costs(ii)	**69**	70
Total net post-employment benefit costs	**$ 160**	$ 163
Other long term employee benefit costs(iii)	**58**	24
Net post-employment and other long term employee benefit costs	**$ 218**	$ 187
Recorded on the consolidated statement of earnings as follows:		
Selling, general and administrative expenses (note 26)	**$ 204**	$ 191
Net interest expense (income) and other financing charges (note 6)	**14**	(4)
Net post-employment and other long term employee benefit costs	**$ 218**	$ 187

(i) Amounts represent the Company's contributions made in connection with defined contribution plans.

(ii) Amounts represent the Company's contributions made in connection with MEPPs.

(iii) Other long term employee benefit costs include $6 million (2022 – $3 million) of net interest expense and other financing charges.

Note 25. Equity-Based Compensation

The Company's equity-based compensation expense, which includes Stock Option, RSU, PSU, DSU and EDSU plans, was $72 million during 2023 (2022 – $69 million). The expense was recognized in operating income.

The carrying amounts of the Company's equity-based compensation arrangements, which include Stock Option, RSU, PSU, DSU and EDSU plans, were recorded on the consolidated balance sheets as follows:

(millions of Canadian dollars)	**As at December 30, 2023**	As at December 31, 2022
Other liabilities (note 21)	**$ 3**	$ 3
Contributed surplus	**136**	122

The following are details related to the equity-based compensation plans of the Company:

Stock Option Plan The Company maintains a stock option plan for certain employees. Under this plan, the Company may grant options up to 28,137,162 common shares.

The following is a summary of the Company's stock option plan activity:

	2023		2022	
	Options (number of shares)	**Weighted Average Exercise Price / Share**	Options (number of shares)	Weighted Average Exercise Price / Share
Outstanding options, beginning of year	**5,782,615**	**$ 71.07**	6,431,449	$ 63.15
Granted	**857,666**	**$ 118.94**	1,162,625	$ 100.05
Exercised (note 22)	**(984,923)**	**$ 61.48**	(1,487,377)	$ 59.47
Forfeited/cancelled	**(159,134)**	**$ 83.80**	(324,082)	$ 71.04
Outstanding options, end of year	**5,496,224**	**$ 79.89**	5,782,615	$ 71.07
Options exercisable, end of year	**2,321,812**	**$ 67.05**	2,100,204	$ 62.26

The following is the weighted average remaining contractual life and exercise price of outstanding and exercisable stock options as at December 30, 2023:

	2023 Outstanding Options			**2023 Exercisable Options**	
Range of Exercise Prices	**Number of Options Outstanding**	**Weighted Average Remaining Contractual Life (years)**	**Weighted Average Exercise Price/Share**	**Number of Exercisable Options**	**Weighted Average Exercise Price/Share**
$55.18-$65.51	**1,641,844**	**2.9**	**$ 60.33**	**976,131**	**$ 58.74**
$65.52-$78.81	**1,936,377**	**2.9**	**$ 68.56**	**1,135,056**	**$ 68.19**
$78.82-$124.14	**1,918,003**	**5.6**	**$ 108.08**	**210,625**	**$ 99.47**
	5,496,224		**$ 79.89**	**2,321,812**	**$ 67.05**

During 2023, the Company issued common shares on the exercise of stock options with a weighted average market share price of $120.31 (2022 – $114.22). The Company received cash consideration of $61 million (2022 – $88 million) related to the exercise of these options.

The fair value of stock options granted during 2023 was $21 million (2022 – $21 million). The assumptions used to measure the fair value of options granted during 2023 and 2022 under the Black-Scholes valuation model at date of grant were as follows:

	2023	2022
Expected dividend yield	**1.5 %**	1.4 %
Expected share price volatility	**19.4% – 22.5%**	18.4% – 22.2%
Risk-free interest rate	**3.0% – 4.2%**	1.6% – 3.5%
Expected life of options	**3.8 – 6.2 years**	3.7 – 6.2 years

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at December 30, 2023 was 11.0% (December 31, 2022 – 11.0%).

Restricted Share Unit Plan The following is a summary of the Company's RSU plan activity:

(number of awards)	**2023**	2022
Restricted share units, beginning of year	**716,827**	799,345
Granted	**252,588**	244,686
Reinvested	**10,481**	10,105
Settled	**(204,779)**	(294,115)
Forfeited	**(22,269)**	(43,194)
Restricted share units, end of year	**752,848**	716,827

The fair value of RSUs granted during 2023 was $30 million (2022 – $26 million).

Performance Share Unit Plan The following is a summary of the Company's PSU plan activity:

(number of awards)	**2023**	2022
Performance share units, beginning of year	**648,199**	616,417
Granted	**319,671**	310,100
Reinvested	**8,707**	8,570
Settled	**(376,108)**	(258,411)
Forfeited	**(24,394)**	(28,477)
Performance share units, end of year	**576,075**	648,199

The fair value of PSUs granted during 2023 was $20 million (2022 – $26 million).

Settlement of Awards from Shares Held in Trust During 2023, the Company settled RSUs and PSUs totaling 580,887 (2022 – 552,526), of which 578,039 (2022 – 545,218) were settled through the trusts established for settlement of each of the RSU and PSU plans (see note 22). The settlements resulted in a $12 million (2022 – $11 million) increase to share capital and a net increase of $29 million (2022 – $24 million) to retained earnings.

Director Deferred Share Unit Plan The following is a summary of the Company's DSU plan activity:

(number of awards)	**2023**	2022
Director deferred share units, beginning of year	**325,231**	361,316
Granted	**21,458**	21,744
Reinvested	**4,947**	4,532
Settled	**—**	(62,361)
Director deferred share units, end of year	**351,636**	325,231

The fair value of DSUs granted during 2023 was $3 million (2022 – $2 million).

Executive Deferred Share Unit Plan The following is a summary of the Company's EDSU plan activity:

(number of awards)	**2023**	2022
Executive deferred share units, beginning of year	**65,498**	62,473
Granted	**3,303**	7,719
Reinvested	**888**	914
Settled	**(31,339)**	(5,608)
Forfeited	**(10)**	—
Executive deferred share units, end of year	**38,340**	65,498

The fair value of EDSUs granted during 2023 was nominal (2022 – $1 million).

Note 26. Employee Costs

Included in operating income are the following employee costs:

(millions of Canadian dollars)	**2023**	2022
Wages, salaries and other short term employment benefits	**$ 7,595**	$ 7,233
Post-employment benefits (note 24)	**152**	170
Other long term employee benefits (note 24)	**52**	21
Equity-based compensation	**69**	65
Capitalized to fixed assets and intangible assets	**(133)**	(129)
Total employee costs	**$ 7,735**	$ 7,360

Note 27. Leases

The Company leases certain of its retail stores, distribution centres, corporate offices, passenger vehicles, trailers and IT equipment. Leases of retail stores are a substantial portion of the Company's lease portfolio. Retail store leases typically have an initial contractual period of 10 to 15 years with additional renewal options available thereafter.

Right-of-Use Assets The following are continuities of the cost and accumulated depreciation of right-of-use assets for the years ended December 30, 2023 and December 31, 2022:

	2023			2022		
(millions of Canadian dollars)	Property	Other	Total	Property	Other	Total
Cost						
Balance, beginning of year	$11,278	$ 127	$11,405	$ 10,041	$ 98	$ 10,139
Lease additions, net of lease terminations	284	29	313	316	20	336
Lease extensions and other items	961	25	986	921	9	930
Retired leases	(85)	—	(85)	—	—	—
Balance, end of year	$12,438	$ 181	$12,619	$ 11,278	$ 127	$ 11,405
Accumulated depreciation						
Balance, beginning of year	$ 3,913	$ 83	$ 3,996	$ 2,900	$ 64	$ 2,964
Depreciation	1,035	22	1,057	1005	19	1024
Impairment losses, net of reversals (note 14)	(11)	—	(11)	8	0	8
Retired leases	(85)	—	(85)	—	—	—
Balance, end of year	$ 4,852	$ 105	$ 4,957	$ 3,913	$ 83	$ 3,996
Carrying amount, end of year	$ 7,586	$ 76	$ 7,662	$ 7,365	$ 44	$ 7,409

Lease Liabilities The following are continuities of lease liabilities for the years ended December 30, 2023 and December 31, 2022:

(millions of Canadian dollars)	2023	2022
Balance, beginning of year	$ 9,115	$ 8,839
Lease additions, net of lease terminations	434	320
Lease extensions and other items	980	950
Lease payments	(1,441)	(1,327)
Interest expense on lease liabilities (note 6)	370	333
Balance, end of year	$ 9,458	$ 9,115
Lease liabilities due within one year	$ 1,455	$ 1,401
Lease liabilities	8,003	7,714
Total lease liabilities	$ 9,458	$ 9,115

Liquidity The future undiscounted contractual lease obligations are as follows:

	Due by year						**As at December 30, 2023**	As at December 31, 2022
(millions of Canadian dollars)	2024	2025	2026	2027	2028	Thereafter	**Total**	Total
Lease obligations	$ 1,484	$ 1,509	$ 1,242	$ 1,092	$ 852	$ 3,040	**$ 9,219**	$ 9,238

As at December 30, 2023, the Company also had commitments of $741 million (December 31, 2022 – $579 million) related to leases not yet commenced.

Short-Term Leases The Company has short-term leases that are primarily related to trailer rentals and certain properties. During 2023, $45 million (2022 – $27 million) was recognized in cost of sales and SG&A.

Variable Lease Payments The Company makes variable lease payments for property tax and insurance charges on leased properties. The Company also has certain retail store leases where portions of the lease payments are contingent on a percentage of retail sales. During 2023, $390 million (2022 – $385 million) of variable lease payments were recognized in SG&A.

Extension Options Substantially all of the retail store leases have extension options for additional lease terms. As at December 30, 2023, approximately 20% (December 31, 2022 – 16%) of the lease liabilities are related to extension options that were deemed reasonably certain to be exercised.

As at December 30, 2023, approximately $16 billion (December 31, 2022 – $16 billion) of discounted future lease payments are related to extension options that were not deemed to be reasonably certain to be exercised and were not included in lease liabilities. These future lease payments are discounted at the incremental borrowing rates associated with the current lease liability profile.

Sale and Leaseback Transactions During 2023, the Company disposed of and leased back twenty-one retail properties and three distribution centres (2022 – one retail property) for proceeds of $276 million (2022 – $13 million), and recognized a gain of $38 million (2022 – loss of $1 million) in SG&A. The dispositions include three retail properties and one distribution centre disposed to Choice Properties Real Estate Investment Trust ("Choice Properties") (see note 32).

Financial Liabilities During 2023, there were a total of three additional retail properties (2022 – two) disposed of which were leased back by the Company and did not meet the criteria for sale in accordance with IFRS 15, "Revenue from Contracts with Customers". The Company received proceeds of $115 million (2022 – $15 million) in 2023 which have been recognized as financial liabilities and are presented in other liabilities. The dispositions include two retail properties disposed to Choice Properties. (see note 21 and 32).

As at December 30, 2023, $11 million (December 31, 2022 – $4 million) was recorded in trade payables and other liabilities and $179 million (December 31, 2022 – $69 million) was recorded in other liabilities for all properties sold to date that did not meet the criteria for sale. During 2023, $12 million (2022 – $5 million) of interest expense was recognized in net interest expense and other financing charges (see note 6) and repayments of $10 million (2022 – $4 million) were made on the financial liabilities.

Note 28. Financial Instruments

The following table presents the fair value and fair value hierarchy of financial assets and financial liabilities, excluding those classified as amortized cost that are short term in nature. The carrying values of the Company's financial instruments approximate their fair values except for long term debt.

				As at December 30, 2023				As at December 31, 2022
(millions of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Financial assets								
Fair value through other comprehensive income:								
Long term securities	**$ 201**	**$ —**	**$ —**	**$ 201**	$ 246	$ —	$ —	$ 246
Derivatives included in prepaid expenses and other assets	**—**	**8**	**—**	**8**	—	6	—	6
Fair value through profit and loss:								
Certain other assets[(i)]	**—**	**—**	**56**	**56**	—	—	60	60
Derivatives included in prepaid expenses and other assets	**—**	**—**	**2**	**2**	1	13	—	14
Financial liabilities								
Amortized cost:								
Long term debt	**$ —**	**$ 8,151**	**$ —**	**$ 8,151**	$ —	$ 7,865	$ —	$ 7,865
Associate Interest	**—**	**—**	**370**	**370**	—	—	434	434
Certain other liabilities[(ii)]	**—**	**—**	**287**	**287**	—	—	78	78
Fair value through other comprehensive income:								
Derivatives included in trade payables and other liabilities	**—**	**—**	**4**	**4**	—	—	—	—
Fair value through profit and loss:								
Derivatives included in trade payables and other liabilities	**4**	**3**	**—**	**7**	—	—	3	3

(i) Certain other assets relate primarily to Venture Fund I (see note 32).

(ii) Certain other liabilities relate primarily to financial liabilities associated with properties that did not meet the criteria for sale (see note 14).

There were no transfers between levels of the fair value hierarchy during the years presented.

During 2023, the Company recognized a loss of $3 million (2022 – gain of $4 million) in operating income on financial instruments designated as amortized cost. In addition, during 2023, a net loss of $17 million (2022 – net gain of $67 million) was recorded in earnings before income taxes related to financial instruments required to be classified as fair value through profit and loss.

Securities Investments PC Bank holds investments which are considered part of the liquid securities required to be held to meet its Liquidity Coverage Ratio. These securities are classified as fair value through other comprehensive income and were included in long term securities and other assets on the consolidated balance sheets. During 2023, PC Bank recorded an unrealized fair value gain of $1 million (2022 – unrealized fair value loss of $2 million) in other comprehensive income related to these investments.

Other Derivatives The Company uses bond forwards, interest rate swaps and foreign exchange forwards to mitigate the impact of increases in interest rates and manage its anticipated exposure to exchange rates on its underlying operations and anticipated fixed asset purchases. The Company also uses swaps, futures, options and forward contracts to manage its anticipated exposure to fluctuations in commodity prices and exchange rates in its underlying operations. The following is a summary of the fair values recognized in the consolidated balance sheets and the net realized and unrealized gains (losses) before income taxes related to the Company's other derivatives:

			December 30, 2023
(millions of Canadian dollars)	**Net asset/ (liability) fair value**	**Gain/(loss) recorded in OCI**	**Gain/(loss) recorded in operating income**
Derivatives designated as cash flow hedges			
Foreign Exchange Forwards(i)	**$ 7**	**$ (2)**	**$ 2**
Bond Forwards(ii)	**—**	**11**	**(4)**
Interest Rate Swaps and Other(iii)	**(3)**	**(4)**	**2**
Total derivatives designated as cash flow hedges	**$ 4**	**$ 5**	**$ —**
Derivatives not designated in a formal hedging relationship			
Foreign Exchange and Other Forwards	**$ (3)**	**$ —**	**$ (4)**
Other Non-Financial Derivatives	**(4)**	**—**	**(7)**
Total derivatives not designated in a formal hedging relationship	**$ (7)**	**$ —**	**$ (11)**
Total derivatives	**$ (3)**	**$ 5**	**$ (11)**

(i) PC Bank uses foreign exchange forwards, with a notional value of $9 million USD, to manage its foreign exchange risk related to certain U.S. payables. The fair value of the derivatives is included in prepaid expenses and other assets.

(ii) PC Bank uses bond forwards to manage its interest risk related to future debt issuances. During 2023, PC Bank settled all of its outstanding bond forwards.

(iii) PC Bank uses interest rate swaps, with a notional value of $180 million, to mitigate the impact of increases in interest rate. In the second quarter of 2023, the Company entered into a 20 year arrangement to hedge energy pricing on its purchases in Alberta beginning on January 1, 2025. The hedge has a notional value of $223 million and resulted in a fair value loss of $4 million in 2023, which has been recorded in other comprehensive income. The fair values of the derivatives are included in both prepaid expenses and other assets and trade payables and other liabilities.

			December 31, 2022
(millions of Canadian dollars)	Net asset/ (liability) fair value	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges			
Foreign Exchange Forwards(i)	$ 4	$ 4	$ 2
Bond Forwards(ii)	1	18	(5)
Interest Rate Swaps(iii)	1	(1)	4
Total derivatives designated as cash flow hedges	$ 6	$ 21	$ 1
Derivatives not designated in a formal hedging relationship			
Foreign Exchange and Other Forwards	$ 13	$ —	$ 32
Other Non-Financial Derivatives	1	—	24
Total derivatives not designated in a formal hedging relationship	$ 14	$ —	$ 56
Total derivatives	$ 20	$ 21	$ 57

(i) PC Bank uses foreign exchange forwards, with a notional value of $37 million USD, to manage its foreign exchange risk related to certain U.S. payables. The fair value of the derivatives is included in trade payables and other liabilities.

(ii) PC Bank uses bond forwards, with notional value of $25 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in trade payables and other liabilities. During 2022, PC Bank settled $140 million of bond forwards (see note 20).

(iii) PC Bank uses interest rate swaps, with notional value of $180 million to mitigate the impact of increases in interest rate. The fair value of the derivatives is included in prepaid expenses and other assets.

Note 29. Financial Risk Management

As a result of holding and issuing financial instruments, the Company is exposed to liquidity, credit and market risk. The following is a description of those risks and how the exposures are managed:

Liquidity Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash or its equivalents in a cost effective manner to fund its obligations as they come due. The Company is exposed to liquidity risk through, among other areas, PC Bank, which requires a reliable source of funding for its credit card business. PC Bank relies on its securitization programs, demand deposits from customers and the acceptance of guaranteed investment certificate deposits to fund the receivables of its credit cards. The Company would experience liquidity risks if it fails to maintain appropriate levels of cash and short-term investments, is unable to access sources of funding or fails to appropriately diversify sources of funding. If any of these events were to occur, they could adversely affect the financial performance of the Company.

Liquidity risk is mitigated by maintaining appropriate levels of cash and cash equivalents and short term investments, actively monitoring market conditions, and by diversifying sources of funding, including the Company's committed credit facilities, and maintaining a well diversified maturity profile of debt and capital obligations.

The following are the undiscounted contractual maturities of significant financial liabilities (excluding lease liabilities - see note 27) as at December 30, 2023:

	2024	2025	2026	2027	2028	Thereafter	Total
Derivative financial liabilities							
Foreign exchange forward contracts	$ 498	$ —	$ —	$ —	$ —	$ —	$ 498
Non-derivative financial liabilities							
Bank indebtedness	13	—	—	—	—	—	13
Trade Payables and other liabilities	6,324						6,324
Demand deposits from customers	166	—	—	—	—	—	166
Short term debt(i)	850	—	—	—	—	—	850
Associate Interest	370	—	—	—	—	—	370
Financial liabilities(ii)	12	13	12	12	12	154	215
Long term debt including interest payments(iii)	1,526	1,496	855	906	1,360	4,859	11,002
Other liabilities	3	—	—	—	—	—	3
Total	$9,762	$1,509	$ 867	$ 918	$1,372	$ 5,013	$ 19,441

(i) These are obligations owed to Other Independent Securitization Trusts which are collateralized by the Company's credit card receivables (see note 31).

(ii) These are the contractual payments that the Company is committed to related to the sale of retail properties to Choice Properties Real Estate Investment Trust and third parties (see note 27).

(iii) Fixed interest payments are based on the maturing face values and annual interest for each instrument, including GICs, long term independent securitization trusts and an independent funding trust, as well as annual payment obligations for structured entities. Variable interest payments are based on the forward rates as at December 30, 2023.

Credit The Company is exposed to credit risk resulting from the possibility that counterparties could default on their financial obligations to the Company, including derivative instruments, cash and cash equivalents, short term investments, security deposits, PC Bank's credit card receivables, finance lease receivable, pension assets held in the Company's defined benefit plans and accounts receivable, including amounts due from government and third-party drug plans arising from prescription drug sales, independent accounts and amounts owed from vendors. Failure to manage credit risk could adversely affect the financial performance of the Company.

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

PC Bank manages its credit card receivable risk by employing stringent credit scoring techniques, actively monitoring the credit card portfolio and reviewing techniques and technology that can improve the effectiveness of the collection process. In addition, these receivables are dispersed among a large, diversified group of credit card customers.

Finance lease receivable and accounts receivable, including amounts due from governments and third-party drug plans arising from prescription drug sales, independent accounts and amounts owed from vendors and tenants, are actively monitored on an ongoing basis and settled on a frequent basis in accordance with the terms specified in the applicable agreements.

Interest Rates The Company is exposed to interest rate risk from fluctuations in interest rates on its floating rate debt, and from the refinancing of existing financial instruments. An increase in interest rates could adversely affect the operations or financial performance of the Company. The Company manages interest rate risk by monitoring the respective mix of fixed and floating rate debt and by taking action as necessary to maintain an appropriate balance considering current market conditions, with the objective of maintaining the majority of its debt at fixed interest rates. The Company estimates that a 1% increase (decrease) in short term interest rates, with all other variables held constant, would result in an increase (decrease) of $6 million to net interest expense and other financing charges.

Currency Exchange Rates The Company is exposed to foreign currency exchange rate variability, primarily on its USD denominated purchases in trade payables and other liabilities. A depreciating Canadian dollar relative to the USD will have a negative impact on year-over-year changes in reported operating income and net earnings, while an appreciating Canadian dollar relative to the USD will have the opposite impact. To manage a portion of this exposure, the Company uses derivative instruments in the form of futures contracts and forward contracts to minimize cost volatility related to foreign exchange.

Commodity Prices The Company is exposed to increases in the prices of commodities in operating its stores and distribution networks, as well as to the indirect effect of changing commodity prices on the price of consumer products. Rising commodity prices could adversely affect the financial performance of the Company. To manage a portion of this exposure, the Company uses purchase commitments and derivative instruments in the form of exchange traded futures contracts and forward contracts to minimize cost volatility related to commodities. The Company estimates that based on the outstanding derivative contracts held by the Company as at December 30, 2023, a 10% decrease in relevant commodity prices, with all other variables held constant, would result in a loss of $4 million on earnings before income taxes.

Note 30. Contingent Liabilities

In the ordinary course of business, the Company is involved in and potentially subject to, legal actions and proceedings. In addition, the Company is subject to tax audits from various tax authorities on an ongoing basis. As a result, from time to time, tax authorities may disagree with the positions and conclusions taken by the Company in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments (see note 7).

There are a number of uncertainties involved in such matters, individually or in aggregate, and as such, there is a possibility that the ultimate resolution of these matters may result in a material adverse effect on the Company's reputation, operations, financial condition or performance in future periods. It is not currently possible to predict the outcome of the Company's legal actions and proceedings with certainty. Management regularly assesses its position on the adequacy of accruals or provisions related to such matters and will make any necessary adjustments.

The following is a description of the Company's significant legal proceedings:

Shoppers Drug Mart was previously served with an Amended Statement of Claim in a class action proceeding that has been filed in the Ontario Superior Court of Justice ("Superior Court") by licensed Associates ("Associates"), claiming various declarations and damages resulting from Shoppers Drug Mart's alleged breaches of the Associate Agreement. The class action comprises all of Shoppers Drug Mart's current and former licensed Associates residing in Canada, other than in Québec, who were parties to Shoppers Drug Mart's 2002 and 2010 forms of the Associate Agreement. On July 9, 2013, the Superior Court certified as a class proceeding portions of the action. A summary judgment trial of the matter was held in December 2022 and on February 17, 2023, the Superior Court released its decision in relation to those summary judgment motions (the "Decision"). The Superior Court dismissed the plaintiffs' claims on the majority of the issues including a request for damages at this stage of proceedings. The Court also held that Shoppers Drug Mart breached the 2002 form of Associate Agreement when it did not remit certain amounts that it received from generic drug manufacturers to Associates. On March 20, 2023, the plaintiffs filed a Notice of Appeal and on April 4, 2023, the Company filed a Notice of Cross-Appeal. A hearing for the appeals was held on February 14, 2024 and on February 15, 2024, and a decision is pending. Accordingly, the Company has not recorded any amounts related to the potential liability associated with this lawsuit. The Company does not believe that the ultimate resolution of this matter will have a material adverse impact on its financial condition or prospects.

In 2017, the Company and Weston announced actions taken to address their role in an industry-wide price-fixing arrangement involving certain packaged bread products. The arrangement involved the coordination of retail and wholesale prices of certain packaged bread products over a period extending from late 2001 to March 2015. Under the arrangement, the participants regularly increased prices on a coordinated basis. Class action lawsuits have been commenced against the Company and Weston as well as a number of other major grocery retailers and another bread wholesaler. It is too early to predict the outcome of such legal proceedings. Neither the Company nor Weston believes that the ultimate resolution of such legal proceedings will have a material adverse impact on its financial condition or prospects. The Company's cash balances far exceed any realistic damages scenario and therefore it does not anticipate any impacts on its dividend, dividend policy or share buyback plan. The Company has not recorded any amounts related to the potential civil liability associated with the class action lawsuits in 2023 or prior on the basis that a reliable estimate of the liability cannot be determined at this time. The Company will continue to assess whether a provision for civil liability associated with the class action lawsuits can be reliably estimated and will record an amount in the period at the earlier of when a reliable estimate of liability can be determined or the matter is ultimately resolved. As a result of admission of participation in the arrangement and cooperation in the Competition Bureau's investigation, the Company and Weston will not face criminal charges or penalties. In response to such class action lawsuits, certain major grocery retailers have cross claimed against the Company and Weston, and the Company and Weston believe such crossclaims are without merit.

In August 2018, the Province of British Columbia filed a class action against numerous opioid manufacturers and distributors, including the Company and its subsidiaries, Shoppers Drug Mart Inc. and Sanis Health Inc. The claim contains allegations of breach of the Competition Act, fraudulent misrepresentation and deceit and negligence, and seeks unquantified damages for the expenses incurred by the federal government, provinces, and territories of Canada in paying for opioid prescriptions and other healthcare costs related to opioid addiction and abuse in Canada. During the second quarter of 2021, the claim against Loblaw Companies Limited was discontinued. In May 2019, two further opioid-related class actions were commenced in each of Ontario and Quebec against a large group of defendants, including Sanis Health Inc. In February 2022, the plaintiff and Sanis Health Inc. agreed to settle the Quebec action for a nominal amount, with no admission of liability and for the express purpose of avoiding the delays, disruption, and expenses associated with the litigation. The settlement has been approved by the court and is now final. In December 2019, a further opioid-related class action was commenced in British Columbia against a large group of defendants, including Sanis Health Inc., Shoppers Drug Mart Inc. and the Company. The allegations in the Ontario, Quebec, and the civil British Columbia class actions are similar to the allegations against manufacturer defendants in the Province of British Columbia class action, except that these May 2019 and December 2019 claims seek recovery of damages on behalf of opioid users directly. In April 2021, the Company, Shoppers Drug Mart Inc. and Sanis Health Inc. were served with another opioid-related class action that was started in Alberta against multiple defendants. The claim seeks damages on behalf of municipalities and local governments in relation to public safety, social service, and criminal justice costs allegedly incurred due to the opioid crisis. In September 2021, the Company, Shoppers Drug Mart Inc. and Sanis Health Inc. were served with a class action started in Saskatchewan by Peter Ballantyne Cree Nation and Lac La Ronge Indian Band on behalf of all Indigenous, Metis, First Nation and Inuit communities and governments in Canada to recover costs they have incurred as a result of the opioid crisis, including healthcare costs, policing costs and societal costs. In January 2024, Shoppers Drug Mart Inc. was served with a second class action in Saskatchewan started by Lac La Ronge Indian Band. The case is brought on behalf of Band members and is claiming damages relating to abatement costs, the diversion of financial and other resources, the reduction in the value of the reserve lands and interests, and lost tax revenues. Shoppers Drug Mart Inc. is being sued as a representative of an international defendant subclass of opioid "dealers" and Sanis Health Inc. is a proposed supplier class member. The Company believes these proceedings are without merit and is vigorously defending them. The Company does not currently have any significant accruals or provisions for these matters recorded in the consolidated financial statements.

In July 2022, the Tax Court of Canada released a decision relating to PC Bank, a subsidiary of the Company. The Tax Court of Canada ruled that PC Bank is not entitled to claim notional input tax credits for certain payments it made to Loblaws Inc. in respect of redemptions of loyalty points. On September 29th, 2022, PC Bank filed a Notice of Appeal with the Federal Court of Appeal and in the first half of 2023 both PC Bank and the Crown submitted their respective facta for the appeal. Subsequent to December 30, 2023, the Federal Court of Appeal scheduled the hearing of the appeal for March 6, 2024. The Company has not reversed any portion of the charge of $111 million, inclusive of interest, recorded in the second quarter of 2022. The Company believes that this provision is sufficient to cover its liability, if the appeal is ultimately unsuccessful.

Indemnification Provisions The Company from time to time enters into agreements in the normal course of its business, such as service and outsourcing arrangements, lease agreements in connection with business or asset acquisitions or dispositions, and other types of commercial agreements. These agreements by their nature may provide for indemnification of counterparties. These indemnification provisions may be in connection with breaches of representations and warranties or in respect of future claims for certain liabilities, including liabilities related to tax and environmental matters. The terms of these indemnification provisions vary in duration and may extend for an unlimited period of time. In addition, the terms of these indemnification provisions vary in amount and certain indemnification provisions do not provide for a maximum potential indemnification amount. Indemnity amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. As a result, the Company is unable to reasonably estimate its total maximum potential liability in respect of indemnification provisions. Historically, the Company has not made any significant payments in connection with these indemnification provisions.

Note 31. Financial Guarantees

The Company established letters of credit used in connection with certain obligations mainly related to real estate transactions, benefit programs, purchase orders and guarantees with a gross potential liability of approximately $301 million as at December 30, 2023 (December 31, 2022 – $296 million). In addition, the Company has provided to third parties the following significant guarantees:

Associate Guarantees The Company has arranged for its Associates to obtain financing to facilitate their inventory purchases and fund their working capital requirements by providing guarantees to various Canadian chartered banks that support Associate loans. As at December 30, 2023, the Company's maximum obligation in respect of such guarantees was $580 million (December 31, 2022 – $580 million) with an aggregate amount of $476 million (December 31, 2022 – $473 million) in available lines of credit allocated to the Associates by the various banks. As at December 30, 2023, Associates had drawn an aggregate amount of $13 million (December 31, 2022 – $8 million) against these available lines of credit. Any amounts drawn by the Associates are included in bank indebtedness on the Company's consolidated balance sheets. As recourse, in the event that any payments are made under the guarantees, the Company holds a first-ranking security interest on all assets of Associates, subject to certain prior-ranking statutory claims.

Independent Funding Trusts The full balance relating to the debt of the independent funding trusts has been consolidated on the balance sheets of the Company (see note 20). As at December 30, 2023 the Company has agreed to provide a credit enhancement of $64 million (December 31, 2022 – $64 million) in the form of a standby letter of credit for the benefit of the independent funding trusts representing not less than 10% (December 31, 2022 – not less than 10%) of the principal amount of loans outstanding. This credit enhancement allows the independent funding trusts to provide financing to the Company's franchisees. As well, each franchisee provides security to the independent funding trusts for its obligations by way of a general security agreement. In the event that a franchisee defaults on its loan and the Company has not, within a specified time period, assumed the loan, or the default is not otherwise remedied, the independent funding trusts would assign the loan to the Company and draw upon this standby letter of credit. This standby letter of credit has never been drawn upon. The Company has agreed to reimburse the issuing bank for any amount drawn on the standby letter of credit.

Lease Obligations In connection with historical dispositions of certain of its assets, the Company has assigned leases to third parties. The Company remains contingently liable for these lease obligations in the event any of the assignees are in default of their lease obligations. The Company has guaranteed lease obligations of a third party distributor in the amount of $3 million (December 31, 2022 – $4 million).

Cash Collateralization As at December 30, 2023, the Company had agreements to cash collateralize certain of its uncommitted credit facilities up to an amount of $93 million (December 31, 2022 – $93 million), of which a nominal amount (December 31, 2022 – nominal) was deposited with major financial institutions and classified as security deposits, which is included in other assets.

Financial Services The Company has provided a guarantee on behalf of PC Bank to Mastercard International Incorporated ("Mastercard") for accepting PC Bank as a card member and licensee of Mastercard. As at December 30, 2023, the guarantee on behalf of PC Bank to Mastercard was USD $190 million (December 31, 2022 – USD $190 million).

Letters of credit for the benefit of independent securitization trusts with respect to the securitization programs of PC Bank have been issued by major financial institutions. These standby letters of credit can be drawn upon in the event of a major decline in the income flow from or in the value of the securitized credit card receivables. The Company has agreed to reimburse the issuing banks for any amount drawn on the standby letters of credit. The aggregate gross potential liability under these arrangements for the Other Independent Securitization Trusts was $77 million (December 31, 2022 – $63 million), which represented approximately 9% (December 31, 2022 – 9%) of the securitized credit card receivables amount (see note 11).

Note 32. Related Party Transactions

The Company's controlling shareholder is Weston, which owns, directly and indirectly, 163,473,491 of the Company's common shares, representing approximately 52.6% of the Company's outstanding common shares. Galen G. Weston beneficially owns or controls, directly and indirectly, including through Wittington, a total of 78,018,416 of Weston's common shares, representing approximately 58.0% of Weston's outstanding common shares. Galen G. Weston also beneficially owns 473,636 of the Company's common shares, representing approximately 0.2% of the Company's outstanding common shares.

Weston is the controlling shareholder of Choice Properties. Therefore, Choice Properties is a related party by virtue of common control. As at December 30, 2023, Weston's ownership interest in Choice Properties was approximately 61.7% (December 31, 2022 – 61.7%). The Company is Choice Properties' largest tenant, representing approximately 57.1% (December 31, 2022 – 57.5%) of Choice Properties' rental revenue as at December 30, 2023. The Company also executes various agreements and transactions with Choice Properties.

In the ordinary course of business, the Company enters into various transactions with related parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

Transactions with Related Parties

	Transaction Value	
(millions of Canadian dollars)	**2023**	2022
Included in cost of sales		
Inventory purchases from a related party[(i)]	**$ 41**	$ 39
Operating income		
Transactions with Weston and Wittington		
Cost sharing agreements with Weston[(ii)]	**$ 58**	$ 71
Net administrative services provided by Weston[(iii)]	**19**	16
Dividends paid to Weston	**290**	272
Lease Payments to Wittington	**1**	1
Transactions with Choice Properties		
Lease payments to Choice Properties[(iv)]	**$ 763**	$ 753
Lease surrender payments received from Choice Properties	**(8)**	—
Site intensification payments received from Choice Properties[(v)]	**(17)**	(3)

(i) Associated British Foods plc is a related party by virtue of a common director of such entity's parent company and Wittington. Total balance outstanding owing to Associated British Foods plc as at December 30, 2023 was $4 million (December 31, 2022 – $6 million).

(ii) The Company and Weston have each entered into certain contracts with third parties for administrative and corporate services, including telecommunication services and IT related matters on behalf of itself and the related party. Through cost sharing agreements that have been established between the Company and Weston concerning these costs, the Company has agreed to be responsible to Weston for the Company's proportionate share of the total costs incurred.

(iii) The Company and Weston have entered into an agreement whereby certain administrative services are provided by one party to the other. The services to be provided under this agreement include those related to commodity management, pension and benefits, information systems, risk management, treasury, certain accounting functions 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 proportion of the costs.

(iv) During 2023, lease payments paid to Choice Properties included base rent of $534 million (2022 – $528 million) and operating expenses of $229 million (2022 – $225 million).

(v) During 2023, the Company received site intensification payments from Choice Properties. Included in certain investment properties sold to Choice Properties is excess land with development potential. Choice Properties will compensate the Company, over time, with site intensification payments, as Choice Properties pursues development, intensification or redevelopment of such excess lands. The payments the Company receives are calculated in accordance with a payment grid, set out in the Strategic Alliance Agreement, that takes into account the region, market ranking and type of use for the property.

The net balances due to (from) related parties are comprised as follows:

(millions of Canadian dollars)	**As at December 30, 2023**	As at December 31, 2022
Weston	**$ 8**	$ 116
Choice Properties	**(31)**	(18)

Other Transactions and Agreements with Choice Properties

Strategic Alliance Agreement The Strategic Alliance Agreement established on the initial public offering ("IPO") of Choice Properties creates a series of rights and obligations between Choice Properties and the Company, intended to establish a preferential and mutually beneficial business and operating relationship. The Strategic Alliance Agreement will expire on the earlier of July 5, 2033 or the date on which Weston and its affiliates own less than 50% effective interest in Choice Properties (on a fully diluted basis).

Commitments The following is a summary of the Company's future undiscounted contractual lease payments to Choice Properties:

	Payments due by year						**As at December 30, 2023**	As at December 31, 2022
(millions of Canadian dollars)	2024	2025	2026	2027	2028	Thereafter	**Total**	Total
Lease payments	$ 546	$ 591	$ 509	$ 461	$ 370	$ 1,403	**$ 3,880**	$ 4,151

Financial Liabilities with Choice Properties During 2023, the Company disposed of two retail properties (2022 – two retail properties) to Choice Properties for total proceeds of $86 million (2022 – $15 million). The properties were leased back by the Company. The transactions did not meet the criteria for sale of asset in accordance with IFRS 15 as the Company did not relinquish control of the properties under the terms of the leases. (see note 27).

Disposition of Properties to Choice Properties During 2023, the Company sold four properties (2022 – one property) to Choice Properties for proceeds of $92 million (2022 – $26 million) and recognized a gain of $11 million (2022 – $19 million). All (2022 – none) of these properties were leased back by the Company.

Other Transactions

Venture Fund During 2020, Loblaw, Weston and a wholly owned subsidiary of Wittington became limited partners in a limited partnership formed by Wittington ("Venture Fund I"). A wholly owned subsidiary of Wittington is the general partner of the Venture Fund, which hired an external fund manager to oversee it. The purpose of the Venture Fund I is to pursue venture capital investing in innovative businesses that are in technology-oriented companies at all stages of the start-up life cycle that operate in commerce, healthcare, and food sectors and are based in North America. Each of the three limited partners have 33% interest in the Venture Fund I. The Company has a total capital commitment of $33 million over a 10-year period (see note 18).

During 2022, Loblaw became a limited partner in another limited partnership formed by Wittington ("Venture Fund II"). A wholly owned subsidiary of Wittington is also the general partner of Venture Fund II, and the purpose of Venture Fund II is consistent with Venture Fund I. The Company has a 50% interest in Venture Fund II and has a total capital commitment of $60 million over a 10-year period (see note 18).

Post-Employment Benefit Plans The Company sponsors a number of post-employment plans, which are related parties. Contributions made by the Company to these plans are disclosed in note 22 to the consolidated financial statements. Effective November 21, 2022, Loblaw became the sponsor of a group plan which was previously sponsored by the parent company, Weston. As a participant of the group plan, the Company will continue to make contributions for its share of defined benefit costs, including interest, service and administrative costs. In 2023 and 2022, the Company did not make any contributions to the group plan.

Income Tax Matters From time to time, the Company, Weston and its affiliates may enter into agreements to make elections that are permitted or required under applicable income tax legislation with respect to affiliated corporations.

Key Management Personnel The Company's key management personnel are comprised of the Board and certain members of the executive team of the Company, as well as both the Board and certain members of the executive team of Weston and Wittington to the extent that they have the authority and responsibility for planning, directing and controlling the day-to-day activities of the Company.

Compensation of Key Management Personnel Annual compensation of key management personnel that is directly attributable to the Company was as follows:

(millions of Canadian dollars)	**2023**	2022
Salaries, director fees and other short term employee benefits	**$ 10**	$ 8
Equity-based compensation	**1**	2
Total compensation	**$ 11**	$ 10

Other transactions with related parties, as defined by IFRS Accounting Standards, were not significant during the year.

Note 33. Segment Information

The Company has two reportable operating segments, with all material operations carried out in Canada:

- The Retail segment consists primarily of corporate and franchise-owned retail food and Associate-owned drug stores, and includes in-store pharmacies, health care services, other health and beauty products, apparel and other general merchandise. This segment is comprised of several operating segments that are aggregated primarily due to similarities in the nature of products and services offered for sale in the retail operations and the customer base; and
- The Financial Services segment provides credit card and everyday banking services, the *PC Optimum* loyalty program, insurance brokerage services, and telecommunication services.

The Company's chief operating decision maker evaluates segment performance on the basis of adjusted operating income before depreciation and amortization ("adjusted EBITDA"), as reported to internal management, on a periodic basis.

Information for each reportable operating segment is included below:

(millions of Canadian dollars)	**2023** Retail	Financial Services	Total Segment Measure	Elimi-nations(i)	Total	2022 Retail	Financial Services	Total Segment Measure	Elimi-nations(i)	Total
Revenue(ii)	**$58,345**	**$1,540**	**$59,885**	**$ (356)**	**$59,529**	$55,492	$1,338	$56,830	$ (326)	$56,504
Operating income	$ 3,500	$ 204	$ 3,704	$ —	$ 3,704	$ 3,260	$ 82	$ 3,342	$ —	$ 3,342
Net interest expense and other financing charges	660	143	803	—	803	599	84	683	—	683
Earnings before income taxes	**$ 2,840**	**$ 61**	**$ 2,901**	**$ —**	**$ 2,901**	$ 2,661	$ (2)	$ 2,659	$ —	$ 2,659
Operating income	**$ 3,500**	**$ 204**	**$ 3,704**	**$ —**	**$ 3,704**	$ 3,260	$ 82	$ 3,342	$ —	$ 3,342
Depreciation and amortization	**2,848**	**58**	**2,906**			2,746	49	2,795		
Adjusting items(iii)	**13**	**24**	**37**			(67)	111	44		
Adjusted EBITDA(iii)	**$ 6,361**	**$ 286**	**$ 6,647**			$ 5,939	$ 242	$ 6,181		

(i) Eliminations include intercompany revenue related to PC® Mastercard® loyalty awards in the Financial Services segment.

(ii) Included in Financial Services revenue is $634 million (2022 – $513 million) of interest income.

(iii) Certain items are excluded from operating income to derive adjusted EBITDA.

For the years ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars)	**2023 (52 weeks)** Retail	Financial Services	Total Segment Measure	2022 (52 weeks) Retail	Financial Services	Total Segment Measure
Charges related to PC Bank commodity tax matters	**$ —**	**$ 24**	**$ 24**	$ —	$ 111	$ 111
Fair value adjustment on fuel and foreign currency contracts	**16**	**—**	**16**	(5)	—	(5)
Lifemark transaction costs	**—**	**—**	**—**	16	—	16
Restructuring and other related recoveries	**—**	**—**	**—**	(15)	—	(15)
Fair value adjustment on non-operating properties(1)	**9**	**—**	**9**	(6)	—	(6)
Gain on sale of non-operating properties(1)	**(12)**	**—**	**(12)**	(57)	—	(57)
Adjusting items	**$ 13**	**$ 24**	**$ 37**	$ (67)	$ 111	$ 44

(1) The fair value adjustment and gain on sale of non-operating properties relates to the Company's investment properties.

The Company's revenue, by type of goods or services, is reconciled to the Company's segment revenue:

(millions of Canadian dollars)	**2023**	2022
Food retail	**$ 41,188**	$ 39,398
Drug retail	**17,157**	16,094
Retail total	**$ 58,345**	$ 55,492
Financial Services	**1,540**	1,338
Eliminations(i)	**(356)**	(326)
Total	**$ 59,529**	$ 56,504

(i) Eliminations include the reclassification of revenue related to PC® Mastercard® loyalty awards in the Financial Services segment.

(millions of Canadian dollars)	**As at December 30, 2023**	As at December 31, 2022
Total assets		
Retail	**$ 32,870**	$ 32,505
Financial Services	**6,109**	5,642
	$ 38,979	$ 38,147

(millions of Canadian dollars)	**2023**	2022
Additions to fixed assets and intangible assets		
Retail(i)	**$ 2,069**	$ 1,538
Financial Services	**40**	33
	$ 2,109	$ 1,571

(i) In 2023, additions to fixed assets in the retail segment include $37 million of prepayments that were transferred from other assets in 2023.