Weston
George Weston Limited

2009

ANNUAL INFORMATION FORM

March 23, 2010

GEORGE WESTON LIMITED
2009 ANNUAL INFORMATION FORM
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I. FORWARD - LOOKING STATEMENTS

This Annual Information Form ("AIF") for George Weston Limited and its subsidiaries (collectively, the "Company") contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects and opportunities. Words such as "anticipate", "expect", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may" and "should" and similar expressions, as they relate to the Company and its management, are intended to identify forward-looking statements. These forward-looking statements are not historical facts but reflect the Company's current expectations concerning future results and events.

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

- the possibility that the Company's plans and objectives will not be achieved;
- changes in economic conditions including the rate of inflation or deflation;
- changes in consumer spending and preferences;
- heightened competition, whether from new competitors or current competitors;
- the availability and increased costs relating to raw materials, ingredients and utilities, including electricity and fuel;
- changes in the Company's or its competitors' pricing strategies;
- failure of the Company's franchised stores to perform as expected;
- risks associated with the terms and conditions of financing programs offered to the Company's franchisees;
- failure to realize sales growth, anticipated cost savings or operating efficiencies from the Company's major initiatives, including investments in the Company's information technology systems, supply chain investments and other cost reduction initiatives, or unanticipated results of these initiatives;
- the inability of the Company's information technology infrastructure to support the requirements of the Company's business;
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrink;
- failure to execute successfully and in a timely manner the Company's major initiatives, including the implementation of strategies and introduction of innovative and reformulated products or new and renovated stores;
- unanticipated results associated with the Company's strategic initiatives, including the impact of acquisitions or dispositions of businesses on the Company's future revenues and earnings;
- the inability of the Company's supply chain to service the needs of the Company's stores;
- deterioration in the Company's relationship with its employees, particularly through periods of change in the Company's business;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements which could lead to work stoppages;
- changes to the regulatory environment in which the Company operates;
- the adoption of new accounting standards and changes in the Company's use of accounting estimates including in relation to inventory valuation;
- fluctuations in the Company's earnings due to changes in the value of stock-based compensation and equity derivative contracts relating to George Weston Limited and Loblaw Companies Limited common shares;
- changes in the Company's tax liabilities including changes in tax laws or future assessments;
- detrimental reliance on the performance of third-party service providers;
- public health events;

- changes in interest and currency exchange rates;
- the inability of the Company or its franchisees to obtain external financing;
- the inability of the Company to collect on its credit card receivables;
- any requirement of the Company to make contributions to its funded defined benefit pension plans in excess of those currently contemplated;
- the inability of the Company to attract and retain key executives; and
- supply and quality control issues with vendors.

These and other 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 (the "MD&A") included in George Weston Limited's 2009 Annual Report and its 2009 Quarterly Reports. The forward-looking statements contained in this AIF and in particular in the Report to Shareholders and MD&A reflect management's current assumptions regarding these risks and uncertainties and their respective impact on the Company.

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. 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. The Company disclaims any intention or obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

The information in this AIF is current to March 12, 2010, unless otherwise noted. All information regarding Loblaw Companies Limited contained herein has been derived from the public disclosure record of Loblaw Companies Limited. All amounts are in Canadian dollars.

II. CORPORATE STRUCTURE

Incorporation

George Weston Limited ("GWL") was incorporated by letters patent under the laws of Canada on January 27, 1928. It was continued under the *Canada Business Corporations Act* on April 29, 1980, and amalgamated with Weston Food Processing Ltd. pursuant to Articles of Amalgamation effective January 1, 1989. The registered head office is located at 22 St. Clair Avenue East, Toronto, Ontario, Canada M4T 2S7.

Intercorporate Relationships

GWL is a holding company and operates through its subsidiaries in the Weston Foods and Loblaw reportable operating segments. Weston Foods is operated in Canada by Weston Foods (Canada) Inc. and its subsidiaries and in the United States by Weston Foods US, Inc. and its subsidiaries. The Loblaw segment is operated by Loblaw Companies Limited ("Loblaw Companies"), a public company in which GWL, directly and indirectly, holds a 62.5% interest. Loblaw Companies operates the Loblaw segment across Canada through its subsidiaries (Loblaw Companies and its subsidiaries are collectively referred to as "Loblaw").

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

Weston Foods Subsidiaries	**Jurisdiction of Incorporation**
Boulangerie Gadoua Ltée	Quebec
Boulangerie Weston Gadoua Inc.	Canada
Boulangeries Weston Québec Limitée	Ontario
Dicoa Holdings Limited	Gibraltar
Dicoa Investments Limited	Gibraltar
Dunedin Holdings S.à r.l.	Luxembourg
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
Weston Food Distribution Inc.	Canada
Weston Food Investment Corporation	Canada

Loblaw Subsidiaries	**Jurisdiction of Incorporation**
Atlantic Wholesalers Ltd.	New Brunswick
Fortinos Supermarket Ltd.	Ontario
Glenhuron Bank Limited	Barbados
Loblaw Alberta Inc.	Alberta
Loblaw Brands Limited	Canada
Loblaw Companies Limited	Canada
Loblaw Financial Holdings Inc.	Ontario
Loblaw Properties Limited	Ontario
Loblaw Properties West Inc.	Canada
Loblaws Inc.	Ontario
Loblaws Supermarkets Limited	Ontario
National Grocers Co. Ltd.	Ontario
PGV Acquisition Inc.	Quebec
President’s Choice Bank	Canada
Provigo Distribution Inc.	Quebec
Provigo Properties Limited	Canada
Provigo Quebec Inc.	Quebec
T&T Supermarket Inc.	British Columbia
Westfair Foods Ltd.	Alberta
Zehrmart Inc.	Ontario

III. GENERAL DEVELOPMENT OF THE BUSINESS

Overview

GWL is a Canadian public company, founded in 1882, engaged in food processing and distribution. The Company has two reportable operating segments, Loblaw and Weston Foods, and holds cash and short-term investments. The Loblaw operating segment is Canada's largest food distributor and a leading provider of drugstore, general merchandise and financial products and services. The Weston Foods operating segment is a leading fresh and frozen bakery company in Canada and is engaged in frozen baking and biscuit manufacturing in the United States.

Weston Foods

Weston Foods operates a fresh and frozen bakery business in Canada, a frozen bakery business in the United States and a biscuit, cookie, cone and wafer business in the United States. Baking industry conditions have changed significantly over the past several years and the Company's 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, 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 2009, Weston Foods continued to focus on cost reduction initiatives, innovative product offerings, as well as the forward buying of commodities. The volatility of commodity pricing continues to be problematic across the baking industry.

In recent years, Weston Foods has focused on:

- satisfying consumer focus on healthier, more nutritious and value-added products;
- the development and introduction of new health-related product offerings, including enhanced whole grain and whole wheat offerings and nutritionally enhanced white bread, as well as no cholesterol, reduced fat and no trans-fat products;
- sales growth in the whole grain products, nutritionally enhanced white bread, frozen donuts and whole wheat and higher priced premium product categories such as artisan bakery offerings, reduced fat and trans-fat free products and alternative products, including flatbreads;
- addressing the recent trend toward more consumers eating at home as the North American economic environment deteriorated;
- increasing investment behind its brands;
- investing capital to support growth; and
- cost improvements to ensure a low cost operating structure.

Dispositions

Sale of Neilson Dairy

On December 1, 2008, the Company completed the sale of its Canadian dairy and bottling operations to Saputo Inc. for proceeds of $467 million, with a pre-tax gain of $335 million ($281 million, net of tax). Prior to the closing, Loblaw entered into a long-term supply agreement with the dairy and bottling operations.

Sale of US Fresh Bakery Business

As part of its commitment to creating shareholder value, the Company remains open to exceptional opportunities that enable it to realize upon the value of its assets. In 2009, Dunedin Holdings S.à r.l., a subsidiary of the Company, completed the sale of its US fresh bakery business to Grupo Bimbo, S.A.B. de C.V. for gross and net proceeds of approximately US$2.5 billion, including approximately US$125 million of interest bearing assets. Following this disposition, the Company holds a significant amount of cash and short-term investments and continues the process of assessing opportunities for the deployment of these funds.

Capital Investment

Capital investments over the past three years have been targeted toward improving the efficiency of existing assets and increasing capacity where growth opportunities exist. Over the last three years, small to medium-sized capital investments and acquisitions have taken place in targeted areas.

During 2009, Weston Foods purchased a bakery manufacturing facility in Calgary, Alberta for approximately $6 million. During 2008, Weston Foods began construction of a new fresh bakery manufacturing facility in Winnipeg. This facility was completed and began production in 2009. In addition, during 2008, Weston Foods purchased a frozen bakery manufacturing facility in Toronto, Ontario, for approximately $10 million.

Restructuring Activities

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

Highlights of the activities undertaken over the last three years include:

- a plan to restructure the operating structure of the United States biscuit manufacturing business;
- a plan to restructure the operating structure of the Canadian bakery business. The plan involved segregating certain functional departments between the fresh and frozen bakery businesses and centralizing of other functions;
- the closure of five manufacturing facilities in Canada; and
- the restructuring of the Ontario frozen bakery, the Ontario and Quebec fresh bakery and the dairy distribution operations.

Further information on trends affecting Weston Foods and Weston Foods strategies and financial performance can be found in the MD&A section of the Company's 2009 Annual Report. This information is incorporated by reference and is available at www.sedar.com.

Loblaw

The past three years were years of evolution as Loblaw continued to transform into a company that is truly competitive over the long term.

Multi-Year Turnaround Plan

Loblaw is currently executing a five year turnaround plan and is in the fourth year of its plan.

Project Simplify, which was executed during 2007, was undertaken to simplify the organization by more clearly defining accountabilities, eliminating duplication and establishing consistent, simple and efficient processes. Regional food merchandising and replenishment functions were centralized to improve Loblaw's buying scale and create consistent and more effective category management processes. Store operations functions were aligned across all regions to enhance the customer experience. Support functions, such as Marketing, Finance, and Human Resources, were redesigned for effectiveness and efficiency. Loblaw is continuing to build tools, processes and capabilities to maximize the benefits of Project Simplify, while also reducing complexity, focusing on stability and improving execution at stores, distribution centres and store support centres.

Loblaw embarked on an initiative to fix the basics of its business, a critical part of its strategy to be known once again as one of the world's best retailers. A major component of this strategy is to have a world-class supply chain, ensure shelf availability, reduce shrink and improve store productivity. Loblaw also implemented a strategy to lower retail prices, to deliver excellent value to customers and to ensure they recognize the benefit of lower prices in its stores where it matters.

In 2008, Loblaw continued to work on these core initiatives and was able to leverage its national scale in order to achieve cost and operating efficiencies. While still affected by complex processes and outdated Information Technology ("IT") systems, Loblaw was nonetheless successful in improving store performance in areas such as labour productivity and in reducing shrink, continuing its investment in pricing, renewing the food and rationalizing the general merchandise product assortments, improving price perception and ensuring that its support functions are serving the business in the most critical areas. It also began to execute its plans to improve its supply chain and IT infrastructure.

In 2009, Loblaw continued to make progress in its turnaround efforts by delivering value for its customers, colleagues and merchants. Loblaw continued to work on improving in-store fresh food quality by implementing best practices and revisiting its assortment to better serve local-market needs. Improved shop-keeping led to better in-store processes with greatly improved product availability. In 2009, significant investments were made in Loblaw's supply chain and IT infrastructures to modernize systems that will expand capacity and drive productivity.

In 2010, Loblaw's focus will be on marketing events that resonate with value-oriented consumers, improving the profitability of its control label products, improving the breadth and consistency of its fresh meat offering, further reductions to inventory and consistency of execution.

Success of Loblaw's turnaround initiatives is dependent on management effectively implementing the changes and realizing the intended benefits. Ineffective change management may result in disruptions to the operations of the business or affect the ability of Loblaw to change or implement and achieve its long term strategic objectives. In addition, the centralization of Loblaw may create synergies in some areas of the business but also increase the risk of losing valuable market knowledge at the regional levels and across the various banners. Any of these events could negatively impact Loblaw's performance. Loblaw may not always achieve the expected cost savings and other benefits of its initiatives.

Further information on Loblaw's strategies is provided in the MD&A, included in Loblaw's 2009 Annual Report, which is incorporated by reference.

Acquisition of T&T Supermarket

On September 28, 2009 it was announced that Loblaws Inc. completed the acquisition of T&T Supermarket Inc. ("T&T"). This acquisition will help Loblaw extend its ethnic offering to better serve Canada's largest growing customer segment and positions it for future growth in the ethnic food market.

T&T began operations in 1993 and now operates 18 stores in the provinces of British Columbia, Alberta and Ontario and four distribution centres, three in Vancouver and the other in Toronto. T&T offers a robust Asian food offering with emphasis on fresh and ready to consume meals.

Supply Chain

In recent years, Loblaw has continued its focus on supply chain improvements. In 2007, Loblaw launched a significant initiative to invest in and improve its supply chain. This initiative includes upgrading the physical distribution network, increasing capacity, and the implementation of new forecasting, replenishment, distribution and transportation capabilities that over time will improve in-store availability and operational productivity.

In 2008, four new distribution centres were opened, other distribution centres were reconfigured and availability and service levels consistently improved.

In 2009, three distribution centres were opened or renovated which increased warehouse capacity by approximately 800,000 square feet. Overall availability and service level improved. Warehouse cost per case improved and inventory levels decreased. Further, Loblaw made significant progress in the rollout of a new transportation management system and warehouse management system which will be completed in 2010 and 2011, respectively. In 2010, two new distribution centres will open and several others will be renovated.

Although these changes are anticipated to improve service levels for Loblaw's stores, the scale of the change and the implementation of new processes and systems could cause disruption in the flow of goods to stores, which would negatively affect sales.

Labour and Employment Matters

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

In the past three years, 207 collective agreements were successfully negotiated. Significant labour negotiations took place across Loblaw in 2009 as 59 collective agreements expired and 64 collective agreements were successfully negotiated.

In 2010, 73 collective agreements affecting approximately 35,000 colleagues will expire, including Loblaw's largest single agreement covering approximately 13,700 colleagues. Loblaw will also continue to negotiate the 66 collective agreements carried over from 2005 to 2009 inclusively.

Renegotiating collective agreements might result in work stoppages or slowdowns, which could negatively affect Loblaw's financial performance, depending on their nature and duration. Loblaw 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 team attempts to mitigate work stoppages and disputes through early negotiations, where possible, or through delaying negotiations through busy periods, work stoppages or slowdowns are possible.

The Human Resources department, together with management, creates action plans designed to improve colleague engagement. In 2008, Loblaw's Human Resources function made significant strides in colleague development, succession planning and safety programs while also building national programs to attract and retain the colleagues necessary to meet business needs. Human Resources launched a colleague discount plan, standardized the process for implementing major business transformation and centralized recruiting. Loblaw also launched a "Tell It As It Is" colleague engagement survey to receive feedback from more than 100,000 colleagues twice a year.

In 2009, Loblaw's Human Resources function progressed towards developing programs designed to make Loblaw "A Great Place to Work." Specific focus was on attracting and retaining colleagues, colleague development and succession planning. These efforts paid off as Loblaw was recognized as one of Canada's Top 100 Employers, one of Greater Toronto's Top 90 Employers and one of the Financial Post's Ten Best Companies. In addition, turnover at the store level was reduced significantly.

In 2010, Loblaw's Human Resources function will continue to build a fast, flexible performance culture and focus on ensuring colleagues are focused on customers.

The degree to which Loblaw is not effective in attracting and retaining talented employees, developing its employees, managing performance and implementing appropriate succession planning processes and retention strategies could lead to a lack of requisite knowledge, skills and experience. Should Loblaw's initiatives in this area not be successful, Loblaw may not be able to execute its strategies, efficiently run its operations and its goals for financial performance may be adversely affected.

Financial Performance

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

Products and Services

Loblaw is Canada's largest food distributor and a leading provider of drugstore, general merchandise, and financial products and services. Traditional food offerings remain at the core of Loblaw's business. Loblaw operates three distinct store formats: Superstore, Great Food and Hard Discount. It also operates a Wholesale format.

Go-to-market strategies have been developed for each format based on customer shopping preferences, competitive considerations, and market opportunities. In 2008, programs took place in each of the three main formats. Great Food stores were enhanced by the "Back to Best" program in the Greater Toronto Area which included innovations to Loblaw's meat, seafood and produce offerings, as well as improved colleague engagement and service. Eleven Superstores were renovated in 2008 to optimize layout and improve shopping experience. By year end 2008, twelve *no frills* stores were open in western Canada.

In 2009, Loblaw applied the learnings from a series of successful 2008 pilot projects that were designed to enhance the performance of each of Loblaw's retail banners. In the West, Loblaw renovated 26 *Real Canadian Superstore* locations, built 2 new *no frills* stores and converted 5 *Extra Food* bannered stores to *no frills* stores. These conversions were a direct response to consumer demand for value in specific markets. In the East, Loblaw opened its first *no frills* bannered store in Shediac, New Brunswick. And in Quebec, Loblaw piloted a conversion of a *Loblaw* banner to *Maxi & Cie*, expanded the "Back to Best" conventional store upgrades to the Loblaw banner and piloted the *Provigo Marché en Ville* bannered store. These conversions and upgrades helped to optimize store layouts and space allocation with redesigned priority categories and more engaging visual merchandising.

Loblaw renovated and refreshed more than 200 stores in 2009. Some of these were completed using a model named "Operation Shudder", which involved shutting down a store on the slowest day of the week to minimize disruption and complete core renovations and remodelling. The result was an enhanced shopping experience for customers on their next visit to the store. With improved efficiency and productivity in store upgrades, Loblaw will continue their store upgrade program in 2010. In addition, Loblaw will add new square footage and plans to increase its footprint by more than one million square feet over the next two years.

The focus of Loblaw continues to be to simplify and optimize assortments, getting credit for value by lowering prices in a targeted manner and ensuring its general merchandise offering complements Loblaw's focus on food. Other products and services offered by Loblaw are described below. In addition, through certain of its corporate and franchise locations, Loblaw's offerings include gas bars, photo processing, optical products and services and medical clinics.

Control Label Program

Loblaw offers a strong and innovative control label program for both food and everyday household needs. This program helps to create customer loyalty and ensure price competitiveness. Over the past three years, Loblaw has continued to add products to its control label program in the food, health and beauty and apparel categories. In support of these products, in 2009 Loblaw distributed four issues of the *Insider's Report* that reached millions of homes across Canada. These included Healthy, Lawn & Garden, Summer and Holiday *Insider's Reports*. In addition an on-line only version of the PC Green *Insider's Report* was issued.

Loblaw has been a leader in the offering of health-oriented and organic control label products. Loblaw offers a range of certified organic products and now has over 300 of those products under the *PC Organics* label. Early in 2005, Loblaw introduced its *Blue Menu* line of products for health and nutrition conscious consumers and now offers over 300 such products.

In 2007, Loblaw expanded its *Joe Fresh Style* brand by launching children's wear, intimates and accessories. In 2008, Loblaw continued to add square footage of selling space for the *Joe Fresh Style* brand and expanded its distribution in Quebec and Atlantic Canada. In 2009, 10% additional retail space was added to existing stores in Ontario, Quebec and the Atlantic for adult apparel including women's sportswear, sleepwear & intimates, accessories and men's wear. Loblaw also introduced *Joe Fresh Style* cosmetics, sunglasses and jewellery into more than 250 selected stores. Loblaw also introduced an innovative line of *Joe Fresh Style* bath products in the fall of 2009, building on the success of *Joe Fresh Beauty* products. Loblaw plans on expanding 26 *Joe Fresh Style* departments in 2010 and on developing and introducing new products into the marketplace.

In 2008, Loblaw celebrated the 25th anniversary of the Holiday *Insider's Report*. In 2009, Loblaw launched 524 new *President's Choice* products, improved 718 others and put 1,800 *President's Choice* products with redesigned packaging into stores and celebrated the 25th anniversary of *President's Choice.* In 2010, Loblaw's focus will be on improving the profitability of control label products.

Loblaw's control label offering was supported in 2007, 2008 and 2009 by a new marketing campaign featuring *President's Choice* Signature products, select *President's Choice* products that provide exceptional quality and value for consumers and also support our Corporate Social Responsibility values. This campaign features Galen Weston, Loblaw's Executive Chairman, as spokesperson.

Although appropriate contractual arrangements are put in place with these suppliers, Loblaw has no direct influence over how the companies are managed. Negative events affecting the suppliers could in turn negatively impact Loblaw's operations and its financial performance. Inefficient, ineffective or incomplete supplier management strategies, policies and/or procedures may impact Loblaw's ability to optimize financial performance, meet customer needs and/or control costs and quality.

Information Technology

Loblaw has underinvested in its IT infrastructure in the past and its systems are in need of being upgraded. During 2007, an IT strategic plan was developed to guide the new systems environment that Loblaw requires. In 2008, Loblaw began to implement this plan, announcing key vendors. Loblaw also made initial investments in the systems needed to support its apparel line, build a company-wide master data file and establish overall infrastructure stability.

Loblaw recently completed the first year of an Enterprise Resource Planning system ("ERP") implementation to integrate and simplify finance and general ledger systems across Loblaw Properties Limited and *President's Choice Financial*. Loblaw is planning for additional system implementations in 2010 to streamline merchandising and operations activities. This is one of the largest technology infrastructure programs ever implemented by Loblaw and is fundamental to Loblaw's long-term growth strategies. Completing it will require intense focus and significant investment over the next two years.

Change management risk and other associated risks will arise from the various projects which will be undertaken to upgrade existing systems and introduce new systems to effectively manage the business going forward. Failure by Loblaw to appropriately invest in information technology or failure to implement information technology infrastructure in a timely or effective manner may negatively impact Loblaw's financial performance.

Any significant failure or disruption of these systems or the failure to successfully migrate from legacy systems to new systems as part of Loblaw's significant IT infrastructure initiatives, could negatively affect Loblaw's reputation, ability to carry on business, revenues and financial performance. If the information provided by the information technology systems is inaccurate, the risk of disclosing inaccurate or incomplete information is increased.

Any failures in Loblaw's information security systems or non-compliance with information security standards, including those in relation to personal information belonging to Loblaw's customers, could result in harm to the reputation or competitive position of Loblaw and could negatively affect financial performance.

IV. DESCRIPTION OF THE BUSINESS

Weston Foods

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

Principal Products

Weston Foods produces a variety of fresh, frozen (raw dough, pre-proofed, par-baked, pre-fried and fully baked) and specialty bakery products including breads, dough, rolls, bagels, flatbreads, tortillas, doughnuts, cakes, pies, crackers and other baked goods. Weston Foods is also a provider of control label 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 to mainstream brands including *Wonder+ Headstart*, *Country Harvest Plus*, *Country Harvest Vitality* and *Gadoua Vitalité*. In 2009, Weston Foods introduced new products including *Gadoua MultiGo*, *Wonder+ Invisibles* and naan breads licensed under the PATAK'S® brand name.

Production Facilities

Weston Foods has developed from one small bakery in 1882 to the current network of production facilities located predominately in Canada. As at March 12, 2010, production facilities for Weston Foods were located in Canada and the United States as follows:

CANADA		**UNITED STATES**	
Province	**Number of Locations**	**State**	**Number of Locations**
Ontario	11	Washington	1
Quebec	6	South Dakota	1
Alberta	4	Wisconsin	1
Saskatchewan	3	Indiana	1
Nova Scotia	2	Georgia	1
British Columbia	2	Virginia	1
Manitoba	1	Pennsylvania	1
Newfoundland and Labrador	1	Ohio	1
Total	**30**		**8**

Distribution to Consumers

Weston Foods sells its products through a variety of customer channels within the North American food retailing market including many national and regional supermarkets, wholesale and club stores and convenience store chains, food service distributors and outlets as well as other food retailing customers, and devotes a considerable amount of effort to building and maintaining consumer brand awareness.

Weston Foods distributes most of its fresh bakery products through direct store delivery route systems. Frozen and other specialty bakery products are distributed primarily through warehouse channels using outsourced transportation services. Weston Foods continues to explore opportunities to create distribution efficiencies, including the use of cross-docking facilities and the optimization of its depot and route networks.

Loblaw accounts for approximately 36% of Weston Foods sales and no other single customer accounts for a significant portion of sales. For the 2009 and 2008 fiscal years, sales by Weston Foods to Loblaw amounted to $601 million and $911 million respectively. The decrease was primarily a result of the disposition of Neilson Dairy during 2008.

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. Based on the opportunity and the economic conditions, the Company exited the US fresh bakery business in 2009.

Weston Foods anticipates that competitive business restructuring by its competitors will continue to take place in 2010. 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 retail food market and, if required, adjust its strategies and programs as necessary.

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 over its competitors. Its premium and mainstream brands (in Canada), including *Wonder, Country Harvest, D'Italiano, Gadoua,* and *Weston*, 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, corn sweeteners, 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 prices of these items are subject to fluctuations.

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 Company's key brand names. The trade-marks of the Company and its subsidiaries when used in this AIF are presented in *italics.*

Key brand names used by Weston Foods include *Wonder, Wonder+, Country Harvest, D'Italiano, Gadoua* and *Weston.* Weston Foods has agreements 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 in Canada with respect to the manufacturing, sale and distribution of baked products under the Thomas'®, Oroweat®, Brownberry® and Entenmann's® brands. Weston Foods recently entered into an agreement with AB World Foods Limited to manufacture and sell naan breads licensed under the PATAK'S® brand name.

Seasonality

The Company's operations as they relate to food, specifically inventory levels, sales volumes and sales mix, are impacted to some degree by certain holiday periods throughout the year. 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 5,500 full and part-time employees in the bakery operations, many of whom are covered by various collective agreements, almost all of which are negotiated independently on a plant by plant or unit by unit basis, typically for terms of three or more years. No single agreement is of predominant importance to overall operations.

Renegotiating collective agreements may result in work stoppages or slowdowns, which could negatively affect Weston Food's financial performance, depending on their nature and duration. 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, or through delaying negotiations through busy periods, work stoppages or slowdowns are possible. Weston Foods maintains contingency plans to manage supply in the event of disruptions when renegotiating these collective agreements.

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 real estate portfolio and is subject to environmental risks associated with the contamination of such properties, whether by previous owners or occupants, neighbouring properties or from its own operations. Weston Foods could be subject to increased and unexpected costs associated with the related remediation activities.

The Environmental, Health and Safety Committee of the Board of Directors of the Company receives regular reporting from management, addressing current and potential future issues, risks, programs and initiatives identifying new regulatory concerns and related communication efforts. Weston Foods' dedicated Environmental Affairs staff work closely with the operations to help ensure that corporate requirements are met.

Food Safety, Public Health and Labelling

Weston Foods is subject to potential liabilities connected with its business operations, including potential exposures associated with product defects, food safety and product handling. Such liabilities may arise in relation to the manufacturing, preparation, storage, distribution and display of products and, with respect to Weston Foods contract manufactured products, in relation to the production, packaging and design of products. Any significant failure or disruption of these systems could negatively affect Weston Foods' reputation and its financial performance.

Weston Foods' sales are generated from food products and Weston Foods could be vulnerable in the event of a significant outbreak of food-borne illness or increased public health concerns related to food products. Such an event could negatively affect Weston Foods' financial performance. Procedures are in place to manage such events, should they occur, including a product recall program. The program identifies risks, provides clear communication to employees and consumers and is aimed at ensuring that potentially harmful products are expeditiously removed from inventory. In addition, Weston Foods' has food safety procedures and programs, which address safe food handling and preparation standards. Weston Foods endeavours to employ best practices for the storage and distribution of food products and also actively supports consumer awareness of safe food handling and consumption. The ability of these procedures to address such events is dependent on their successful execution. The existence of these procedures does not mean that Weston Foods will in all circumstances be able to mitigate these risks.

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 informed choices.

Research and Development and New Products

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

AB World Foods Limited to manufacture and sell naan breads licensed under the PATAK'S® brand name.

In 2009, Weston Foods introduced new bread products including *Gadoua MultiGo and Wonder+ Invisibles*. In 2008, Weston Foods introduced new products including *D'Italiano Thintini* buns, *Gadoua Vitalité* bread, *Wonder+ Headstart* bread, *Country Harvest Vitality* bread and *Country Harvest +Plus* bread.

In 2007, Weston Foods Canada introduced a number of innovative bakery products into the Canadian marketplace. These products included expanding the *Wonder+* brand to all bread products (white and 100% whole wheat), hot dog and hamburger buns, English muffins and *Wrapz* (tortillas). The *D'Italiano* line of products was expanded to include 100% whole wheat crustini and sausage rolls and fresh garlic bread. All *Country Harvest* breads were reformulated to reduce total sodium by 25%. Gadoua introduced four new "soft grain" breads into the Quebec Marketplace. The Weight Watchers® line up was expanded to include additional offerings of tortillas, bagels and English muffins.

Foreign Operations

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

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

Loblaw

Operations

Loblaw, a subsidiary of GWL, is Canada's largest food distributor and a leading provider of drugstore, general merchandise, and financial products and services. Loblaw's mission is to be Canada's best food, health and home retailer by exceeding customer expectations through innovative products at great prices. For over 50 years, Loblaw has supplied the Canadian market with innovative products and services through corporate, franchised and associated stores. Loblaw primarily offers three distinct store formats: Superstore, Great Food and Hard Discount. It also operates Wholesale club stores. Corporate owned store banners include *Atlantic Superstore, Dominion** (in Newfoundland and Labrador), *Extra Foods, Loblaws, Loblaw Great Food, Maxi, Maxi & Cie, Provigo, The Real Canadian Superstore, Loblaw Superstore, T&T Supermarket* and *Zehrs* and wholesale outlets operating as *Cash & Carry, Presto* and *The Real Canadian Wholesale Club*. Loblaw's franchised and affiliated stores operate under trade names including *Atlantic SaveEasy, Fortinos, Extra Foods, no frills, SuperValu, Valu-mart, Provigo* and *Your Independent Grocer*. The store network is supported by 27 Loblaw operated and five third-party warehouse facilities located across Canada, as well as temporary storage facilities when required.

In addition, Loblaw makes available to consumers *President's Choice Financial* services and products, including the *President's Choice Financial* MasterCard®, and *PC Financial* auto, home, travel and pet insurance, *PC* Mobile phone service, as well as a loyalty program known as *PC* points.

* Trademark used under license

Geographic and Banner Summary

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

	Corporate Stores	Franchised Stores	Affiliated Stores	Independent Accounts	Warehouses
Newfoundland and Labrador	13	8	31	103	1
Prince Edward Island	4	4	8	45	-
Nova Scotia	34	15	21	303	2
New Brunswick	21	22	19	124	2
Quebec	221	23	184	493	4
Ontario	156	289	63	-	7
Manitoba	25	-	27	-	1
Saskatchewan	32	3	27	-	1
Alberta	58	18	7	-	3
Northwest Territories	2	-	-	-	-
Yukon	1	1	1	-	-
British Columbia	46	33	25	-	6
Total	613	416	413	1,068	27

The following table sets out the distribution of Loblaw's store formats and the banners associated with each format:

	Corporate Stores	Franchised Stores	Affiliated Stores
Superstore			
Atlantic Superstore	53		
Dominion* (in Newfoundland and Labrador)	12		
The Real Canadian Superstore	109		
Great Food			
Atlantic SaveEasy		48	
Fortinos		20	
Loblaws	76		
Provigo	65	23	
SuperValu	2	5	15
T&T Supermarket	18		
Valu-mart		62	
Your Independent Grocer		53	
Zehrs	43		
Other	2	7	398
Hard Discount			
Extra Foods	60	25	
Maxi	91		
Maxi & Cie	18		
No Frills		173	
Wholesale			
Cash & Carry	19		
Presto	11		
The Real Canadian Wholesale Club	34		
Total	613	416	413

* Trademark used under license

The average store size at year end 2009 for corporate stores and franchised stores was 62,300 and 29,700 square feet, respectively. The average store size for both corporate stores and franchised stores has increased by 2.82% and 2.75% respectively over the last three years as Loblaw has generally moved to larger store formats.

Whenever practical, Loblaw follows a strategy of purchasing land for future store locations. At year end 2009, after the acquisition of T&T, Loblaw owned 72% of the real estate on which its corporate stores are located, 48% of the real estate on which its franchised stores are located, as well as various properties under development or held for future development. Loblaw's owned properties are largely unencumbered, with $98 million in mortgage debt on total fixed assets including real estate, having a net book value of approximately $8.6 billion at year end 2009. The total square footage of the owned corporate and franchise stores is approximately 27.7 million square feet and 6.0 million square feet, respectively.

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

Franchisees are independent businesses and, as a result, their operations may be negatively affected by factors beyond Loblaw's control which in turn may damage Loblaw's reputation and potentially affect revenues and earnings. 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, including health and safety exposures, experience financial difficulty, or be unwilling or unable to pay Loblaw for products, rent or other fees. Loblaw's franchise system is also subject to franchise laws and regulations enacted by a number of provinces. Any new legislation or failure to comply with existing legislation may negatively affect operations, and could add administrative costs and administrative burdens, all of which could affect Loblaw's relationship with its franchisees. Relationships with franchises could pose significant risks if they are disrupted which could result in legal action, reputational damage and adverse consequences.

Certain independent franchisees of Loblaw obtain financing through a structure involving independent trusts, which were created to provide loans to the independent franchisees to facilitate their purchase of inventory and fixed assets, consisting mainly of fixtures and equipment. These trusts are administered by a major Canadian chartered bank.

<u>Competitive Conditions</u>

The retail industry in Canada is highly competitive and Loblaw faces strong competitors. The industry is driven primarily by consumer demand, which is impacted by economic trends, changing demographics, ethnic diversity, health and environmental awareness and time availability. Recent consumer trends that dominate the industry include customer's concerns for their own and their family's health, concerns regarding the recent economic downturn, lack of time, increasing demand for value, increased household debt, a willingness to buy certain general merchandise on food-focused shopping trips and an increasing demand that retailers source ethically and in a way that demonstrates care for the environment and the community.

Loblaw's competitors include traditional supermarket operators, as well as mass merchandisers, warehouse clubs, drugstores, limited assortment stores, discount stores, convenience stores and specialty stores. Many of these competitors now offer a selection of food, drugstore and general merchandise. Others remain focused on supermarket-type merchandise. Loblaw is also subject to competitive pressures from new entrants into the marketplace and from the expansion or combination of existing competitors, particularly those expanding into the grocery market. These competitors may have extensive resources to allow them to compete effectively with Loblaw in the long term. Several of Loblaw's competitors operate in a non-union environment. These competitors may benefit from lower labour costs and more favourable operating efficiencies, making it more difficult for Loblaw to compete. Increased competition could adversely affect Loblaw's ability to achieve its objectives. Loblaw's inability to compete effectively with its current or any future competitors could result in, among other things, reduced market share and growth opportunities, as well as lower pricing in response to its competitors' pricing activities.

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

Loblaw monitors its market share and the markets in which it operates and will adjust its operating strategies, which include, but are not limited to, closing underperforming stores, relocating stores or reformatting them under a different banner, reviewing and adjusting pricing and product offerings and marketing programs. However, Loblaw's competitive position and financial performance could be negatively impacted should any of the above events occur.

Although much work remains to be done to successfully implement Loblaw's strategies, Loblaw believes that its competitive position in Canada remains strong. Loblaw will continue to focus on the value proposition of its banners and on ensuring the right formats are in the right markets. In addition, its control label offering promotes customer loyalty and allows pricing flexibility with respect to national brands.

Customers

Loblaw is not dependent upon a small number of customers or any single customer.

Products and Services

Control Label Products

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

Loblaw markets control label products in the food, health and beauty, apparel and general merchandise, categories under brand names including *President's Choice*, *PC*, *PC Organics*, *Blue Menu*, *Mini Chefs*, *no name*, *Joe Fresh Style*, *Club Pack*, *G.R.E.E.N*, *Exact* and *Teddy's Choice*.

Health, Home and Wholesome is Loblaw's goal to be recognized as making healthy and sustainable living affordable for all Canadians. Aligned with these goals, Loblaw offers the *Blue Menu* and *PC Organics* lines.

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

Marketing

Loblaw's marketing programs are focused on scheduled events and on the promotion and advertising for various control-label products and services which are exclusive to Loblaw. These programs are supported by research activity, including consumer insight and brand awareness measures. The marketing team also influences item selection to be promoted in weekly flyers, across all store formats.

Loblaw sells a wide variety of national brands and the marketing of these brands is accomplished primarily through promotion in-flyer, or through promotional activity in-store in collaboration with the national brands suppliers.

A variety of unique communications media are used to inform and educate consumers about Loblaw's products and services. The *President's Choice Insider's Report* is considered a "must-read" by millions of consumers across the country. The *Insider's Report* is a creative description of new products offered by the season and highlights price, value and quality of its control-label advantage. While the loyalty program for Loblaw is managed through *President's Choice Financial*, the marketing team supports its brands by including special loyalty offers of *PC* points, redeemable at any banner for any products, in many marketing promotions. Twice a year, Loblaw participates in Canada's Fashion Week to promote its *Joe Fresh Style* apparel brand. *President's Choice* and the *Joe Fresh Style* brand receive significant advertising presence on television, in major magazine publications and on the internet.

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

Loblaw also promotes its products and engages its consumers though its websites such as www.PC.ca and www.joe.ca which allow consumers to participate in contests, rate and review food products, and create a personal wardrobe. Recently, Loblaw has begun to use social networking sites in its marketing efforts.

President's Choice Financial

President's Choice Bank offers the *President's Choice Financial* MasterCard® throughout Canada. Third-party service providers process credit card transactions and provide call centre services and support in addition to performing certain operational processes in accordance with the risk management strategies for the *President's Choice Financial* MasterCard®.

Loblaw also offers *President's Choice Financial* personal banking services and products in all provinces except Quebec, which are provided by the direct banking division of a major Canadian chartered bank.

Loblaw offers *PC Financial* pet and travel insurance through its subsidiary, PC Financial Insurance Agency Inc. *PC Financial* pet insurance is available in each province and territory except for Quebec and New Brunswick. *PC Financial* travel insurance is currently available in all provinces and territories except for Quebec. In February 2010, Loblaw launched a new home and auto insurance program in Ontario and Alberta through its subsidiary, PC Financial Insurance Broker Inc.

PC Mobile

Loblaw offers the *PC* Mobile line of prepaid cellular phone services and related accessories. *PC* Mobile services are provided in conjunction with a major Canadian telecommunications company.

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 label programs. Store-trading or banner names are associated with specific retail concepts and are important to both corporate store and franchised store operations. Franchisees use the banner names associated with their franchise program pursuant to licensing arrangements. Loblaw's trademarks used in connection with its control label program are discussed under the section "Products and Services". Other intellectual property of Loblaw includes domain names, packaging designs and product formulations and specifications. The intellectual property rights associated with and used in connection with Loblaw's business are important assets and are defended vigorously. Certain of Loblaw's trademarks are licensed to third party service providers, primarily in connection with *President's Choice Financial* Services.

Decrease in the value of Loblaw's trademarks or brands, either because of adverse events or otherwise over time may threaten the demand for Loblaw's products or services or damage Loblaw's reputation. Loblaw endeavours to have the appropriate contractual protections in its arrangements with control label vendors and suppliers of all marketing elements. Loblaw actively monitors and manages its trademark portfolio. Notwithstanding these activities, any negative impact to the value of Loblaw's trademarks or brands may impair its ability to maintain or grow current and future sales and profitability.

Information Technology

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

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

Loblaw maintains a secure, chain-wide network that transmits data between its stores, distribution centres and corporate offices and carries debit and credit transactional information from stores to Loblaw's provider of clearing services. Loblaw also uses outsourced services, in particular for its mainframe-related applications and technology, pharmacy and Photolab businesses and services to *President's Choice Financial* Services.

Any failures in Loblaw's information security systems or non-compliance with information security standards, including those in relation to personal information belonging to Loblaw customers, could result in harm to the reputation or competitive position of Loblaw and could negatively affect financial performance.

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, 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 and distribution network is comprised of a total of 27 warehouses and distribution centres. Third-party logistics service providers are used at 5 distribution centres located in Pickering, Ajax, Caledon, Calgary and Vancouver. Loblaw uses various modes of transportation including its own trucking fleet and third-party common carriers, railways and ships. Loblaw is not dependent on any one third-party transport provider.

Seasonality

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

Foreign Operations

Glenhuron Bank Limited, a wholly owned indirect subsidiary of Loblaw with operations in Barbados, is engaged in financial services including cash management and treasury-related activities. Loblaw is not dependent on these operations.

Colleagues

As of January 3, 2010, Loblaw and its franchisees together employed over 138,000 full-time and part-time employees. A majority of Loblaw's store level and distribution centre colleagues are unionized. Currently, Loblaw's unionized workforce is covered by a total of 367 collective agreements with 17 unions.

Lending

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

Environmental, Health and Safety Matters

Loblaw has environmental, health and workplace safety programs and has established policies and procedures aimed at ensuring compliance with applicable environmental legislative requirements. To this end, Loblaw employs environmental risk assessments and audits using internal and external resources together with employee awareness programs throughout its operating locations. Loblaw 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. Loblaw participates in industry and government-led environmental initiatives aimed at reducing the environmental impact of its operations. In the area of health and safety, Loblaw has established a national health and safety policy and a 5-year injury reduction plan, which is administered by functional corporate and regional safety steering committees.

Loblaw maintains a large portfolio of real estate and is subject to environmental risks associated with the contamination of such properties, whether by previous owners or occupants, neighbouring properties or from its own operations. Loblaw could be subject to increased or unexpected costs associated with the related remediation activities.

The Environmental, Health and Safety Committee of the Board of Directors receives regular reporting from management addressing current and potential future issues, identifying new regulatory concerns and related communication efforts. Loblaw's dedicated Environmental Affairs staff works closely with the operations to help ensure corporate requirements are met.

Despite these efforts, adverse environmental, health and safety events could negatively affect Loblaw's reputation and financial performance. In addition, in recent years, provincial and municipal governments have introduced legislation that imposes liabilities on brand owner and importers for costs associated with recycling and disposal of consumer goods packaging. This is a growing trend and Loblaw expects to be subject to increased costs associated with these laws.

Corporate Social Responsibility

Loblaw has established a framework through which its corporate social responsibility ("CSR") activities are pursued and has linked commitments to its business plan through five pillars: 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. Operations are reviewed and assessed against these pillars, and performance is reported through vehicles such as an annual CSR Report.

Loblaw believes that publishing CSR objectives and progress in a public document helps keep colleagues on track and motivated, and enables others to get engaged and involved with our efforts. Loblaw welcomes this dialogue as a means of building our record of accountability and effecting large-scale positive change.

Loblaw will issue its third CSR Report in April 2010.

Food Safety, Public Health and Labelling

Loblaw is subject to risks associated with food safety and non-food product defects. Such liabilities may arise as part of product procurement, distribution and product preparation and display, including the development and manufacture of Loblaw's control label products. A majority of Loblaw's sales are generated from food products and thus could be vulnerable in the event of a significant outbreak of food-borne illness or other public health concerns related to food products. Such an event could negatively affect Loblaw's financial performance. The traceability of products to the consumer level may affect Loblaw's ability to be effective in a recall situation.

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

Loblaw strives to ensure its control label products meet all applicable regulatory requirements including having nutritional labelling so that today's health conscious consumer can make informed choices.

V. PRIVACY AND ETHICS

The Company is committed to managing its activities in an ethical and proper manner in all respects. The Company has adopted a Code of Business Conduct setting out the Company's expectations for the ethical and appropriate behaviour of all its directors and employees. In addition, the Company has established an Ethics and Business Conduct Committee, comprised of senior management, to monitor compliance with the Code of Business Conduct and to deal with conduct and ethics issues as they arise. The Company also has a Privacy Policy that sets out the Company's commitment to protecting the privacy of personal information.

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 adopted a Vendor Code of Conduct which sets out Loblaw's expectations of its vendor community in a number of areas, including social responsibility and environmental and legal compliance.

Any failure of the Company to adhere to its policies, the law or ethical business practices could significantly affect its reputation and brands and could, therefore, negatively impact the Company's financial performance.

VI. OPERATING AND FINANCIAL RISKS AND RISK MANAGEMENT

The Company is committed to establishing a framework that ensures risk management is an integral part of its activities. To ensure the continued growth and success of the Company, risks are managed through an Enterprise Risk Management ("ERM") program. The Board has approved an ERM policy and oversees the ERM program, which assists all areas of the business in achieving the Company's strategic objectives by bringing a systematic approach, methodology and tools for evaluating and improving the effectiveness of risk management and control. The results of the ERM program and other business planning processes are used to prioritize risk management activities, allocate resources effectively and develop a risk-based internal audit plan.

The Company identifies and manages its risks in support of its vision, mission and goals to assist in achieving its strategic objectives. Risk is not eliminated through the ERM program; rather risks are identified and managed within acceptable risk tolerances. The ERM program is designed to:

- promote a cultural awareness of risk management and compliance within the Company;
- facilitate corporate governance by providing a consolidated view of risks across the Company and insight into the identification, assessment, measurement and monitoring of the risks;
- ensure that resources are acquired economically, used efficiently and adequately protected; and
- allow the Company to focus on its key risks in the business planning process and optimize financial performance through responsible risk management.

An annual ERM assessment is completed to assist in the update and identification of financial, operational or reputational risks affecting the Company. The ERM program is primarily carried out through interviews and risk assessments with senior management. Risks are assessed based on the likelihood and impact that the underlying risk would have on the Company's ability to execute its strategies and achieve its objectives. Each quarter, management provides an update to the Audit Committee as to the status of the top ten risks in relation to how they have changed from the previous quarter. The accountability for oversight of the management of each risk is allocated by the Audit Committee to either the full Board or to a Committee of the Board. At least once a year, the relevant business owners update the applicable Committee or the full Board on their risk management activities over the course of the preceding year.

In the normal course of business, the Company is exposed to financial and market risks that have the potential to negatively affect its financial performance. As such, the Company operates with policies and guidelines covering funding, investing, equity, commodity, foreign currency exchange and interest rate risk management. Policies and guidelines prohibit the use of any financial derivative instrument for trading or speculative purposes.

The operating, financial and reputational risks and risk management strategies identified by management are discussed in the Enterprise Risks and Risk Management section of the MD&A. Any of these risks has the potential to negatively affect financial performance. The Company has risk management strategies including insurance programs, which are intended to mitigate the potential impact of these risks. Although these strategies are designed to minimize these risks, the strategies do not guarantee that the associated risks will be mitigated or not materialize or that events or circumstances will not occur which could negatively affect the Company's financial condition or performance. The discussion regarding risks facing the Company is set forth on pages 35 through 43 of the Company's 2009 MD&A. The MD&A is incorporated herein by reference.

VII. SHARE CAPITAL AND MARKET FOR SECURITIES

<u>Share Capital</u>

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

Common Shares

As of December 31, 2009, there were 129,073,662 common shares outstanding. There are an unlimited number of authorized common shares with 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 common share dividend declared by GWL and to receive the remaining property of GWL upon dissolution.

During the second quarter of 2009, GWL renewed its Normal Course Issuer Bid to purchase on the Toronto Stock Exchange, or enter into equity derivatives to purchase, up to five percent of its common shares outstanding. In accordance with the rules and by-laws of the Toronto Stock Exchange, the Company may purchase its common shares at the market price of such shares.

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

As of December 31, 2009, 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 holder to a fixed cumulative preferred cash dividend of $1.45 per share per annum which will, if declared, be payable quarterly. On or after December 15, 2006, GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares as follows:

On or after December 15, 2006, at $26.00 per share, together with all accrued and unpaid dividends to the redemption date;
On or after December 15, 2007, at $25.75 per share, together with all accrued and unpaid dividends to the redemption date;
On or after December 15, 2008, at $25.50 per share, together with all accrued and unpaid dividends to the redemption date;
On or after December 15, 2009, at $25.25 per share, together with all accrued and unpaid dividends to the redemption date; and
On or after December 15, 2010, 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 holder, 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)

On April 1, 2009, GWL redeemed for cash the 10,600,000 5.15% non-voting Preferred Shares, Series II outstanding, for $25.00 per share ($265 million in aggregate) plus accrued and unpaid dividends up to, but excluding, the date of redemption.

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

As of December 31, 2009, 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 holder to a fixed cumulative preferred cash dividend of $1.30 per share per annum, which will, if declared, be payable quarterly. On or after July 1, 2010, GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares as follows:

On or after July 1, 2010, at $26.00 per share, together with all accrued and unpaid dividends to the redemption date;
On or after July 1, 2011, at $25.75 per share, together with all accrued and unpaid dividends to the redemption date;
On or after July 1, 2012, at $25.50 per share, together with all accrued and unpaid dividends to the redemption date;
On or after July 1, 2013, at $25.25 per share, together with all accrued and unpaid dividends to the redemption date; and
On or after July 1, 2014, at $25.00 per share, together with all accrued and unpaid dividends to the redemption date.

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

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

As of December 31, 2009, 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 holder to a fixed cumulative preferred cash dividend of $1.30 per share per annum which will, if declared, be payable quarterly. On or after October 1, 2010, GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares as follows

On or after October 1, 2010, at $26.00 per share, together with all accrued and unpaid dividends to the redemption date;
On or after October 1, 2011, at $25.75 per share, together with all accrued and unpaid dividends to the redemption date;
On or after October 1, 2012, at $25.50 per share, together with all accrued and unpaid dividends to the redemption date;
On or after October 1, 2013, at $25.25 per share, together with all accrued and unpaid dividends to the redemption date; and
On or after October 1, 2014, at $25.00 per share, together with all accrued and unpaid dividends to the redemption date.

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

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

As of December 31, 2009, 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 holder to a fixed cumulative preferred cash dividend of $1.1875 per share per annum which will, if declared, be payable quarterly. On or after July 1, 2011, GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares as follows:

On or after July 1, 2011, at $26.00 per share, together with all accrued and unpaid dividends to the redemption date;
On or after July 1, 2012, at $25.75 per share, together with all accrued and unpaid dividends to the redemption date;
On or after July 1, 2013, at $25.50 per share, together with all accrued and unpaid dividends to the redemption date;
On or after July 1, 2014, at $25.25 per share, together with all accrued and unpaid dividends to the redemption date; and
On or after July 1, 2015, at $25.00 per share, together with all accrued and unpaid dividends to the redemption date.

At any time after issuance, GWL may, at its option, give the holder of these preferred shares the right, at the option of the holder, to convert the holder's 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 Toronto Stock Exchange ("TSX") under the share symbols "WN", "WN.PR.A", "WN.PR.C", "WN.PR.D" and "WN.PR.E" respectively. The Preferred Shares, Series II were listed and posted for trading on the TSX under the share symbol "WN.PR.B", prior to their redemption on April 1, 2009.

The monthly high and low trading prices and the average daily volume by month for the Company's common shares for the year ended December 31, 2009, are as follows:

	Common Shares			
Month	**High** ($ per common share)	**Low** ($ per common share)	**Avg. Daily Vol. by Month** (in shares)	**Total Volume by Month (in shares)**
January	$67.43	$57.25	141,911	2,980,127
February	$65.29	$58.10	112,242	2,132,602
March	$62.77	$57.51	151,625	3,335,744
April	$59.60	$53.91	120,033	2,520,692
May	$66.48	$58.05	120,694	2,413,876
June	$62.40	$57.85	131,839	2,900,448
July	$60.25	$55.09	124,743	2,744,336
August	$60.43	$52.75	115,653	2,313,051
September	$59.99	$55.55	115,032	2,415,670
October	$57.58	$54.70	95,745	2,010,636
November	$62.13	$54.10	114,169	2,397,556
December	$67.40	$61.71	123,698	2,597,655

The monthly high and low trading prices and the average daily volume by month for Preferred Shares, Series I, II, III, IV, and V for the year ended December 31, 2009, are as follows:

Month	Preferred Shares Series I			
	High ($ per share)	**Low** ($ per share)	**Avg. Daily Vol. by Month** (in shares)	**Total Volume by Month (in shares)**
January	$21.10	$18.87	5,524	115,998
February	$21.87	$19.30	4,894	92,991
March	$21.65	$19.53	5,477	120,489
April	$22.00	$20.50	3,437	72,175
May	$22.93	$21.54	4,818	96,362
June	$22.45	$21.81	3,882	85,399
July	$23.59	$21.50	16,021	352,451
August	$24.35	$23.25	9,192	183,833
September	$23.95	$23.40	4,279	89,858
October	$23.75	$23.10	3,875	81,367
November	$24.39	$23.20	6,569	137,957
December	$24.25	$23.32	8,735	183,440

Month	Preferred Shares Series II			
	High ($ per share)	**Low** ($ per share)	**Avg. Daily Vol. by Month** (in shares)	**Total Volume by Month (in shares)**
January	$25.20	$24.95	4,636	97,366
February	$25.28	$24.50	39,242	745,595
March	$25.38	$24.95	51,658	1,136,465
April	$25.04	$25.01	1,600	1,600
May	$ -	$ -	-	-
June	$ -	$ -	-	-
July	$ -	$ -	-	-
August	$ -	$ -	-	-
September	$ -	$ -	-	-
October	$ -	$ -	-	-
November	$ -	$ -	-	-
December	$ -	$ -	-	-

Month	Preferred Shares Series III			
	High ($ per share)	**Low** ($ per share)	**Avg. Daily Vol. by Month** (in shares)	**Total Volume by Month (in shares)**
January	$18.47	$16.60	9,181	192,809
February	$19.00	$17.76	6,783	128,883
March	$18.66	$16.73	4,268	93,894
April	$18.65	$17.52	4,977	104,523
May	$19.89	$18.40	8,314	166,281
June	$19.94	$19.21	6,275	138,054
July	$21.50	$19.28	8,068	177,503
August	$22.24	$20.78	7,810	156,191
September	$22.00	$20.81	3,458	72,624
October	$21.10	$20.38	5,487	115,235
November	$21.50	$20.40	7,076	148,586
December	$21.40	$20.50	11,808	247,964

Month	Preferred Shares Series IV			
	High ($ per share)	**Low** ($ per share)	**Avg. Daily Vol. by Month** (in shares)	**Total Volume by Month (in shares)**
January	$19.06	$16.71	7,480	157,073
February	$19.10	$18.21	3,461	65,768
March	$18.97	$17.00	6,926	152,366
April	$18.94	$17.50	5,879	123,462
May	$20.00	$18.40	10,694	213,881
June	$19.89	$19.19	4,069	89,507
July	$21.34	$19.11	5,974	131,425
August	$21.80	$20.70	9,344	186,870
September	$21.80	$20.58	5,668	119,018
October	$21.00	$20.09	5,738	120,508
November	$21.54	$20.40	5,757	120,899
December	$21.63	$20.50	8,033	168,692

Month	Preferred Shares Series V			
	High ($ per share)	**Low** ($ per share)	**Avg. Daily Vol. by Month** (in shares)	**Total Volume by Month (in shares)**
January	$17.01	$15.24	5,835	122,532
February	$16.85	$16.16	5,976	113,541
March	$16.50	$15.36	7,205	158,501
April	$17.39	$16.00	5,019	105,391
May	$18.17	$16.71	13,170	263,392
June	$18.20	$17.70	5,929	130,444
July	$19.30	$18.10	8,512	187,274
August	$20.97	$19.40	8,426	168,528
September	$20.45	$19.02	7,254	152,328
October	$19.39	$18.90	10,447	219,381
November	$19.85	$18.96	8,241	173,066
December	$19.99	$19.01	8,552	179,600

The outstanding medium-term notes ("MTN") of GWL and Loblaw are not listed or quoted on a recognized exchange. GWL did not issue any MTN in 2009. In the second quarter of 2009, Loblaw issued $350 million principal amount of unsecured Medium Term Notes, Series 2-A pursuant to its Medium Term Notes, Series 2 program. The Series 2-A notes pay a fixed rate of interest at 4.85% payable semi-annually commencing on November 8, 2009 until maturity on May 8, 2014 and are subject to certain covenants.

Credit Ratings

On February 12, 2008, Dominion Bond Rating Service ("DBRS") downgraded GWL's MTN and debentures to "BBB" from "BBB (high)", the short-term credit rating to "R-2 (high)" from "R-1 (low)", Exchangeable Debentures to "BBB (low)" from "BBB" and the preferred shares to "Pfd-3" from "Pfd-3 (high)", all with a Stable trend. These ratings remained the same until December 12, 2008, when DBRS placed the ratings "Under Review with Developing Implications" following the announcement that a subsidiary of GWL, Dunedin Holdings S.à r.l., had entered into an agreement with Grupo Bimbo, S.A.B. de L.V. to sell the U.S. fresh bakery business. On March 11, 2009, DBRS revised the trend on the Company's commercial paper, notes and debentures, and preferred shares ratings to "Stable" from "Under Review with Developing Implications".

During the second quarter of 2008, Standard & Poor's ("S&P") affirmed the Company's long-term corporate credit, commercial paper and preferred share ratings at "BBB", "A-2" and "P-3 (high)", respectively. The Company was removed from "CreditWatch with Negative Implications" and the ratings outlook was changed to "Negative". The Company was subsequently placed back on "CreditWatch with Negative Implications" by S&P on December 5, 2008, following the announcement that Dunedin Holdings S.à r.l., was in discussions with Grupo Bimbo, S.A.B. de C.V. about the possible sale of the U.S. fresh bakery business. On March 27, 2009, however, S&P reaffirmed the ratings and revised the CreditWatch/Outlook on the Company's commercial paper, notes and debentures, and preferred shares ratings to "Stable" from "CreditWatch with Negative Implications".

As at March 12, 2010, the Company's credit ratings for its securities are as follows:

Credit Ratings and Trends (Canadian Standards)	**Dominion Bond Rating Service**		**Standard & Poor's**	
	Rating	**Trend**	**Credit Rating**	**Outlook**
Commercial paper	R-2 (high)	Stable	A-2	Stable
Medium-term notes	BBB	Stable	BBB	Stable
Preferred shares	Pfd-3	Stable	P-3 (high)	Stable
Other notes and debentures	BBB	Stable	BBB	Stable

As at March 12, 2010, Loblaw Companies Limited's credit ratings for its securities were as follows:

Credit Ratings and Trends (Canadian Standards)	**Dominion Bond Rating Service**		**Standard & Poor's**	
	Rating	**Trend**	**Credit Rating**	**Outlook**
Commercial Paper	R-2 (middle)	Stable	A-2	Stable
Medium Term Notes	BBB	Stable	BBB	Stable
Preferred Shares	Pfd-3	Stable	P-3 (high)	Stable
Other Notes and Debentures	BBB	Stable	BBB	Stable

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

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>

Commercial Paper

DBRS's ratings for commercial paper range from R-1 (high) to D. The R-2 (high) rating is ranked fourth of ten rating categories. Short-term debt rated R-2 (high) is considered to be at the upper end of adequate credit quality. The ability to repay obligations as they mature remains acceptable, although the overall strength and outlook for key liquidity, debt and profitability ratios is not as strong as credits rated in the R-1 (low) category. Relative to the latter category, other shortcomings often include areas such as stability, financial flexibility, and the relative size and market position of the entity within its industry.

The R-2 (middle) rating is ranked fifth of ten rating categories. Short-term debt rated R-2 (middle) is considered to be of adequate credit quality. Relative to the R-2 (high) category, entities rated R-2 (middle) typically have some combination of higher volatility, weaker debt or liquidity positions, lower future cash flow capabilities, or are negatively impacted by weaker industry. Ratings in this category would be more vulnerable to adverse changes in financial and economic conditions.

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

DBRS' credit ratings for long-term debt range from AAA to D. Each rating category is denoted by the subcategories "high" and "low". The absence of either a "high" or "low" designation indicates the rating is in the "middle" of the category.

The BBB rating is ranked fourth of ten rating categories. Long-term debt rated BBB is of adequate credit quality. Protection of interest and principal is considered acceptable, but the entity is susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present, which reduces the strength of the entity and its rated securities.

Preferred Shares

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

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

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

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

Standard & Poor’s

Commercial Paper

Standard & Poor’s Canadian ratings for Commercial Paper range from A-1 to D. The A-2 rating is ranked fourth of eight rating categories. Obligations rated A-2 reflect a satisfactory capacity of the obligor to fulfill its financial commitment on the obligation, while exhibiting higher susceptibility to changing circumstances or economic conditions than obligations rated A-1 (Low). Obligations rated A-2 on the Canadian commercial paper rating scale would qualify for a rating of A-2 on Standard & Poor's global short-term rating scale.

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

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

Preferred Shares

Standard & Poor’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.

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

A Standard & Poor’s 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 and the amount thereof are at the discretion of the Board, which takes into account the Company's financial results, capital requirements, available cash flow and other factors the Board considers relevant from time to time. Over the long-term, the Company's objective is for its common dividend payment ratio to be in the range of 20% to 25% of the prior year's basic net earnings per common share from continuing operations adjusted as appropriate for items which are not regarded to be reflective of ongoing operations, giving consideration to the year-end cash position, future cash flow requirements and investment opportunities. Currently, there is no restriction that would prevent the Company from paying dividends at historical levels. Dividends on the preferred shares rank in priority ahead of the common shares.

Historical Dividend Payments

The Company'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 ($)	**2009**	**2008**	**2007**
Common shares	1.44	1.44	1.44
Preferred shares, Series I	1.45	1.45	1.45
Preferred shares, Series II	0.32[(1)]	1.29	1.29
Preferred shares, Series III	1.30	1.30	1.30
Preferred shares, Series IV	1.30	1.30	1.30
Preferred shares, Series V	1.19	1.19	1.19

(1) On April 1, 2009, the Company redeemed the 10,600,000 5.15% non-voting Preferred Shares, Series II outstanding, for cash of $25.00 per share, or $265 million in aggregate, plus accrued and unpaid dividends to but excluding April 1, 2009.

Subsequent to year-end, the Company declared a quarterly dividend of $0.36 per common share, payable on April 1, 2010. Quarterly dividends were also declared for the preferred shares as follows: $0.3625 per Preferred Share, Series I, payable on March 15, 2010 and $0.3250 per Preferred Share, Series III and IV, and $0.2969 per Preferred Share, Series V, all payable on April 1, 2010.

IX. DIRECTORS AND OFFICERS

The following list of Directors and Officers is current to March 12, 2010.

Directors

Name, Province and Country of Residence	Principal Occupation	Director Since:
W. Galen Weston, O.C.[1*] Ontario, Canada	Chairman and President, George Weston Limited	1967
A. Charles Baillie[2*,3] Ontario, Canada	Corporate Director	2003
Robert J. Dart[4,5] Ontario, Canada	Vice Chairman of Wittington Investments, Limited (holding company)	May 13, 2008, and 1994-2007
Peter B. M. Eby[1,2,3*] Ontario, Canada	Corporate Director	2000
Anne L. Fraser[5*] British Columbia, Canada	Corporate Director	1995
Anthony R. Graham[1,3,4*] Ontario, Canada	President, Wittington Investments, Limited (holding company) and President and Chief Executive Officer of Sumarria Inc.	1996
John S. Lacey Ontario, Canada	Chairman of Advisory Board of Tricap Restructuring Fund and Advisor to the Chairman of George Weston Limited	2009
Allan L. Leighton Ontario, Canada	Deputy Chairman of George Weston Limited and Deputy Chairman and President, Loblaw Companies Limited	2000
Isabelle Marcoux[2] Quebec, Canada	Vice Chair of the Board and Vice President, Corporate Development, Transcontinental Inc. (printing and publishing company)	2007
J. Robert S. Prichard, O.C., O.Ont[3,4] Ontario, Canada	President and Chief Executive Officer, Metrolinx (transportation company)	2000
Thomas F. Rahilly[2,4,5] Ontario, Canada	Corporate Director	2007

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

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

Officers

Name, Province and Country of Residence	**Principal Occupation**
W. Galen Weston, O.C. Ontario, Canada	Chairman and President
Allan L. Leighton Ontario, Canada	Deputy Chairman
Robert G. Vaux Ontario, Canada	Chief Financial Officer
Gordon A.M. Currie Ontario, Canada	Executive Vice President, Chief Legal Officer
Louise M. Lacchin Ontario, Canada	Executive Vice President, Finance
Robert A. Balcom Ontario, Canada	Senior Vice President, General Counsel – Canada and Secretary
Jeremy Roberts Ontario, Canada	Senior Vice President, Finance
Manny DiFilippo Ontario, Canada	Senior Vice President, Risk Management and Audit Services
J. Bradley Holland Ontario, Canada	Senior Vice President, Taxation
Lucy J. Paglione Ontario, Canada	Senior Vice President, Pension and Benefits
Geoffrey H. Wilson Ontario, Canada	Senior Vice President, Financial Control and Investor Relations

All the foregoing directors and executive officers have held their present occupations or other positions with the same or associated companies or organizations for the past five years except: Mr. Allan Leighton, who was the Chairman of Royal Mail Group; Mr. Gordon A.M. Currie, who prior to September 2005 was Senior Vice President and General Counsel of Direct Energy; Mr. Jeremy Roberts who held the position of Chief Financial Officer and other senior finance positions at World Color Press Inc. (formerly Quebecor World Inc.); Mr. A. Charles Baillie, who was formerly Chairman of the Board of Toronto Dominion Bank and previously Chairman and Chief Executive Officer of Toronto Dominion Bank; and Mr. Thomas F. Rahilly, who was Vice Chairman of RBC Capital Markets, a division of Royal Bank of Canada.

As at December 31, 2009, Mr. W. Galen Weston beneficially owned, directly or indirectly, 80,723,448 common shares or 62.5% of the issued and outstanding common shares of GWL. Other directors and senior executive officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control over, less than 1% of the issued and outstanding common shares of the Company.

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

Mr. Robert G. Vaux, the Chief Financial Officer of the Company, was on the board of directors of Noble China Inc. until his resignation in November 2002. Noble China was dissolved by the court in 2005 following a reorganization under the *Companies Creditors Arrangement Act.*

Mr. Allan L. Leighton was a member of the board of directors of Leeds United Football, PLC when that company was subject to administration proceedings.

In December of 1998 Mr. John S. Lacey joined the board of directors of The Loewen Group Inc. and was acting as Chairman when it filed a petition for creditor protection under Chapter 11 of the *U.S. Bankruptcy Code* and the *Companies' Creditors Arrangement Act* (*CCAA*) in June 1999. The Loewen Group Inc. emerged from Chapter 11 in January of 2003 and *CCAA* proceedings were held in November of 2006.

In March of 2006 Mr. John S. Lacey joined the board of directors of Stelco Inc. as a nominee of Tricap Management Limited. Stelco filed for protection under the *CCAA* in January of 2004 and emerged from those proceedings on March 31, 2006 at which time Mr. Lacey resigned from the board.

X. LEGAL PROCEEDINGS

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

On March 7, 2007, pursuant to a transaction whereby Domtar was combined with the fine paper business of Weyerhaeuser Inc., Domtar common shares were exchanged for an equal number of either exchangeable shares of Domtar (Canada) Paper Inc. or common shares of Domtar Corporation, a Delaware Corporation. The Share Purchase Agreement governing the June 1998 sale by GWL of E.B. Eddy Paper, Inc. to Domtar (the "SPA") contains a price adjustment clause. The SPA provides, subject to certain limited exceptions, that if any person subsequently acquired more than 50% of the outstanding voting shares of Domtar, the price adjustment clause applies. The Company believes that a price adjustment in the amount of $110 million is payable to it by Domtar and the Company has demanded payment of such amount from Domtar. Domtar's position is that the price adjustment clause does not apply because of the application of an exception contained in the SPA. The Company has commenced an action against Domtar for $110 million. The parties have exchanged legal pleadings.

XI. MATERIAL CONTRACTS

The Company has an agreement with its subsidiary, Loblaw Companies, to provide certain administrative services by each company to the other. The services to be provided under this agreement include those related to commodity management, pension and benefits, tax, medical, travel, information system, risk management, treasury and legal. Payments are made quarterly based on the actual costs of providing these services. Where services are provided on a joint basis for the benefit of the Company and Loblaw Companies together, each party pays the appropriate portion of such costs. Net payments under this agreement in 2009 were $16 million. Fees paid under this agreement are reviewed each year by the Audit Committee.

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

XII. RELATED PARTY TRANSACTIONS

The Company'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 and Wittington may make elections that are permitted or required under applicable income tax legislation with respect to affiliated corporations and, as a result, may enter into agreements in that regard. These elections and accompanying agreements do not have any material impact on the Company.

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 the administrative services agreement noted above.

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 43 of the MD&A, which information is incorporated by reference.

XIII. TRANSFER AGENTS AND REGISTRARS

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

XIV. EXPERTS

The Company's auditors are KPMG LLP, who prepared the Auditors' Report to Shareholders in respect of the Company's audited annual consolidated financial statements. KPMG LLP is independent of the Company in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

XV. AUDIT COMMITTEE INFORMATION

The Audit Committee Charter, as approved by the Company's Board of Directors on March 22, 2010, is included in Appendix A. The members of the Audit Committee are indicated above. All members of the Audit Committee are independent and financially literate (as those terms are defined in Multilateral Instrument 52-110 of the Canadian Securities Administrators) and have the following education and experience which is relevant to their roles as Audit Committee Members:

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

Mr. Eby is a former Vice-Chairman and Director of Nesbitt Burns Inc. He obtained a B.Comm from the University of Toronto and an M.B.A. from the University of California-Berkeley.

Ms. Marcoux is Vice Chair of the Board and Vice President, Corporate Development, of Transcontinental Inc. She has an LL.B. in Civil Law and a B.A. in Political Science and Economics from McGill University.

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

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 2009 and 2008 are as follows:

	2009 $(000's)	**2008 $(000's)**
Audit fees(1)	3,637	4,228
Audit-related fees(2)	3,490	3,448
Tax consultant fees(3)	254	86
All other fees(4)	38	26
Total Fees	**$7,419**	**$7,788**

(1) Audit fees include fees for services related to the audit of the Company's consolidated financial statements.
(2) Audit-related fees include assurance and related services that are performed by the Company's auditors. These services include the review of quarterly reports to shareholders, audit of pension plans, comfort letters and the interpretation of accounting and financial reporting standards.
(3) Tax consultant fees include fees for tax compliance and advice.
(4) All other fees relate to risk management, internal control compliance and legislative and/or regulatory compliance services.

The Audit Committee charter provides that the Audit Committee shall 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 13, 2010. Additional financial information is also provided in the Company's consolidated financial statements and MD&A for its most recently completed financial year.

2. Additional information of the Company has been filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") available online at www.sedar.com. The Company's internet address is www.weston.ca.

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

APPENDIX "A"

GEORGE WESTON LIMITED

AUDIT COMMITTEE CHARTER

1. RESPONSIBILITY

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

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

2. MEMBERS

The Board shall appoint a minimum of three directors to be members of the Audit Committee. The members of the Audit Committee shall be selected by the Board on recommendation of the Governance, 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 Charter, the terms "independent" and "financially literate" shall have the respective meanings attributed thereto in Multilateral Instrument 52-110 *Audit Committees*, as the same may be amended from time to time.

3. CHAIR

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

4. TENURE

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

5. QUORUM, REMOVAL AND VACANCIES

A majority of the Audit Committee's members shall constitute a quorum. Any member may be removed and replaced at any time by the Board. The Board shall fill vacancies in the Audit Committee by appointment from among the members of the Board. If a vacancy exists on the Audit Committee, the remaining members may exercise all 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, as the case may be, by the shareholders;
- review the Auditor's engagement letter;
- at least annually, obtain and review a report by the Auditor describing:
    - the Auditor's internal quality-control procedures; and
    - any material issues raised by the most recent internal quality-control review, peer review, review by any independent oversight body such as the Canadian Public Accountability Board or governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the Auditor and the steps taken to deal with any issues raised in these reviews.

(b) Confirmation of Independence of Auditor

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

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

(c) Rotation of Engagement Partner/Lead Partners

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

(d) Pre-Approval of Non-Audit Services

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

(e) Communications with Auditor

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

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

(f) Review of Audit Plan

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

(g) Review of Audit Fees

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

(h) Review of Annual Audited Financial Statements

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

In conducting their review, the Audit Committee should:

- discuss the annual audited financial statements and MD&A with management and the Auditor;
- consider the quality of, and not just the acceptability of, the accounting principles applied, the reasonableness of management's judgments and estimates that have a significant effect upon the financial statements, and the clarity of the disclosures in the financial statements;
- discuss with the Auditor its report which addresses:
  - all critical accounting policies and practices to be used;
  - all alternative treatments of financial information within GAAP that have been discussed with management of the Company, ramifications of the use of alternative disclosures and treatments, and the treatment preferred by the Auditors; and
  - other material written communication between the Auditor and management of the Company, such as any management letter or schedule of unadjusted differences;
- discuss any analyses prepared by management and the Auditor that set out significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP;
- discuss the effect of off-balance sheet transactions, arrangements, obligations (including contingent liabilities) and other relationships with unconsolidated entities or other persons that may have a material current or future effect on the Company's financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenues and expenses;
- consider any changes in accounting practices or policies and their impact on financial statements of the Company;
- discuss with management, the Auditor and, if necessary, legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position of the Company, and the manner in which these matters have been disclosed in the financial statements;
- discuss with management and the Auditor correspondence with regulators or governmental agencies, employee complaints or published reports that raise material issues regarding the Company's financial statements or accounting policies;
- discuss with the Auditor any special audit steps taken in light of any material weaknesses in internal control;
- discuss with the Auditor any difficulties encountered in the course of the audit work, including any restrictions on the scope of their procedures and access to requested information, accounting adjustments proposed by the Auditor that were not applied (because they were immaterial or otherwise), and significant disagreements with management;
- consider any other matter which in its judgment should be taken into account in reaching its recommendation to the Board concerning the approval of the financial statements;

- satisfy itself that appropriate accounting policies and practices have been selected and applied consistently; and

- satisfy itself that management has established appropriate procedures to comply with applicable legislation for the remittance of taxes, pension monies and employee remuneration.

(i) Review of Interim Financial Statements

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

(j) Other Financial Information

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

(k) Review of Prospectuses and Other Regulatory Filings

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

(l) Review of Related Party Transactions

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

(m) Review of Internal Audit Services

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

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

- significant resolved and any unresolved issues between auditors and management have been brought to its attention;

- the principal risks of the Company’s businesses have been identified by management and appropriate policies and systems have been implemented to manage these risks; and
- the integrity of the Company’s internal control and management information systems are satisfactory.

(n) Relations with Management

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

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

The Audit Committee shall, with the assistance of management, review the adequacy of the internal control over financial reporting adopted by the Company.

The Audit Committee shall, with the assistance of management, review the effectiveness of the controls and procedures that have been adopted to ensure the 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 with respect to the Company’s system of disclosure controls and procedures. The Audit Committee shall also review no less than annually the Company’s Disclosure Policy.

(p) Legal Compliance

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

(q) Enterprise Risk Management

The Audit Committee shall review the Company’s enterprise risk management program, including its policies and processes with respect to risk identification and assessment and the management of the Company’s risk. The Audit Committee shall receive periodic reports from Internal Audit Services and the Chair of the Audit Committee shall periodically report to the Board on any major issues arising from the enterprise risk management program. The Audit Committee shall oversee the process by which the major risks are reviewed by either the Audit Committee, another Committee or the full Board on a periodic basis.

(r) Taxation Matters

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

(s) Hiring Policies

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

7. COMPLAINTS PROCEDURE

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

8. REPORTING

The Audit Committee shall report to the Board on:

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

9. REVIEW AND DISCLOSURE

This Charter should be reviewed by the Audit Committee at least annually and be submitted to the Governance, 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 Charter shall be posted on the Company's website.

10. FREQUENCY OF MEETINGS AND *IN CAMERA* SESSIONS

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

11. RETENTION OF EXPERTS

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