Weston®
George Weston Limited

ANNUAL INFORMATION FORM
(for the year ended December 31, 2014)

March 5, 2015

GEORGE WESTON LIMITED
ANNUAL INFORMATION FORM

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I. FORWARD – LOOKING STATEMENTS

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

Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "should", "maintain", "achieve", "grow" and similar expressions, as they relate to the Company and its management. Forward-looking statements reflect the Company's current estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The Company's expectation of operating and financial performance in 2015 is based on certain assumptions, including assumptions about sales and volume growth, anticipated cost savings and operating efficiencies, and continued growth from current initiatives. The Company's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and as such, are subject to change. The Company can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

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

- failure by Loblaw Companies Limited ("LCL", and together with its subsidiaries, "Loblaw") to realize the anticipated strategic benefits or operational, competitive and cost synergies following the acquisition of Shoppers Drug Mart;
- failure by Loblaw to reduce indebtedness associated with the acquisition of Shoppers Drug Mart to bring leverage ratios to a level consistent with investment grade ratings;
- failure to realize benefits from investments in the Company's IT systems, including the Company's IT systems implementation, or unanticipated results from these initiatives;
- failure to realize anticipated results, including revenue growth, anticipated cost savings or operating efficiencies from the Company's major initiatives, including those from restructuring;
- the inability of the Company's IT infrastructure to support the requirements of the Company's business;
- changes in Loblaw's estimate of inventory cost as a result of its IT system upgrade;
- changes to the regulation of generic prescription drug prices and the reduction of reimbursements under public drug benefit plans and the elimination or reduction of professional allowances paid by drug manufacturers;
- public health events and risks associated with those related to food safety;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements which could lead to work stoppages;
- heightened competition, whether from current competitors or new entrants to the marketplace;
- changes in economic conditions including the rate of inflation or deflation, changes in interest and currency exchange rates and derivative and commodity prices;

- changes in the Company's income, capital, commodity, property and other tax and regulatory liabilities including changes in tax laws, regulations or future assessments;
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrink;
- reliance on the performance and retention of third-party service providers, including those associated with the Company's supply chain and apparel business;
- issues with vendors in both advanced and developing markets;
- the impact of potential environmental liabilities;
- any requirement of the Company to make contributions to its registered funded defined benefit pension plans or the multi-employer pension plans in which it participates in excess of those currently contemplated;
- the risk that the Company would experience a financial loss if its counterparties fail to meet their obligations in accordance with the terms and conditions of their contracts with the Company; and
- the inability of the Company to collect on and fund its credit card receivables.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the Enterprise Risks and Risk Management section of the Management's Discussion and Analysis ("MD&A") on pages 39 to 49 of the Company's 2014 Annual Report. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this AIF. Except as required by law, the Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

All information regarding Loblaw and Choice Properties Real Estate Investment Trust ("Choice Properties") contained herein has been derived from the public disclosure record of Loblaw. All amounts are in Canadian dollars.

II. CORPORATE STRUCTURE

Incorporation

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

Intercorporate Relationships

GWL is a holding company and operates through its two reportable operating segments: Loblaw and Weston Foods. The Weston Foods segment is operated in Canada by Weston Foods (Canada) Inc. and its subsidiaries and in the United States ("U.S.") by Weston Foods US, Inc. and its subsidiaries (collectively, "Weston Foods"). The Loblaw segment is operated by LCL, through its subsidiaries. LCL is a public company in which GWL held an approximate 46% interest as at December 31, 2014.

A list of companies that carry on GWL's principal businesses is set out below. As of December 31, 2014, GWL owned, either directly or indirectly, 100% of the voting securities of the Weston Foods subsidiaries. LCL owned, either directly or indirectly, 100% of the voting securities of its subsidiaries, other than Choice Properties and Choice Properties Limited Partnership, in which Loblaw holds an approximate 82.9% effective interest. As of December 31, 2014, GWL also indirectly held a 5.4% effective interest in Choice Properties.

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

Loblaw Subsidiaries	**Jurisdiction of Incorporation/Formation**
Loblaws Inc.	Ontario
Shoppers Drug Mart Inc.	Canada
Choice Properties Limited Partnership	Ontario
Choice Properties Real Estate Investment Trust	Ontario
President's Choice Bank	Canada

III. GENERAL DEVELOPMENT OF THE BUSINESS

Overview

GWL is a Canadian public company, founded in 1882, engaged in food processing and distribution. The Company has two reportable operating segments: Loblaw and Weston Foods, and holds cash, short-term investments and an investment in Choice Properties. The Loblaw operating segment, which is operated by LCL, is Canada's food and pharmacy leader, the nation's largest retailer, and the majority unitholder of Choice Properties. Loblaw provides Canadians with grocery, pharmacy, health and beauty, apparel, general merchandise, and financial products and services. The Weston Foods operating segment is a leading fresh and frozen baking company in Canada and operates a frozen baking manufacturing business in the U.S. and a North American biscuit manufacturing business.

As of December 31, 2014, GWL indirectly held 20,643,642 units of Choice Properties ("Units") and an effective interest of approximately 5.4% in Choice Properties and Loblaw held an effective interest of approximately 82.9% through ownership of 21,500,000 Units and 306,032,105 Class B limited partnership units of Choice Properties Limited Partnership ("Class B LP Units"), which are economically equivalent to and exchangeable for Units.

Weston Foods

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

In recent years, Weston Foods has focused on:

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

Acquisitions

During the first quarter of 2015, Weston Foods purchased Starr Culinary Delights Inc. ("Starr Culinary"). Starr Culinary is a manufacturer of wholesale baked goods based in Mississauga, Ontario. Starr Culinary sells its products throughout Canada and the United States.

During the first quarter of 2015, Weston Foods purchased Creative Occasions Inc. ("Creative Occasions"). Creative Occasions is a manufacturer of decorated cakes based in Nashville, Tennessee. Creative Occasions was founded on the premise of bringing the old fashioned corner neighbourhood bakery quality to its customers. Creative Occasions' products are sold throughout the United States.

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

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

Weston Foods did not have any significant acquisitions in 2012.

Dispositions

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

Capital Investment

Capital investments since 2012 have been targeted toward improving the efficiency of existing assets and increasing capacity where growth opportunities exist. Weston Foods has made small to medium-sized capital investments and small acquisitions in targeted areas.

Restructuring Activities

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

Highlights of the restructuring activities undertaken since 2012 include:

- the closure of three manufacturing facilities in Canada, one of which was replaced with a new facility;
- restructuring of the sales, administrative and other support functions of the Canadian bakery business in each of 2012, 2013 and 2014; and
- restructuring of two fresh bakery manufacturing facilities in Ontario in 2012.

Financial Performance

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

Loblaw

Loblaw has three reportable operating segments: Retail, Financial Services and Choice Properties. The Retail segment consists primarily of a discount supermarket business, a full-service supermarket business, an emerging and wholesale business and Shoppers Drug Mart, Canada's leading pharmacy business. Loblaw's Financial Services segment provides retail banking, credit card services, auto, home, travel and pet insurance and wireless mobile products and services. Choice Properties owns, develops and manages income-producing commercial properties.

Retail Segment

Loblaw is one of Canada's largest grocery, pharmacy and health and beauty retailers. It is also a leading provider of apparel and general merchandise. Loblaw offers one of Canada's strongest control label programs, including the *President's Choice*, *Life Brand*, *no name* and *Joe Fresh* brands. In addition, through the *PC Plus* and *Shoppers Optimum / Pharmaprix Optimum* loyalty programs, Loblaw rewards Canadian consumers for shopping at its stores.

The Retail segment includes the following divisions, each operating as a distinct, but complementary business:

Discount

Loblaw's Discount banners, including *Extra Foods*, *Maxi*, *Maxi & Cie*, *No Frills and Box*, are focused on delivering a fresh-led food shop with limited assortment and service at reduced prices. The *Real Canadian Superstore* banner offers a food-led one-stop-shop with a broad assortment of food, health and beauty and apparel and general merchandise products, all at competitive prices. Many of Loblaw's Discount grocery stores also include in-store pharmacies. Loblaw's Discount banners operate across Canada and include franchised and corporate stores.

Market

Loblaw's full-service or Market banners support Loblaw's vision – *Live Life Well* – by delivering a leading fresh offer, breadth of assortment, innovative and quality products, and customer-centric service with strong ties to the communities they trade in. The Market division consists of two primary formats: the Neighbour stores that provide a trusted and familiar full-service shopping experience, and the growing network of renovated and new Inspire stores that specialize in food discovery. Most of Loblaw's Market grocery stores also include in-store pharmacies. Loblaw's Market banners operate across Canada and include franchised and corporate stores.

Emerging

Loblaw's Emerging business serves the diverse Canadian population both through a comprehensive in-line assortment of multicultural products carried throughout Loblaw's network of grocery stores and through its stand-alone stores, including *T&T Supermarket* ("T&T"), *Fortinos* and *ARZ Fine Foods*. Loblaw's self-serve wholesale banners, which form part of Loblaw's Emerging division, provide customers with everything they need to be successful in food service and convenience markets. Some of Loblaw's Emerging and wholesale stores have in-store pharmacies. The Emerging business also includes over 200 gas bars across Canada and over 30 corporate-owned liquor stores in Alberta. Loblaw's Emerging and wholesale banners operate across Canada and include corporate, franchise and independent stores.

Shoppers Drug Mart

Shoppers Drug Mart operates over 1,300 stand-alone drug stores under the banners *Shoppers Drug Mart* and *Pharmaprix* in Quebec.

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

In addition to full service retail drug stores, Shoppers Drug Mart's banners include other retail formats such as: *Shoppers Simply Pharmacy* (*Pharmaprix Simplement Santé in Quebec)* which are retail pharmacies, located in medical buildings or clinics providing pharmacy products and professional services and advice; *Shoppers Home Health Care*, which sells and services assisted-living devices, medical equipment, home-care products and mobility equipment to both institutional and retail customers; and *Murale*, a luxury beauty store.

In addition to its retail store network, Loblaw owns Shoppers Drug Mart Specialty Health Network Inc., a provider of specialty drug distribution, pharmacy and comprehensive patient support services and MediSystem Technologies Inc., a provider of pharmaceutical products and services to long-term care facilities.

Geographic and Banner Summary

As at January 3, 2015, Loblaw, through its subsidiaries, franchisees, and Associates operated stores in the following jurisdictions across Canada[1]:

Jurisdiction	**Corporate Stores**	**Franchise Stores**	**Associate-Owned Shoppers Drug Mart Stores**
Newfoundland and Labrador	12	7	28
Prince Edward Island	4	5	4
Nova Scotia	32	17	36
New Brunswick	21	22	39
Quebec	166	65	177
Ontario	209	307	627
Manitoba	23	3	41
Saskatchewan	23	12	33
Alberta	57	44	146
Northwest Territories	0	2	1
Yukon	1	1	2
British Columbia	60	42	168
USA	7	0	0
Total	**615**	**527**	**1,302**

[1] Excluding gas bars and affiliated independent grocery stores and independent accounts.

As at January 3, 2015, Loblaw, through its subsidiaries, franchisees and Associates operated stores under the following banners[2]:

Banner	Corporate Stores	Franchise Stores	Associate-Owned Shoppers Drug Mart Stores
Market			
Atlantic Save Easy	1	40	0
Loblaw	65	0	0
Provigo	8	65	0
Provigo Le Marche	11	0	0
SuperValu	0	6	0
Shop Easy	0	6	0
NGR - Valumart	0	60	0
NGR - Freshmart	0	0	0
NGR - Your Independent Grocer	1	73	0
Loblaws City Market	0	2	0
Zehrs	42	0	0
Atlantic Superstore	51	0	0
Dominion[3] (in Newfoundland and Labrador)	11	0	0
Discount			
Extra Foods	29	13	0
Maxi	90	0	0
Maxi & Cie	24	0	0
No Frills	0	238	0
Box	1	2	0
The Real Canadian Superstore	113	0	0
Shoppers Drug Mart			
Home Health Care	62	0	0
Murale	6	0	0
Shoppers	0	0	1,251
Shoppers Simply Pharmacy	0	0	51
Emerging			
ARZ Fine Foods	1	0	0
T&T	23	0	0
Fortinos	0	22	0
Wholesale			
Cash & Carry	16	0	0
Presto	11	0	0
The Real Canadian Wholesale Club	32	0	0
Apparel			
Joe Fresh	10	0	0
Joe Fresh US	7	0	0
Total	**615**	**527**	**1,302**

[2] See note 1.

[3] Trademark used under license.

As at January 3, 2015, the total square footage of Loblaw's corporate-owned, franchised and Associate-owned Shoppers Drug Mart stores was approximately 36.8 million square feet, 15.5 million square feet and 17.7 million square feet, respectively. Loblaw owned 72% of the real estate on which its corporate stores are located, 46% of the real estate on which franchised grocery stores are located, as well as various properties under development or held for future development. The majority of Shoppers Drug Mart stores are leased. Associate-owned drug stores are leased from a diverse group of lessors, and most are leased on a long-term basis with staggered maturity dates. The majority of Loblaw's owned real estate portfolio is held by Choice Properties.

Control Brand Products

Loblaw has developed a successful line of control brand products and services that are sold or made available throughout its store network and are available on a limited basis to certain independent grocery customers. Loblaw's experienced product development team works closely with third party vendors in developing and manufacturing products for its control brands. Loblaw is not dependent on any one source or third party vendor to produce its products.

Loblaw markets control brand products in the food, health and beauty and general merchandise categories under a number of brand names, including: *President's Choice, PC, no name, PC Organics, PC Blue Menu, PC black label, The Decadent, Everyday Essentials, T&T* and *Life Brand*.

Loblaw also offers *Joe Fres*h branded apparel, accessories and footwear in many of its grocery stores. In addition, Loblaw offers *Joe Fresh* products in stand-alone *Joe Fresh* stores in Canada and the United States and, through international distributors, the *Joe Fresh* brand has expanded outside of North America. Loblaw's primary objective is to provide a suite of apparel and general merchandise products that complement its food offering.

Loyalty Programs

Loblaw rewards customers when they shop at its stores including through its *PC Plus*, *PC* points and the *Shoppers Optimum/Pharmaprix Optimum* loyalty programs.

PC Plus, a fully digital program, rewards customers with weekly personalized offers on the food they purchase most. The *PC Plus* program monitors the products they buy and the offers they redeem to create a customized experience for each individual customer. The more customers interact with the *PC Plus* program, the more personalized their offers become, making it easier for customers to earn more points.

Customers can earn *PC* points when they use *PC* Financial products, which can be redeemed for free groceries and other products at participating stores.

The *Shoppers Optimum/Pharmaprix Optimum* loyalty card program is one of the largest retail loyalty card programs in Canada. This program allows members to accumulate points and redeem them for price discounts on future purchases of qualifying products sold in the *Shoppers Drug Mart/Pharmaprix* stores.

Loblaw's loyalty programs provide Loblaw with a significant opportunity to employ customer relationship management tools to improve Loblaw's understanding of customer needs and design promotions that can be targeted to specific customers and customer segments, thereby driving increased sales and profitability.

Supply Chain

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

Loblaw's supply chain has 27 distribution centres across Canada. Third party logistics service providers are used at several of these distribution centres. Loblaw uses various modes of transportation, including its own trucking fleet and third party common carriers, railways and ocean carriers. Loblaw is not dependent on any one of these third party providers.

Retail Competitive Environment

The retail industry in Canada is highly competitive. Loblaw's competitors include supermarket and retail drug store operators, as well as mass merchandisers, warehouse clubs, on-line retailers, mail order prescription drug distributors, limited assortment stores, discount stores, convenience stores and specialty stores. Loblaw is also subject to competitive pressures from new entrants into the market place and from the expansion of locations of existing competitors, particularly those expanding into the grocery market. Loblaw's inability to effectively predict market activity or compete effectively with its current or future competitors could result in, among other things, reduced market share and lower pricing in response to its competitors' pricing activities. Failure by Loblaw to sustain its competitive position could negatively affect the financial performance of Loblaw.

Seasonality

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

<u>Financial Services Segment</u>

President's Choice Bank ("PC Bank") offers consumers financial services under the *President's Choice Financial* brand, including the *President's Choice Financial* MasterCard, a guaranteed investment certificate ("GIC") product offered exclusively through the broker channel, and personal banking services, which are provided by the direct banking division of a major Canadian chartered bank and through the operation of *President's Choice Financial* services pavilions, located within Loblaw's participating stores. Loblaw also offers home, auto, travel, life and pet insurance through its insurance entities and offers gift card and mobile phone services.

Loblaw also offers *The Mobile Shop* full service kiosks and provides prepaid cellular end caps through its network of grocery stores located across the country.

Financial Services Competitive Environment

The Canadian banking and credit card markets are highly regulated and competitive. The financial services offered by PC Bank compete with comparable products offered by banks and other financial institutions within Canada and are issued on terms and conditions that are competitive with such other products. As competition increases, customer expectations are being redefined, which include an increasing demand for good value, exceptional service and programs that reward them for their loyalty. The value proposition of being able to earn free groceries through the PC Plus program is one of the key factors that enables PC Bank to compete with the other players in the market.

Loblaw's inability to meet customer expectations, predict market activity or compete effectively could negatively affect Loblaw's ability to achieve its objectives.

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

Lending

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

Choice Properties

Choice Properties' principal business is owning, developing and managing properties with a focus on supermarket-anchored shopping centres, stand-alone supermarkets with or without intensification opportunities and other well-located retail properties that management believes present the best opportunity to generate stable, growing cash flow and capital appreciation. As at January 3, 2015, Loblaw held an effective ownership in Choice Properties of 82.9% through ownership of 21,500,000 Units and 306,032,105 Class B LP Units, which Class B LP Units are economically equivalent to and exchangeable for Units. Loblaw is the single largest tenant of Choice Properties. As at January 3, 2015, Loblaw represented 88.4% of the total gross leasable area and 91.4% of the annual base rent.

As at January 3, 2015, Choice Properties' portfolio consisted of the following properties across Canada:

Jurisdiction	**Retail**	**Warehouses**	**Office**	**Industrial**	**Land**	**Grand Total**
Newfoundland and Labrador	9	1	0	0	0	10
Prince Edward Island	3	0	0	0	0	3
Nova Scotia	37	0	0	0	0	37
New Brunswick	26	3	0	0	0	29
Québec	104	2	0	0	0	106
Ontario	183	1	1	1	2	188
Manitoba	12	0	0	0	0	12
Saskatchewan	12	1	0	0	0	13
Alberta	49	1	0	0	0	50
British Columbia	20	1	0	0	1	22
North West Territories	1	0	0	0	0	1
Yukon	1	0	0	0	0	1
USA	0	0	0	0	0	0
Grand Total	**457**	**10**	**1**	**1**	**3**	**472**

Additional information on Choice Properties can be found in the Annual Information Form of Choice Properties dated February 24, 2015, which is available at www.sedar.com or www.choicereit.ca.

Choice Properties Competitive Environment

Choice Properties, as one of the largest public real estate entities in Canada, competes with other investors, managers and owners of properties. The key assets that real estate entities compete for are stable tenants and real estate properties for purchase or development. To compete for tenants with desirable covenants, real estate entities typically differentiate themselves by location, age of building, merchandising and operational efficiency. As for real estate assets, competition is based on financial and other resources as well as operating flexibility. Choice Properties is well-positioned to compete in the Canadian real estate sector with Loblaw as its principal tenant, well-located sites and a strong balance sheet. Additional information on the competitive position of Choice Properties is set out in section V of the AIF of Choice Properties dated February 24, 2015, which is available at www.sedar.com or www.choicereit.ca.

Employees

As at January 3, 2015, Loblaw, through its subsidiaries, franchisees and Associates employed approximately 195,000 full-time and part-time employees. A majority of Loblaw's grocery store level and related distribution centre colleagues are unionized.

Intellectual Property

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

Corporate Social Responsibility and Environmental Policies

Loblaw is an active, contributing citizen in the communities in which it operates – helping feed Canadians, creating jobs, giving to community programs, supporting local vendors, sourcing products responsibly, and minimizing its impact on the environment. In addition, through the *President's Choice Children's Charity*, Loblaw is committed to helping children. *President's Choice Children's Charity* aims to make sure children have every opportunity to live to their full potential by providing support to children with special needs and by providing access to nutritious food. In addition, the Shoppers Drug Mart Run for WOMEN raises awareness and funds in support of local women's mental health organizations in communities across Canada.

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

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

IV. DESCRIPTION OF THE BUSINESS

Weston Foods

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

Principal Products

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

Weston Foods operates in a challenging marketplace, impacted by consumers' demands for healthy and nutritious products as well as a growing interest in ethnic product offerings. Weston Foods has been proactive in meeting these demands by developing a range of healthy lifestyle products such as whole grain, wheat and nutritionally enhanced white bread offerings, and products containing Omega-3. Additionally, new product offerings from Weston Foods have focused on providing healthier alternatives under certain of its mainstream brands, namely *Wonder, Country Harvest* and *Gadoua*. In 2014, Weston Foods introduced Mrs. Fields® Nibblers cookies, and Mrs. Fields® thaw and sell cookie line, expanded its offering of premium control brand thaw and sell products and dessert cookies, and introduced specialized cookie and cracker products through its contract manufacturing division. In addition, in 2014, Weston Bakeries re-launched its *Wonder* brand with a re-introduction of Classic White and Whole Wheat breads and rolls, along with White +Fibre and Wheat +Fibre variants. Weston Foods launched innovation under its *D'Italiano* brand, including *Brizzolio* and *Granizzi* breads and *Bagelli* - new bagel flavours, and under its *Country Harvest* brand with High Protein and Fibre breads. Weston Foods also expanded its gluten-free portfolio with new snack cakes, soft, sandwich and animal cracker cookies and rolls.

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

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

Production Facilities

Weston Foods has developed from one small bakery in 1882 to the current network of production facilities located predominately across North America. As at December 31, 2014, production facilities operated by Weston Foods were located in Canada and the U.S. as follows:

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

Distribution to Consumers

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

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

For the 2014 fiscal year, Loblaw accounted for approximately 32% of Weston Foods' sales. No other single customer accounted for more than 15% of sales. For the 2014 and 2013 fiscal years, sales by Weston Foods to Loblaw amounted to $616 million and $601 million respectively.

Competitive Conditions

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

The 2014 acquisition of Canada Bread by Grupo Bimbo is indicative of the ongoing restructuring by Weston Foods' competitors. Although the outcome and the impact, if any, on the Company's consolidated financial results from any potential restructuring activity is uncertain, Weston Foods will closely monitor the food manufacturing market.

Brands

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

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

Raw Materials

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

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

Intellectual Property

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

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

Seasonality

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

Labour and Employment Matters

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

In 2012, Weston Foods renegotiated a labour agreement with the other union at Interbake Foods' North Sioux City plant. From January 1, 2013 to December 31, 2013, Weston Foods successfully renegotiated six collective agreements covering approximately 460 employees and as part of the Rubschlager acquisition, successfully negotiated a new collective agreement with the union at Rubschlager's plant. From January 1, 2014 to December 31 2014, Weston Foods successfully renegotiated five collective bargaining agreements covering 336 employees. No labour disputes occurred during 2014. In 2015, there are seven collective agreements up for renegotiation covering approximately 858 employees.

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

Weston Foods participates in various multi-employer pension plans ("MEPPs"), providing pension benefits to union employees pursuant to provisions of collective bargaining agreements. During 2012, Weston Foods withdrew from one of the U.S. MEPPs in which it participated and as a result, paid a withdrawal liability of $34 million. During the fourth quarter of 2012, another participating employer withdrew from the plan and a mass withdrawal was triggered. As a result of the mass withdrawal, Weston Foods was subject to an incremental withdrawal liability. The total liability recorded as at the end of the fourth quarter of 2013 relating to the Company's mass withdrawal liability was $22 million, $17 million of which was recorded in the fourth quarter of 2012. During 2014, Weston Foods committed to a new hybrid pension plan for 7 years which released the obligation of any past service liabilities. A payment of $7.35 million (approximately 50% of the estimated 2014 withdrawal obligation) permits Weston Foods to contribute to the plan as a "new employer" as defined by the plan pursuant to its collective bargaining agreement.

Environmental and Health and Safety Matters

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

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

In addition, provincial government bodies have introduced legislation that imposes liabilities on retailers, brand owners and importers for costs as a result of recycling and disposal of consumer goods packaging and printing materials distributed to consumers. Weston Foods has been subjected to increased costs associated with these laws.

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

Food Safety and Public Health

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

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

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

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

Research and Development and New Products

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

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

In addition, in 2014, Weston Bakeries re-launched its *Wonder* brand with a re-introduction of Classic White and Whole Wheat breads and rolls, along with White +Fibre and Wheat +Fibre variants. Weston Foods launched innovation under its *D'Italiano* brand, including *Brizzolio* and *Granizzi* breads and *Bagelli* - new bagel flavours, and under its *Country Harvest* brand with High Protein and Fibre breads. Weston Foods also expanded its gluten-free portfolio with new snack cakes, soft, sandwich and animal cracker cookies and rolls.

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

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

<u>Foreign Operations</u>

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

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

Loblaw

<u>Retail Segment</u>

Over the past three years, Loblaw has advanced a number of significant initiatives, including the following.

Acquisition of Shoppers Drug Mart

In 2014, Loblaw completed the acquisition of Shoppers Drug Mart. As a result of this acquisition, Loblaw now includes Canada's leading pharmacy business and one of the largest retail loyalty card programs in Canada. In addition, Loblaw is now able to offer consumers Loblaw's control brand food products in Shoppers Drug Mart stores.

As a result of the acquisition, Loblaw expects to achieve annualized synergies of $300 million in the third full year following the close of the Shoppers Drug Mart transaction (net of related costs). Loblaw met its first year synergy target achieving over $100 million in synergies, which were generated primarily from improved cost of goods sold and from purchasing efficiencies in goods not for resale. In 2015, Loblaw will continue to focus on achieving the anticipated strategic benefits and operational, competitive, and cost synergies associated with this acquisition.

Information Technology Systems Implementation

One of the most significant initiatives that Loblaw has undertaken over the last three years is the undertaking of a major upgrade of its IT infrastructure. This project represents one of the largest technology infrastructure programs ever implemented by Loblaw and is fundamental to its long-term growth strategies. It is anticipated that the implementation of the new IT systems will drive ordering and inventory efficiencies by initiating store orders to distribution centres and vendors based on point of sale data and facilitate perpetual inventory in most product categories in its stores. In 2012, Loblaw went live with its new IT systems at its first corporate store and distribution centre. Loblaw has since rolled out its new IT systems to substantially all of its corporate grocery stores and distribution centres with no significant impact on customers. In 2015, Loblaw expects to advance efficiency initiatives, with a focus on continuing to roll out its new IT systems to its remaining stores.

Strengthened Customer Proposition

Loblaw's customer proposition is the combination of value, experience and product assortment. Over the past three years, heightened industry competition and economic uncertainty have translated into a challenging environment for Canadian retailers. During this time, Loblaw has worked to strengthen its customer proposition with an emphasis on fresh product quality, presentation and assortment, customer service and competitive value.

In the last three years, Loblaw has sought to reinforce competitive differentiation, including by: (i) providing innovative control brand products to consumers, including the *President's Choice* gluten free, *PC Free From*, *PC Organics, PC* black label and *PC The Decadent* product lines; (ii) expanding its multicultural control brand product lines, including *Rooster*, *Suraj*, *Sufra*, *T&T* and *ARZ;* (iii) exploring new service opportunities, such as in-store medical clinics and dietitians to meet the evolving needs of Canadian consumers; (v) optimizing its general merchandise selection to better align with its core food offering; (vi) introducing valued-added services, including launching and expanding the *PC Plus* digital loyalty program; and (vii) enhancing its channels of distribution, including launching *Joe Fresh* online in Canada and launching its *Click and Collect* program, which allows customers to shop online for their groceries and pick up their order at a store and time that is convenient for them, without ever having to leave their car.

Loblaw has also taken measures to improve the experience at many of its retail grocery stores. Since 2011, Loblaw has added over 20 *Inspire* stores, which are built or remodeled based on Loblaw's flagship *Loblaws* store at Maple Leaf Gardens[4]. These stores aim to provide customers with an elevated shopping experience focused on innovative fresh food concepts, a breadth of assortment and food-focused customer service. In addition, Loblaw has increased the number of Shoppers Drug Mart stores with a *BeautyBOUTIQUE*, which is a store within a store concept with open-sell displays focused on prestige cosmetics.

In 2015, Loblaw plans to continue to invest in innovative products, services and channels in order to maintain its competitive position.

<u>Financial Services Segment</u>

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

[4] Reg'd TM Lic'd Use.

President's Choice Financial MasterCard

Loblaw has focused on expanding its *President's Choice Financial* MasterCard portfolio over the past three years. Since 2012, Loblaw has acquired over 3 million applications for its *President's Choice Financial* MasterCard and has added over 350,000 new active cardholders in that timeframe. Loblaw also reinvigorated the *President's Choice Financial* brand with the media campaign: "That's just good banking".

In 2014, Loblaw offered UGO, a mobile wallet payment solution. In addition, Loblaw launched the offering of its pre-paid credit cards and launched a travel website, pctravel.ca, which allows *PC* MasterCard customers to earn even more *PC* points when they use their credit card.

Mobile Phone Services

In 2011, *The Mobile Shop*, a full service mobile kiosk, was launched in 75 of Loblaw's grocery stores across Canada. *The Mobile Shop* provides customers with the ability to shop a range of mobile rate plans and handsets from a full range of carriers in one convenient location. In 2012 and 2013, Loblaw introduced over 100 additional *The Mobile Shop* locations, and by the end of 2014, there were more than 175 locations across Loblaw's grocery store network.

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

In 2015, the Financial Services segment will continue to be focused on initiatives to drive increased customer awareness and grow the *President's Choice Financial* brand.

Choice Properties Segment

On July 5, 2013, Choice Properties completed its initial public offering ("IPO") of 40,000,000 Units at a price of $10.00 per Unit for aggregate gross proceeds of $400 million. In addition, pursuant to the exercise of the over-allotment option granted to the underwriters in connection with the IPO, Choice Properties completed the issuance of an additional 6,000,000 Units at a price of $10.00 per Unit for aggregate gross proceeds of $60 million. Inclusive of the over-allotment option, the total gross proceeds of the Choice Properties IPO was $460 million. Concurrently with the closing of the offering, the Company, the principal shareholder of Loblaw, indirectly purchased, through two wholly-owned subsidiaries, 20,000,000 Units at a price of $10.00 per Unit for aggregate gross proceeds of $200 million. Choice Properties used the proceeds of the offering to acquire real estate properties from Loblaw. The initial properties acquired consisted of 425 properties, comprising 415 retail properties, one office complex and nine warehouse properties. The aggregate purchase price for the initial properties was approximately $7 billion.

As at January 3, 2015, Choice Properties' portfolio consisted of 472 properties, comprising 457 retail properties, ten warehouse properties, one office complex, one industrial property and three parcels of land for development, totaling approximately 38.9 million square feet across Canada, of which Loblaw has been the predominant vendor. In 2015, Loblaw expects that it will continue to create growth in Choice Properties by selling much of its remaining 7 million square foot property portfolio to Choice Properties over the next 10 years, and investing in a diversified portfolio of non-Loblaw properties.

Additional information on Choice Properties can be found in the Annual Information Form of Choice Properties dated February 24, 2015, which is available at www.sedar.com or www.choicereit.ca.

Significant Acquisitions

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

The cash portion of the acquisition was financed as follows:

- $3.5 billion was obtained through an unsecured term loan facility bearing interest at a rate equal to the Bankers' Acceptance rate plus 1.75% and maturing March 28, 2019. Loblaw subsequently reached an agreement on July 23, 2014 to re-price the interest rate on the unsecured term loan facility to Banker's Acceptance plus 1.45%;
- $1.6 billion of cash proceeds from the issuance of unsecured notes in the third quarter 2013 were released from escrow;
- $500 million was received in consideration of the issuance of approximately 10.5 million common shares to GWL; and
- approximately $1.0 billion of cash on hand.

GWL filed a Business Acquisition report on June 4, 2014 and a Material Change Report on July 17, 2013, which are available at www.sedar.com. Loblaw filed a Business Acquisition Report on June 3, 2014 and a Material Change Report on July 17, 2013 in respect of the acquisition, which are available at www.sedar.com. Further information on the transaction and its expected effect on Loblaw can also be found in the Information Statement filed by Loblaw on SEDAR on August 20, 2013.

V. PRIVACY AND ETHICS

The Company is committed to managing its activities in an ethical and proper manner in all respects. Each of GWL (on its own behalf and on behalf of Weston Foods) and Loblaw has adopted a Code of Conduct, which their respective employees and directors are required to acknowledge on a regular basis, setting out the Company's expectations for ethical and appropriate behaviour. In 2014, the Company conducted a review of the Code to ensure it continued to match the industry's best practices.

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

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

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

VI. OPERATING AND FINANCIAL RISKS AND RISK MANAGEMENT

Risk Management

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

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

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

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

Accountability for oversight of the management of each risk is allocated by each of the Board and the LCL Board, respectively, to either the full board or to committees of the board.

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

Operating Risks

Acquisition of Shoppers Drug Mart

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

IT Systems Implementations

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

Execution of Strategic Initiatives

The Company undertakes from time to time acquisitions and dispositions that meet its strategic objectives. The Company holds significant cash and short term investments and is continuing to evaluate strategic opportunities for the use or deployment of these funds. The use or deployment of the funds and the execution of the Company's capital plans could pose a risk if they do not align with the Company's strategic objectives or if the Company experiences integration difficulties on the acquisition of any businesses. In addition, the Company may not be able to realize upon the synergies, business opportunities and growth prospects expected from any such investment opportunities or from the execution of the Company's strategies. Finally, any acquisition or divestiture activities may present unanticipated costs and managerial and operation risks, including the diversion of management's time and attention from day-to-day activities. If the Company's strategies are not effectively developed and executed, it could negatively affect the reputation, operations or financial performance of the Company.

Pharmacy Industry Regulation

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

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

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

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

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

Inventory Management

Loblaw is subject to risks associated with managing its inventory. Failure to successfully manage such risks could result in shortages of inventory, or excess or obsolete inventory which cannot be sold profitably or increases in levels of inventory shrink. Any of these outcomes could negatively affect the financial results of the Company. Loblaw is continuing to convert its grocery stores to a new IT system, and in doing so is gaining increased visibility to integrated costing and sales information at store level. With this increased visibility, Loblaw will have more precise information to better identify and assess risks relating to inventory, however this will not eliminate such risks.

Organizational Capacity and Change Management

Significant strategic initiatives within the Company, including the adoption of the new IT systems, and realizing the anticipated strategic benefits associated with the acquisition of Shoppers Drug Mart, are underway. Ineffective change management could result in disruptions to the operations of the business or negatively affect the ability of the Company to implement and achieve its long-term strategic objectives. Failure to properly implement complex initiatives in a timely manner will adversely impact the operations of the Company. If colleagues are not able to develop and perform new roles, processes and disciplines, the Company may not be able to properly implement its strategic initiatives. In addition, failure to properly implement the strategic initiatives will increase the risk of customer dissatisfaction, which in turn could adversely affect the reputation, operations or financial performance of the Company.

Information Integrity and Reliability

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

Availability, Access and Security of Information Technology

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

Food Safety and Public Health

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

Labour Relations

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

Competitive Environment

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

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

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

Talent Management and Succession Planning

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

Consumer and Retail Customer Trends

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

Economic Environment

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

Regulatory and Tax

Changes to any of the laws, rules, regulations or policies (collectively, "laws") applicable to the Company's business, including laws affecting all types of taxes, and laws affecting the production, processing, preparation, distribution, packaging and labelling of products, could have an adverse impact on the financial or operational performance of the

Company. In the course of complying with such changes, the Company could incur significant costs. Changing laws or interpretations of such laws or enhanced enforcement of existing laws could restrict the Company's operations or profitability and thereby threaten the Company's competitive position and ability to efficiently conduct business. Failure by the Company to comply with applicable laws and orders could subject the Company to civil or regulatory actions, investigations or proceedings, including fines, assessments, injunctions, recalls or seizures, which in turn could adversely affect the reputation, operations or financial performance of the Company.

The Company is subject to tax audits from various government and regulatory agencies on an ongoing basis. As a result, from time to time, taxing authorities may disagree with the positions and conclusions taken by the Company in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments. These reassessments could have a material impact on the Company.

In 2012, Loblaw received indication from the Canada Revenue Agency (the "CRA") that it intends to proceed with reassessments of the tax treatment of Loblaw's wholly owned subsidiary, Glenhuron Bank Limited. The CRA's position is that certain income earned by Glenhuron in Barbados in respect of the 2000 to 2010 taxation years should be treated, and taxed, as income in Canada.

Based on the proposal letter from the CRA, if the CRA and the relevant provincial tax authorities were to prevail in all of these reassessments, which the Company believes would be unlikely, the estimated total tax and interest for the 2000 to 2010 taxation years would be approximately $440 million, which would increase as interest accrues. Loblaw believes it is likely that the CRA and the relevant provincial tax authorities will issue reassessments for 2011 to 2013 on the same or similar basis. No amount for any reassessments has been provided for in the Company's consolidated financial statements.

Subsequent to the end of 2014, Loblaw received a letter from the CRA stating that the CRA will be proceeding with the reassessments. Loblaw expects to receive the reassessments from the CRA and the relevant provincial tax authorities sometime in coming months. The Company strongly disagrees with the CRA's position and intends to vigorously defend its position including appealing the reassessments when they are received. The Company will make cash payments or provide other forms of security on a portion of the taxes in dispute. If the Company is successful in defending its position, in whole or in part, some or all of the cash payments or security would be returned to the Company. If the CRA were to ultimately prevail with respect to the proposed reassessment or if the CRA were to successfully pursue other reassessments, the outcome could have a negative material impact on the Company's reputation, results of operations and financial position of the Company in the year(s) of resolution.

As part of the review undertaken by the Competition Bureau of the acquisition by Loblaw of Shoppers Drug Mart, it expressed concerns about practices that Loblaw has in place with certain suppliers. In connection with this review, the Competition Bureau issued requests for documents from 12 suppliers of Loblaw. Loblaw has and will continue to cooperate with the Competition Bureau in its review of these practices. At this stage of the review, it is not possible to predict when the review will be completed or the outcome of such review. If the Competition Bureau is not satisfied that Loblaw's practices satisfy the Competition Bureau's objectives of maintaining competitive markets, then the Competition Bureau may pursue remedies that could have a negative material impact on the Company's reputation, results of operations and financial position of the Company.

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

Choice Properties is currently classified as a “unit trust” and a “mutual fund trust” under the *Income Tax Act* (Canada). It also qualifies for the Real Estate Investment Trust Exception under the *Income Tax Act* (Canada) and as such is not subject to specified investment flow-through rules. If Choice Properties ceases to qualify for these and other classifications and exceptions, the taxation of Choice Properties and its unitholders, including Loblaw and certain wholly owned subsidiaries of GWL, could be materially adversely different in certain respects, which in turn could materially adversely affect the trading price of the Units.

Legal Proceedings

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

Vendor Management and Third-Party Service Providers

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

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

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

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

Employee Retention and Succession Planning

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

Ability to Attract and Retain Pharmacists

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

Distribution and Supply Chain

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

Disaster Recovery and Business Continuity

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

Privacy and Information Security

The Company is subject to various laws regarding the protection of personal information of its customers, cardholders and colleagues. In the course of its business, the Company maintains records containing sensitive information identifying or relating to individuals. The use of digital media by the Company for marketing, promotional, loyalty programs or other business related activities may increase the risk of information security or privacy breaches. The Company's IT systems could be compromised by unauthorized parties attempting to extract business sensitive, confidential or personal information, corrupting information or disrupting business processes or by inadvertent or intentional actions by the Company's employees or vendors. A cybersecurity incident resulting in a security breach or failure to identify a cybersecurity threat, could disrupt business and could result in the loss of business sensitive or confidential information or other assets, as well as litigation, regulatory enforcement, violation of privacy and security laws and regulations and remediation costs. Any failures or vulnerabilities in these systems or non-compliance with laws governing personal information could adversely affect the reputation, operations or financial performance of the Company.

Commodity Prices

Weston Foods costs are directly impacted by fluctuations in the prices of commodity linked raw materials such as wheat flours, sugars, vegetable oils, cocoa powders and chocolate. Loblaw is also exposed to fluctuations in the commodity prices as a result of the indirect effect of changing commodity prices on the price of consumer products. In addition, both Weston Foods and Loblaw are exposed to increases in the prices of energy in operating, in the case of Weston Foods, its bakeries and distribution networks, and, in the case of Loblaw, its stores and distribution networks. Both Weston Foods and Loblaw use purchase commitments and derivative instruments in the form of futures contracts, option contracts and forward contracts to manage their current and anticipated exposure to fluctuations in commodity prices. Despite these strategies, fluctuating commodity prices could negatively affect the financial performance of the Company.

Franchisee Independence and Relationships

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

Associate-owned Drug Store Network and Relationships with Associates

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

Alternative Arrangements for Sourcing Generic Drug Products

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

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

Environmental

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

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

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

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

Trademark and Brand Protection

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

Defined Benefit Pension Plans

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

Multi-Employer Pension Plans

In addition to the Company-sponsored pension plans, the Company participates in various MEPPs, providing pension benefits to union employees pursuant to provisions of collective bargaining agreements. Approximately 26% (2013 – 37%) of employees of the Company and of its franchisees and Associates participate in these plans. These plans are administered by independent boards of trustees generally consisting of an equal number of union and employer representatives. In some circumstances, the Company has a representative on the board of trustees of these plans. The Company's responsibility to make contributions to these plans is limited by the amounts established pursuant to its collective agreements; however, poor performance of these plans could have an adverse impact on the Company's employees and former employees who are members of these plans or could result in changes to the terms and conditions of participation in these plans, which in turn could adversely affect the financial performance of the Company.

Loblaw, together with its franchisees, is the largest participating employer in the Canadian Commercial Workers Industry Pension Plan ("CCWIPP"), with approximately 52,000 employees as members. In 2014, Loblaw contributed approximately $54 million to CCWIPP. The recent actuarial reports filed for CCWIPP indicate that the Plan is underfunded with the accrued benefit obligations exceeding the value of the CCWIPP assets. Any benefit reductions would negatively affect the retirement benefits of Loblaw's employees, which in turn could negatively affect their morale and productivity and, in turn, could adversely affect the reputation of the Company.

Execution of Weston Foods' Strategic Initiatives

Weston Foods has developed a strategic plan which includes significant capital investment to position it for long term growth. Execution of the strategic plan requires prudent operational planning, availability and attention of key personnel, timely implementation and effective change management. Failure to execute the strategic plan as desired could negatively affect the financial performance of the Company.

Workplace Health and Safety

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

Ethical Business Conduct

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

Financial Risks

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

Level of Indebtedness

To fund the cash portion of the acquisition of Shoppers Drug Mart, Loblaw utilized excess cash and significantly increased its indebtedness. Although Loblaw has made progress in reducing its indebtedness subsequent to the acquisition of Shoppers Drug Mart, there can be no assurance that Loblaw will generate sufficient free cash flow to significantly further reduce indebtedness and maintain adequate cash reserves. A failure to achieve these objectives could adversely affect Loblaw's credit ratings and its cost of funding.

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

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 and its credit card business, which requires a reliable source of funding for its credit card business. PC Bank relies on its securitization programs and the acceptance of GIC 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, it is unable to access sources of funding or it fails to appropriately diversify sources of funding. If any of these events were to occur, they would adversely affect the financial performance of the Company.

Choice Properties' Capital Availability

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

Foreign Currency Exchange Rates

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

USD denominated assets of foreign subsidiaries with a functional currency that is the same as that of the Company are included in operating income, while translation gains and losses on the net investment in foreign operations in the U.S. are recorded in accumulated other comprehensive income (loss).

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

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

Interest Rates

The Company is exposed to interest rate risk from fluctuations in interest rates on its floating rate debt and financial instruments, net of cash and cash equivalents, short-term investments and security deposits. An increase in interest rates could adversely affect the financial performance of the Company.

Credit

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

Common Share and Trust Unit Prices

Changes in the LCL common share price impact the Company's net interest expense and other financing charges. In 2001, Weston Holdings Limited ("WHL"), a subsidiary of GWL, entered into an equity forward sale agreement based on 9.6 million LCL common shares at an original forward price of $48.50 per LCL common share which, under the terms of the agreement, had increased to a forward price of $100.80 (2013 – $96.46) per LCL common share as at December 31, 2014. The forward matures in 2031 and will be settled in cash as follows: WHL will receive the forward price and will pay the market value of the underlying LCL common shares at maturity. The obligation of WHL under this forward is secured by the underlying LCL common shares. WHL recognizes a non-cash charge or income, which is included in consolidated net interest expense and other financing charges, representing the fair value adjustment of WHL's forward sale agreement for 9.6 million shares. The fair value adjustment in the forward contract is a non-cash item resulting from fluctuations in the market price of the underlying Loblaw shares that WHL owns. WHL does not record any change in the market price associated with the LCL common shares it owns. At maturity, if the forward price is greater (less) than the market price, WHL will receive (pay) cash equal to the difference between the notional value and the market value of the forward contract. Any cash paid under the forward contract could be offset by the sale of LCL common shares.

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

VII. CAPITAL STRUCTURE AND MARKET FOR SECURITIES

Share Capital

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

Common Shares (authorized – unlimited)

Common Shares have voting rights of one vote per Common Share. The holders of Common Shares are entitled, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of GWL, to receive any dividend declared by GWL and to receive the remaining property of GWL upon dissolution. As at December 31, 2014, there were 127,901,231 Common Shares issued and outstanding, a decrease of 1,821 Common Shares from December 31, 2013. There are an unlimited number of authorized Common Shares.

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

As of December 31, 2014, there were 9,400,000 5.80% non-voting Preferred Shares, Series I outstanding, with a face value of $235,000,000, which entitle the holders to a fixed cumulative preferred cash dividend of $1.45 per share per annum which will, if declared, be payable quarterly. GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares at $25.00 per share, together with all accrued and unpaid dividends to the redemption date.

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

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

As of December 31, 2014, there were no Preferred Shares, Series II outstanding.

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

As of December 31, 2014, there were 8,000,000 5.20% non-voting Preferred Shares, Series III outstanding, with a face value of $200,000,000, which entitle the holders to a fixed cumulative preferred cash dividend of $1.30 per share per annum, which will, if declared, be payable quarterly. GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares at $25.00 per share, together with all accrued and unpaid dividends to the redemption date.

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

<u>Preferred Shares – Series IV (authorized – 8,000,000)</u>

As of December 31, 2014, there were 8,000,000 5.20% non-voting Preferred Shares, Series IV outstanding, with a face value of $200,000,000, which entitle the holders to a fixed cumulative preferred cash dividend of $1.30 per share per annum which will, if declared, be payable quarterly. GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares at $25.00 per share, together with all accrued and unpaid dividends to the redemption date.

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

<u>Preferred Shares – Series V (authorized – 8,000,000)</u>

As of December 31, 2014, there were 8,000,000 4.75% non-voting Preferred Shares, Series V outstanding, with a face value of $200,000,000, which entitle the holders to a fixed cumulative preferred cash dividend of $1.1875 per share per annum which will, if declared, be payable quarterly. GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares as follows:

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

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

Trading Price and Volume

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

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

Common Shares				
Month	**High** ($ per common share)	**Low** ($ per common share)	**Average Daily Volume by Month** (in shares)	**Total Volume by Month** (in shares)
January 2014	$80.27	$76.01	97,269	2,139,913
February 2014	$81.98	$75.15	82,123	1,560,345
March 2014	$83.16	$79.62	100,126	2,102,647
April 2014	$82.81	$80.40	94,862	1,992,094
May 2014	$83.03	$78.75	157,201	3,301,226
June 2014	$81.37	$78.09	123,968	2,603,329
July 2014	$87.83	$77.75	113,588	2,498,930
August 2014	$88.36	$85.15	113,791	2,275,817
September 2014	$90.82	$85.25	169,745	3,564,639
October 2014	$93.27	$86.07	103,125	2,268,748
November 2014	$101.81	$89.73	124,981	2,499,621
December 2014	$104.00	$96.55	129,814	2,726,100

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

Preferred Shares Series I				
Month	**High** ($ per share)	**Low** ($ per share)	**Average Daily Volume by Month** (in shares)	**Total Volume by Month** (in shares)
January 2014	$25.39	$24.95	5,622	123,675
February 2014	$25.62	$25.14	6,614	125,667
March 2014	$25.52	$25.18	5,344	112,227
April 2014	$25.58	$25.32	3,134	65,811
May 2014	$25.70	$25.20	6,989	146,772
June 2014	$25.48	$25.25	4,358	91,527
July 2014	$25.53	$25.36	3,992	83,830
August 2014	$25.68	$25.22	8,998	179,958
September 2014	$25.42	$25.23	11,908	250,059
October 2014	$25.64	$25.28	3,455	76,005
November 2014	$25.77	$25.28	4,178	83,552
December 2014	$25.56	$25.30	3,936	82,660

Preferred Shares Series III				
Month	**High** ($ per share)	**Low** ($ per share)	**Average Daily Volume by Month** (in shares)	**Total Volume by Month** (in shares)
January 2014	$23.75	$23.25	5,799	127,568
February 2014	$24.21	$23.41	10,752	204,296
March 2014	$24.24	$23.70	7,645	160,541
April 2014	$24.02	$23.84	4,318	90,672
May 2014	$24.37	$23.96	4,162	87,400
June 2014	$24.38	$23.89	4,518	94,887
July 2014	$24.49	$24.19	4,130	90,858
August 2014	$24.66	$24.19	4,892	97,830
September 2014	$24.56	$23.85	4,791	100,611
October 2014	$24.58	$23.92	4,446	97,802
November 2014	$25.08	$24.50	4,314	86,285
December 2014	$25.01	$24.63	4,390	92,197

Preferred Shares Series IV				
Month	**High** ($ per share)	**Low** ($ per share)	**Average Daily Volume by Month** (in shares)	**Total Volume by Month** (in shares)
January 2014	$23.71	$23.24	7,768	170,886
February 2014	$24.22	$23.41	5,285	100,407
March 2014	$24.24	$23.67	4,585	96,288
April 2014	$24.05	$23.84	3,458	72,626
May 2014	$24.26	$23.95	3,775	79,282
June 2014	$24.38	$23.94	3,857	81,002
July 2014	$24.50	$24.18	3,476	76,475
August 2014	$24.75	$24.19	2,631	52,624
September 2014	$24.58	$23.85	4,383	92,039
October 2014	$24.58	$23.90	2,924	64,323
November 2014	$25.06	$24.51	4,419	83,952
December 2014	$25.18	$24.60	4,614	92,278

Preferred Shares Series V				
Month	**High** ($ per share)	**Low** ($ per share)	**Average Daily Volume by Month** (in shares)	**Total Volume by Month** (in shares)
January 2014	$22.86	$22.04	11,342	249,517
February 2014	$23.21	$22.28	5,332	101,304
March 2014	$23.28	$22.49	8,361	175,575
April 2014	$23.05	$22.37	4,186	87,915
May 2014	$23.32	$22.79	5,708	119,868
June 2014	$23.50	$22.78	4,782	100,427
July 2014	$23.45	$22.94	5,349	117,667
August 2014	$23.45	$22.88	8,777	175,549
September 2014	$23.40	$22.69	3,640	76,437
October 2014	$23.37	$22.63	5,261	115,737
November 2014	$24.24	$23.40	3,780	75,603
December 2014	$24.10	$23.32	4,344	91,220

Medium-Term Notes and Debt Securities

The outstanding medium-term notes of GWL are not listed or quoted on a recognized exchange. As at December 31, 2014, there were $800 million of GWL notes and debentures outstanding (excluding LCL). In March 2014, $200 million of GWL notes were repaid at maturity. On June 17, 2014, GWL issued $200 million of 4.115% senior unsecured notes due 2024.

Credit Ratings

During the second quarter of 2014, following the acquisition of Shoppers Drug Mart, Standard & Poor's Ratings Service ("S&P") reaffirmed GWL's credit ratings. In the fourth quarter of 2014, DBRS Limited ("DBRS") reaffirmed GWL's credit rating. GWL's credit ratings for its securities are as follows:

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

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

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

<u>Dominion Bond Rating Service</u>

Issuer Credit Rating

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

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

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

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

Preferred Shares

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

Rating Trends

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

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

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

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

Issuer Credit Rating

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

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

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

Preferred Shares

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

Rating Outlook

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

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

VIII. DIVIDENDS

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

Historical Dividend Payments

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

Dividends declared per share ($)	2014	2013	2012
Common shares	1.675	1.625	1.46
Preferred shares, Series I	1.45	1.45	1.45
Preferred shares, Series III	1.30	1.30	1.30
Preferred shares, Series IV	1.30	1.30	1.30
Preferred shares, Series V	1.19	1.19	1.19

During the second quarter of 2014, the Board declared a 1.2% increase in the quarterly common share dividend from $0.415 per common share to $0.42 per common share.

Normal Course Issuer Bid

During the second quarter of 2014, GWL filed a Normal Course Issuer Bid to purchase on the TSX, or enter into equity derivatives to purchase, up to 6,395,629 common shares, representing approximately five percent of its common shares outstanding as of the date on which GWL renewed its Normal Course Issuer Bid. In accordance with the rules and by-laws of the TSX, GWL may purchase its common shares at the market price of such shares.

GWL purchased 437,762 common shares pursuant to the Normal Course Issuer Bid in 2014. Of the 437,762 common shares purchased, 310,762 common shares were cancelled and the remaining 127,000 common shares were transferred to trusts for future equity settlements of GWL's Restricted Share Units and Performance Share Units.

IX. DIRECTORS AND OFFICERS

The following lists of directors and senior officers are current to March 4, 2015.

Directors

Name, Province and Country of Residence	Principal Occupation	Director Since
W. Galen Weston, O.C. Ontario, Canada	Executive Chairman of George Weston Limited	1967
A. Charles Baillie, O.C.[1,2,5*] Ontario, Canada	Corporate Director	2003
Paviter S. Binning Ontario, Canada	President of George Weston Limited	2012
Darren Entwistle[4] British Columbia, Canada	Executive Chair of TELUS Corporation	2011
Anthony R. Graham[2,3] Ontario, Canada	President of Selfridges Group Limited and President and Chief Executive Officer of Sumarria Inc.	1996
John S. Lacey Ontario, Canada	Chairman of Advisory Board of Brookfield Private Equity Group and Consultant to the Board of George Weston Limited and Loblaw Companies Limited	2009
Isabelle Marcoux[4*] Quebec, Canada	Chair of Transcontinental Inc. (printing and publishing company)	2007
Sarabjit S. Marwah[1,5] Ontario, Canada	Corporate Director	2013
Gordon Nixon, C.M.[1,5] Ontario, Canada	Corporate Director	2014
J. Robert S. Prichard, O.C.[2*,3] Ontario, Canada	Non-executive Chair of Torys LLP (law firm) and Chair of Metrolinx (transportation company) and Bank of Montreal	2000
Thomas F. Rahilly[1,2,3*,4,5] Ontario, Canada	Corporate Director	2007
Barbara Stymiest[1*,3] Ontario, Canada	Corporate Director	2011

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

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

Senior Officers

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

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

As at December 31, 2014, Mr. W. Galen Weston beneficially owned, directly or indirectly, 80,746,099 common shares or approximately 63% of the issued and outstanding common shares of GWL. Other directors and officers of GWL, as a group, beneficially owned, directly or indirectly, or exercised control over, less than 1% of the issued and outstanding common shares of GWL.

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

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

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

As a director and executive officer, respectively, of BlackBerry, each of Ms. Stymiest and Mr. Bidulka was subject to a management cease trade order issued by the Ontario Securities Commission on November 7, 2006, as a result of BlackBerry not having filed its second quarter financial statements for fiscal 2007 before the statutory filing deadline. That order ceased to be in effect as of May 23, 2007 as a result of BlackBerry making all required filings pursuant to Ontario securities laws.

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

X. LEGAL PROCEEDINGS

Legal Proceedings

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

Regulatory Actions

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

XI. MATERIAL CONTRACTS

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

Services Agreement

GWL has an agreement with LCL to provide certain administrative services by each company to the other. The services to be provided under this agreement include those related to commodity management, pension and benefits, tax, medical, travel, information system, risk management, treasury and legal. Payments are made quarterly based on the actual costs of providing these services. Where services are provided on a joint basis for the benefit of GWL and Loblaw together, each party pays the appropriate portion of such costs. Net payments received by GWL under this agreement in 2014 were $18 million. Fees paid under this agreement are reviewed each year by the Audit Committee.

XII. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

GWL's majority shareholder, Wittington Investments, Limited ("Wittington"), and its affiliates are related parties. The Company, in the normal course of business, has routine transactions with these related parties, including the rental of office space at market prices from Wittington. From time to time, the Company, Wittington and its affiliates may enter into agreements to make elections that are permitted or required under applicable income tax legislation with respect to affiliated corporations. These elections and accompanying agreements did not have a material impact on the Company in 2014.

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

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

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

Further information on related party transactions can be found on page 49 of the Company's 2014 MD&A.

XIII. TRANSFER AGENTS AND REGISTRARS

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

XIV. EXPERTS

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

XV. AUDIT COMMITTEE INFORMATION

The Audit Committee Charter, as approved by the Board on March 4, 2015, is included in Appendix A. The members of the Audit Committee are indicated above. All members of the Audit Committee are independent and financially literate (as those terms are defined in National Instrument 52-110 of the Canadian Securities Administrators) and have the following education and experience which is relevant to their roles as Audit Committee Members:

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

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

Mr. Nixon is a former President and Chief Executive Officer of Royal Bank of Canada and a former Chief Executive Officer of RBC Dominion Securities Inc. He obtained a Bachelor of Commerce (Honours) degree from Queen's University.

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

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

XVI. EXTERNAL AUDIT FEES

The aggregate fees of KPMG LLP for professional services rendered for the audit of the Company's financial statements and other services for the fiscal years 2014 and 2013 are as follows:

	2014 ($000's)	**2013** ($000's)
Audit fees *(1)*	7,556	8,016
Audit-related fees *(2)*	723	731
Tax-related fees *(3)*	262	29
All other fees *(4)*	79	14
Total Fees	**$8,620**	**$8,790**

(1) Audit fees include fees for services related to the audit of the Company's consolidated financial statements, including the audit of Loblaw's consolidated financial statements and the audits of Shoppers Drug Mart (beginning in 2014), Choice Properties and President's Choice Bank (each a subsidiary of Loblaw). Audit fees also include fees for services related to the review of quarterly reports, auditor involvement with filings related to the acquisition of Shoppers Drug Mart in 2014 and Choice Properties' initial public offering and debt prospectuses in 2013, audit procedures performed relating to Loblaw's IT system conversion, and the interpretation of accounting and financial reporting standards.

(2) Audit-related fees include fees for French translation services associated with the Company's financial and regulatory filings and the audit of pension plans.

(3) Tax-related fees include fees for tax compliance services and advice.

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

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

XVII. ADDITIONAL INFORMATION

1. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans, where applicable, will be contained in the Company's Management Proxy Circular for the Annual Meeting of shareholders to be held on May 12, 2015. Additional financial information is also provided in the Company's consolidated financial statements and MD&A for its most recently completed financial year.

2. Additional information of the Company has been filed on SEDAR and is available online at www.sedar.com. GWL's internet address is www.weston.ca.

3. Additional information of Loblaw has been filed on SEDAR and with the Office of the Superintendent of Financial Institutions as the primary regulator for Loblaw's subsidiary, President's Choice Bank. Loblaw's internet address is www.loblaw.ca.

4. Additional information of Choice Properties has been filed on SEDAR. Choice Properties' internet address is www.choicereit.ca.

Appendix “A”

Audit Committee Charter

1. RESPONSIBILITY

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

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

2. MEMBERS

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

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

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

3. CHAIR

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

4. TENURE

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

5. QUORUM, REMOVAL AND VACANCIES

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

6. DUTIES

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

(a) Appointment and Review of Auditor

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

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

(b) Confirmation of Independence of Auditor

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

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

(c) Rotation of Engagement Partner/Lead Partners

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

(d) Pre-Approval of Non-Audit Services

The Audit Committee shall pre-approve the retaining of the Auditor for any non-audit service, provided that no approval shall be provided for any service that is prohibited under the rules of the Canadian Public Accountability Board or the Independence Standards of the Canadian Institute of Chartered Accountants. Before retaining the Auditor for any non-audit service, the Audit Committee shall consider the compatibility of the service with the Auditor's independence. The Audit Committee may pre-approve retaining the Auditor for the engagement of any non-audit services by establishing policies and procedures to be followed prior to the appointment of the Auditor for the provision of such non-audit services. In addition, the Audit Committee may delegate to the Chair or one or more members the authority to pre-approve retaining the Auditor for any permissible non-audit service. The decisions of the Audit Committee Chair or any member of the Audit Committee to whom this authority has been delegated, as well as any pre-approvals of a particular service, will be presented to the full Audit Committee at its next scheduled Audit Committee meeting.

(e) Communications with Auditor

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

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

(f) Review of Audit Plan

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

(g) Approval of Audit Fees

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

(h) Review of Annual Audited Financial Statements

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

In conducting their review, the Audit Committee should:

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

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

(i) Review of Interim Financial Statements

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

(j) Other Financial Information

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

(k) Review of Prospectuses and Other Regulatory Filings

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

(l) Review of Related Party Transactions

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

(m) Review of Internal Audit Services

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

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

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

(n) Relations with Management

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

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

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

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

(p) Legal Compliance

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

(q) Enterprise Risk Management

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

The Audit Committee shall also oversee the Company's anti-fraud programs and controls, including its policies and procedures over fraud risk assessments and fraud risk management.

(r) Taxation Matters

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

(s) Hiring Policies

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

(t) Capital Projects

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

7. COMPLAINTS PROCEDURE

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

8. REPORTING

The Audit Committee shall report to the Board on:

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

- the Audit Committee's review of the Annual Information Form;
- the Company's compliance with legal and regulatory matters to the extent they affect the financial statements of the Company;
- those aspects of the enterprise risk management program for which oversight has been delegated by the Board to the Audit Committee; and
- all other material matters dealt with by the Audit Committee.

9. REVIEW AND DISCLOSURE

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

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

10. FREQUENCY OF MEETINGS AND *IN CAMERA* SESSIONS

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

11. RETENTION OF EXPERTS

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