2011

ANNUAL INFORMATION FORM

March 1, 2012

GEORGE WESTON LIMITED
2011 ANNUAL INFORMATION FORM
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I. FORWARD – LOOKING STATEMENTS

This Annual Information Form ("AIF") for George Weston Limited ("GWL") and its subsidiaries (collectively, the "Company") contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects and opportunities. These forward-looking statements are typically identified by words such as "anticipate", "expect", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may" and "should" and similar expressions, as they relate to the Company and its management. In this AIF, forward-looking statements include the Company's expectations that:

For Weston Foods:
- sales growth will be modest;
- commodity and input costs in the first half of 2012 will be higher than the comparable period in 2011, putting increased pressure on operating margins in the first half of 2012 when compared to the same period in 2011; and
- efforts will be made to achieve full year operating margins in line with those in 2011.

For Loblaw Companies Limited:
- its capital expenditures in 2012 will be approximately $1.1 billion;
- there will be incremental costs related to investments in information technology ("IT") and supply chain in 2012, as well as continued investment in Loblaw's customer proposition; and
- full year 2012 operating income will be down year-over-year, with more pressure in the first half of the year, as a result of Loblaw's expectation that operations will not cover the incremental costs related to the investments in IT and supply chain and its customer proposition.

For the Company:
- full year 2012 adjusted basic net earnings per common share will be down year-over-year.

These forward-looking statements are not historical facts but reflect the Company's current expectations concerning future results and events. They also reflect management's current assumptions regarding the risks and uncertainties referred to below and their respective impact on the Company. In addition, the Company's expectation with regard to Weston Foods' operating margins in 2012 is based in part on the assumptions that there will be no significant unanticipated increase in the price of commodities and other input costs that Weston Foods will not be able to offset through pricing, improved efficiencies and ongoing cost reduction initiatives. The Company's expectation with regard to Loblaw's operating income in 2012 is based in part on the assumptions that Loblaw achieves its plan to increase net retail square footage by 1% and there are no unexpected adverse events or costs related to Loblaw's investments in IT and supply chain. The Company's expectation with regard to adjusted basic net earnings per common share in 2012 is based in part on the assumption that interest rates, tax rates and the Company's ownership interest in Loblaw will be similar to those in 2011.

These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including, but not limited to:
- failure to realize sales growth, anticipated cost savings or operating efficiencies from the Company's major initiatives, including investments in the Company's IT systems and the Company's IT systems implementation, or unanticipated results from these initiatives;
- the inability of the Company's IT infrastructure to support the requirements of the Company's business;
- unanticipated results associated with the Company's strategic initiatives and the impact of acquisitions or dispositions of businesses on the Company's future revenues and earnings;
- heightened competition, whether from current competitors or new entrants to the marketplace;
- changes in economic conditions including the rate of inflation or deflation, changes in interest and foreign currency exchange rates and changes in derivative and commodity prices;
- public health events;
- risks associated with product defects, food safety and product handling;

- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements which could lead to work stoppages;
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrink;
- failure by the Company to maintain appropriate records to support its compliance with accounting, tax or legal rules, regulations and policies;
- the availability and increased costs relating to raw materials, ingredients and utilities, including electricity and fuel;
- failure of the Company's franchise stores to perform as expected;
- reliance on the performance and retention of third-party service providers including those associated with the Company's supply chain and apparel business;
- supply and quality control issues with vendors;
- changes to or failure to comply with laws and regulations affecting the Company and its businesses, including changes to the regulation of generic prescription drug prices and the reduction of reimbursement under public drug benefit plans and the elimination or reduction of professional allowances paid by drug manufacturers;
- changes in the Company's income, commodity, other tax and regulatory liabilities including changes in tax laws, regulations or future assessments;
- any requirement of the Company to make contributions to its registered funded defined benefit pension plans or the multi-employer pension plans in which it participates in excess of those currently contemplated;
- the risk that the Company would experience a financial loss if its counterparties fail to meet their obligations in accordance with the terms and conditions of their contracts with the Company; and
- the inability of the Company to collect on its credit card receivables.

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

The information in this AIF is current to February 29, 2012, 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 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 approximately a 63% 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
ACE Bakery Limited	Ontario
Boulangerie Gadoua Ltée	Quebec
Colonial Cookies Limited	Ontario
Dunedin Holdings GmbH	Switzerland
Interbake Foods LLC	Delaware
Maplehurst Bakeries, LLC	Indiana
Norse Dairy Systems, LLC	Delaware
Ready Bake Foods Inc.	Ontario
Weston Bakeries Limited/Boulangeries Weston Limitée	Canada
Weston Foods US, Inc.	Delaware
Weston Foods (Canada) Inc.	Ontario

Loblaw Subsidiaries	Jurisdiction of Incorporation
Glenhuron Bank Limited	Barbados
JFS Inc.	Delaware
Loblaw Alberta Inc.	Alberta
Loblaw Financial Holdings Inc.	Ontario
Loblaw Properties Limited	Ontario
Loblaw Properties West Inc.	Canada
Loblaws Inc.	Ontario
PGV Acquisition Inc.	Quebec
President's Choice Bank	Canada
Provigo Distribution Inc.	Quebec
T&T Supermarket Inc.	British Columbia

III. GENERAL DEVELOPMENT OF THE BUSINESS

Overview

GWL is a Canadian public company, founded in 1882, engaged in food processing and distribution. The Company has two reportable operating segments: Loblaw and Weston Foods, and holds cash and short-term investments. The Loblaw operating segment, which is operated by Loblaw Companies and its subsidiaries, 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 in the United States and biscuit manufacturing in Canada and the United States.

Weston Foods

Weston Foods operates a fresh and frozen bakery and cookie business in Canada and a frozen bakery, biscuit, cookie, cone and wafer business in the United States. Baking industry conditions have changed significantly over the past several years and 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, Weston Foods has focused on:

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

Acquisitions

In 2011, Weston Foods purchased Colonial Cookies, a cookie manufacturing facility in Kitchener, Ontario, out of receivership for a cash purchase price of approximately $12 million (after closing adjustments and excluding assumed liabilities).

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

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.

Dispositions

Sale of US Fresh Bakery Business

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.

Capital Investment

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

Restructuring Activities

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

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

- the closure of six manufacturing facilities in Canada and one in the U.S., one of which was replaced with a new facility. One of these closures also relates to the Joliette, Quebec plant which suffered significant damage during a fire on December 1, 2010 after which all operations ceased at the plant. On January 13, 2011, the Company announced to employees its decision not to re-open the plant;
- ratification of a new collective agreement in conjunction with the acquisition of Colonial Cookies in 2011;
- renegotiation of a labour agreement at Interbake Foods' North Sioux City plant in 2011;
- a restructuring of the sales organization of the Canadian bakery business in 2010;
- a restructuring of a fresh bakery manufacturing facility in Quebec in 2010; and
- a restructuring of the operating structure of the biscuit manufacturing business in the United States in 2009.

Financial Performance

Further information on trends affecting Weston Foods and Weston Foods' strategies and financial performance can be found in the financial statements and the MD&A section of the Company's 2011 Annual Report. This information is incorporated by reference and is available at www.sedar.com or at www.weston.ca.

Loblaw

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

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

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

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 the Loblaw's business. Loblaw operates two retail divisions: conventional and discount, which serve the distinct needs of its customers.

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

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

In 2011, Loblaw continued its store renewal plan and completed 121 store renovations, including 78 major renovations that enhanced the customers' in-store experience across various banners and divisions. Loblaw also began to focus on strategic square footage growth and as a result opened three new conventional stores. The expansion of *nofrills* continued in the West and in the Atlantic, with five stores in the West and one store in the Atlantic being opened. In addition, the *nofrills* business continued to expand in Ontario, with the opening of the 200th store in Woodstock, Ontario.

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

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

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

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 added products to its control label program in the food, health and beauty and apparel categories.

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 the *President's Choice* brand. In 2010, Loblaw undertook a number of initiatives to improve the profitability of its control label offering, focusing on innovation, including the launch of the very successful Ice Cream Shop program, with 14 new flavours and an integrated national advertising campaign featuring store parking lot events across the country. In 2011, Loblaw continued to innovate its control brand products, including the introduction of its new *PC* black label line of products, a collection of fine foods sourced from around the world. This is the first new line launched by Loblaw since 2005. 162 *PC* black label products were launched into 140 conventional stores in the fourth quarter of 2011. In addition, Loblaw successfully redesigned over 400 *Blue Menu* products to make it easier for consumers to understand the health benefits of the products. To further enhance its offerings for health-conscious customers, Loblaw also launched 13 new *PC Organics* baby food products and 20 new peanut-free products, bringing the offerings in these two areas to over 60 and 80 products respectively. In 2012, Loblaw will focus on capitalizing on its established control brands across food and general merchandise and providing an in-store environment that is focused on health and wellness. These efforts are aimed to differentiate Loblaw from its competitors.

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

Loblaw's control label offering continues to be supported by marketing campaigns featuring the best that the *President's Choice* brand has to offer, including innovative new products to meet the changing needs of consumers and signature products that have been delighting Canadians for years, all providing the exceptional quality and value our customers expect from the *President's Choice* brand. These campaigns feature Galen G. Weston, Executive Chairman of Loblaw, as spokesperson.

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

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

Supply Chain

Over the past five years, Loblaw implemented a significant initiative to invest in and improve its supply chain. This initiative included upgrading the physical distribution network, increasing capacity, and implementing new forecasting, replenishment, distribution and transportation capabilities that improved in-store availability and operational productivity.

In 2009, three distribution centres were opened or renovated which increased warehouse capacity by approximately 800,000 square feet. Overall availability and service levels improved. Warehouse cost per case improved and inventory levels decreased. Further, Loblaw made significant investments and progress in the rollout of a new transportation management system and warehouse management system, which will expand capacity and drive productivity.

In 2010, Loblaw completed its implementation of its transport management system. The new warehouse management system was implemented in 10 distribution centres. Over 50 suppliers were converted from direct store delivery to shipping through distribution centres, reducing deliveries to stores and improving availability. In addition, Loblaw continued to progress with its forecasting, planning and replenishment system integration, and has introduced new retail-ready packaging to its supply chain, leading to a faster replenishment process and an improved shopping experience for customers.

With the completion of many of the supply chain implementations, Loblaw started to see transportation efficiencies and improvements in service levels and availability in 2011. In addition, during 2011, Loblaw implemented the warehouse management system in five more distribution centres and completed six deployments of the forecasting, planning and replenishment system. Loblaw also continued to increase the number of products being shipped in retail-ready packaging.

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

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

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

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

Renegotiating collective agreements may result in work stoppages or slowdowns, which could negatively affect Loblaw's financial performance, depending on their nature and duration. There can be no assurance as to the outcome of these negotiations or the timing of their completion. Although Loblaw attempts to mitigate work stoppages and disputes through early negotiations, work stoppages or slowdowns remain possible, which could negatively affect its reputation, operations and financial performance. Throughout the transition of some Ontario conventional stores to the new operating terms of the collective agreements ratified in 2010, Loblaw has offered counselling services to the colleagues affected. Despite this continued support, colleague performance may be adversely impacted, which could negatively affect the reputation, operations and the financial performance of Loblaw.

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

In 2010, Loblaw continued to invest in colleague development through the launch of the "Best Store Leader" program. Over 300 colleagues went through rigorous assessments in development centres and were trained in key store management skills and practices. Progress also continued in the effort to retain colleagues, with reduced turnover compared to 2009. These efforts paid off as Loblaw was recognized as one of Canada's Top 100 Employers for the second consecutive year. Loblaw was also named one of Canada's Top Employers for Young People and was a regional winner in the Canada's 10 Most Admired Corporate Culture program.

In 2011, Loblaw continued to focus on the "Best Store Leader" and "Best Category Leader" programs, and launched 16 Leadership Development Centres with 240 colleagues participating. These colleagues were supported with individual assessments and development plans, which directly resulted in a number of assistant store managers and merchants being identified as ready for promotion. In recognition of the progress that has been made, Loblaw was recognized as one of Canada's Top 100 Employers and Greater Toronto's Top Employers for a third consecutive year and one of Canada's Most Admired Corporate Cultures program for the second consecutive year. In addition, for the first time, Loblaw was named one of Canada's Best Employers for New Canadians and Canada's Best Diversity Employers in recognition of diversity and inclusion. In addition, Loblaw continued to develop programs supporting colleague attraction and retention, colleague development, succession planning, diversity and inclusion and health, safety and wellness.

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

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

Information Technology

Loblaw continues to undertake a major upgrade of its IT infrastructure.

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

In 2010, Loblaw successfully implemented the first and second phases of its IT system which involved integrating the general ledger and related reporting for finance across the business and launching additional functionality including corporate accounts payable and marketing procurement processes. In addition, beginning in September 2010, pilots for the next major IT system release related to the merchandising management module were rolled out. Loblaw used the new IT system functionality to close its third and fourth quarter reporting periods. Loblaw also began implementing a new Store Time and Attendance System and a National Point of Sale system. As part of the supply chain transformation, Loblaw continued to implement a warehouse management system and forecasting, planning and replenishment system.

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

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

The failure to successfully migrate from legacy systems to the IT system could negatively affect Loblaw's reputation, operations, revenues and financial performance. Failure or disruption in Loblaw current IT systems during the implementation of the new IT and other systems may result in a lack of relevant and reliable information to enable management to effectively achieve its strategic plan or manage the day-to-day operations of the business, causing significant disruptions to the business and potential financial losses. In addition, the failure to implement appropriate processes to support the IT system may result in inefficiencies and duplication in current processes.

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

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

Acquisition of T&T Supermarket Inc.

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

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

Financial Performance

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

IV. DESCRIPTION OF THE BUSINESS

Weston Foods

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

Principal Products

Weston Foods produces a variety of fresh, frozen (raw dough, pre-proofed, par-baked, pre-fried and fully baked) and specialty bakery products including breads, rolls, bagels, flatbreads, tortillas, doughnuts, cakes, pies, cookies, crackers and other baked goods. Weston Foods is also a provider of control 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 under certain of its mainstream brands, namely *Wonder, Country Harvest,* and *Gadoua*. In 2011, Weston Foods introduced certain new products to compliment certain new products introduced in 2010. These new products include *Gadoua MultiGo* Flat Bagels, Pitas and Tortillas, and the *Première Fournée de Weston* line of artisan breads. Additionally, Weston Foods relaunched the *Wonder* and *Gadoua MultiGo* lines of breads that are free of artificial additives including preservatives, colours and flavours. In 2010, Weston Foods introduced new products including *Country Harvest* Ancient Grains, *Country Harvest* Raisin Cinnamon with Whole Wheat, *Jake's Bake House, Wonder+ SimplyFree, D'Italiano* Focaccia, *Shout Outs!* Girl Scout cookies (sensibly sweet cookies) and new products licensed under the Weight Watchers® brand name. Weston Foods acquired ACE Bakery in 2010 which produces products sold under the *ACE Bakery* brand name including artisan and European-style rustic breads, rolls, baguettes, focaccia, and crisps. In 2009, Weston Foods introduced new bread products including *Gadoua MultiGo* and *Wonder+ Invisibles*.

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 February 29, 2012, production facilities for Weston Foods were located in Canada and the United States as follows:

CANADA		UNITED STATES	
Province	Number of Locations	State	Number of Locations
Ontario	14	Georgia	1
Quebec	5	Indiana	1
Alberta	3	New Hampshire	1
Saskatchewan	3	New York	1
British Columbia	2	Ohio	1
Nova Scotia	2	Pennsylvania	1
Manitoba	1	South Dakota	1
Newfoundland and Labrador	1	Virginia	1
		Washington	1
		Wisconsin	1
Total	31		10

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

Loblaw accounts for approximately 37% of Weston Foods sales and no other single customer accounts for more than 10% of sales. For the 2011 and 2010 fiscal years, sales by Weston Foods to Loblaw amounted to $646 million and $613 million respectively.

Competitive Conditions

The North American bakery industry is both mature and competitive. Management regularly reviews and monitors operating plans and results, including market share. When necessary, management modifies their operating strategies, including restructuring production facilities, reviewing prices and adjusting product offerings to reflect consumer trends, including those related to health or nutritional concerns, and repositioning brands and marketing programs to take into account competitive activity. Based on the opportunity and the economic conditions, the Company exited the US fresh bakery business in 2009.

Weston Foods anticipates that business restructuring by its competitors will continue to take place in 2012. Although the outcome and the impact, if any, on the Company's consolidated financial results from any potential restructuring activity is uncertain, Weston Foods will closely monitor the food manufacturing market.

Brands

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

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

Raw Materials

Wheat flour, sugar, 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 total cost of these items is subject to fluctuations.

In recent years, the baking industry has been impacted by unprecedented fluctuations in commodity and other input prices, particularly for wheat, oils, sugar and fuel. Weston Foods achieved sales price increases across many of its product categories, which helped to mitigate cost inflation. In 2011, Weston Foods continued to focus on cost reduction initiatives, innovative product offerings, as well as the forward purchase of commodities. The volatility of commodity pricing continues to be a challenge across the baking industry.

Intellectual Property

It is the practice of the Company to register or otherwise protect its intellectual property, including trade-marks, domain names, patents, packaging designs and product formulations and specifications, in all jurisdictions in which it operates. The intellectual property rights associated with and used in connection with Weston Foods are important assets to the Company and are defended vigorously. They provide Weston Foods with a competitive advantage and, accordingly, management spends considerable effort supporting the 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, Weston* and *ACE Bakery*. 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. In 1939, Weston Foods became the first licensed Girl Scout cookie producer in the US.

Seasonality

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

Labour and Employment Matters

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

Renegotiating collective agreements may result in work stoppages or slowdowns, which could negatively affect Weston Foods' financial performance. Weston Foods is willing to accept the short-term costs of labour disruption in order to negotiate competitive labour costs and operating conditions for the longer term. Although the labour relations leadership team attempts to mitigate work stoppages and disputes through early negotiations, where possible, work stoppages or slowdowns are possible. Weston Foods maintains contingency plans to manage supply in the event of disruptions when renegotiating these collective agreements. In 2011, Weston Foods ratified a new collective agreement in conjunction with the acquisition of Colonial Cookies and renegotiated a labour agreement at Interbake Foods' North Sioux City plant.

Environmental and Health and Safety Matters

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

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

In addition, in recent years, provincial, municipal and other government bodies have introduced legislation that imposes liabilities on retailers, brand owners and importers for costs associated with recycling and disposal of consumer goods packaging and printing materials distributed to consumers. This is a growing trend and the Company expects to be subject to increased costs associated with these laws.

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

Food Safety, Public Health and Labelling

Weston Foods is subject to potential liabilities 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. Most of Weston Foods' manufacturing facilities are now certified under BRC or SQF global safety and quality standards approved by the Global Food Safety Initiative organization. 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 educated choices.

Research and Development and New Products

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

In 2011, Weston Foods introduced certain new products including *Gadoua MultiGo* Flat Bagels, Pitas and Tortillas, and the *Première Fournée de Weston* line of artisan breads. Additionally, Weston Foods relaunched the *Wonder* and *Gadoua MultiGo* lines of breads that are free of artificial additives including preservatives, colours and flavours.

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

In 2009, Weston Foods introduced new products including *Gadoua MultiGo*, *Wonder+ Invisibles* and naan breads.

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 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 affiliated stores. Loblaw has two reportable operating segments. The Retail segment ("Retail") which consists primarily of food and also includes drugstores, gas bars, apparel and other general merchandise. The Financial segment ("Financial Services") includes credit card services, a retail loyalty program, insurance brokerage services, personal banking services provided by a major Canadian chartered bank, deposit taking services and telecommunication services.

Retail

Loblaw operates conventional and discount stores. Corporate owned store banners include *Atlantic Superstore*, *Dominion*[1] (in Newfoundland and Labrador), *Extra Foods*, *Superstore*, *Loblaws*, *Loblaw Great Food*, *Maxi*, *Maxi et Cie*, *Provigo*, *The Real Canadian Superstore*, *T&T Supermarket Inc.* and *Zehrs* and wholesale outlets operating as *Cash & Carry*, *Presto* and *The Real Canadian Wholesale Club*. Loblaw's franchised and affiliated stores operate under trade names including *Atlantic SaveEasy*, *Fortinos*, *Extra Foods*, *nofrills*, *SuperValu*, *Valu-mart*, *Provigo* and *Your Independent Grocer*. The store network is supported by 23 warehouse facilities located across Canada, as well as third party warehouses and temporary storage facilities when required.

Financial Services

President's Choice Bank ("PC Bank") makes available to consumers financial services under the *President's Choice Financial* brand, including the *President's Choice Financial MasterCard*®, a guaranteed investment certificate ("GIC") product offered exclusively through the broker channel, personal banking services, which are provided by the direct banking division of a major Canadian chartered bank and the *PC* points Loyalty Program. Loblaw also offers home, auto, travel and pet insurance through its insurance entities and offers mobile phone services, including *The Mobile Shop* and *PC Mobile*.

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

Loblaw 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 also offers a GIC

[1] Trademark used under license

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

<u>Geographic and Banner Summary</u>

Retail

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

	Corporate Stores	Franchised Stores	Affiliated Independents	Independent Accounts	Warehouses
Newfoundland and Labrador	12	8	13	82	1
Prince Edward Island	4	5	8	31	–
Nova Scotia	32	18	30	192	1
New Brunswick	20	22	20	91	2
Quebec	189	47	174	423	3
Ontario	164	295	61	–	6
Manitoba	24	–	19	–	1
Saskatchewan	29	6	22	–	–
Alberta	56	25	7	–	3
Northwest Territories	2	–	–	–	–
Yukon	1	1	1	–	–
British Columbia	46	35	22	–	6
USA	5	–	–	–	–
Total	584	462	377	819	23

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

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

1) Trademark used under license

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

Loblaw's preferred strategy is to purchase land for future store locations. At year end 2011, Loblaw owned 72% of the real estate on which its corporate stores are located, 46% of the real estate on which franchised stores are located, as well as various properties under development or held for future development. Loblaw's owned properties are largely unencumbered, with $96 million in mortgage debt on total fixed assets including real estate, having a net book value of approximately $8.7 billion at year end 2011. The total square footage of the owned corporate and franchised stores is approximately 27.0 million square feet and 6.3 million square feet, respectively.

A substantial portion of 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. Franchisees generally lease the land and store building from Loblaw and, if eligible, may obtain financing through a structure involving independent funding trusts to facilitate the purchase of the majority of their inventory and fixed assets, consisting mainly of fixtures and equipment.

Franchisees are independent businesses and, as a result, their operations may be negatively affected by factors beyond the control of Loblaw which in turn may negatively affect Loblaw's reputation, operations and financial performance. Revenues and earnings could also be negatively affected, and Loblaw's reputation could be harmed, if a significant number of franchisees were to experience operational failures, health and safety exposures or were unwilling or unable to pay Loblaw for products, rent or other fees. Loblaw's franchise system is also subject to franchise legislation enacted by a number of provinces. Any new legislation or failure to comply with existing legislation could negatively affect operations and could add administrative costs and burdens, any of which could affect Loblaw's relationship with its franchisees. Loblaw provides various services to the franchisees to assist with management of store operations and dedicated personnel manage Loblaw's obligations to its franchisees. Despite these efforts, relationships with franchisees could pose significant risks if they are disrupted which could negatively affect Loblaw's reputation, operations and financial performance. Supply chain or system changes by Loblaw could cause or be perceived to cause disruptions to franchise operations and could result in negative effects on franchisee financial performance. Reputational damage or adverse consequences for Loblaw, including litigation and disruption to revenue from franchise stores could result.

Financial Services

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

<u>Competitive Conditions</u>

Retail

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

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

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 adjusts its operating strategies by closing underperforming stores, relocating stores or reformatting them under a different banner, reviewing and adjusting pricing, product offerings and marketing programs. Failure by Loblaw's to sustain its competitive position could have a negative impact on its revenues and financial performance.

Financial Services

The Canadian bank card market is highly regulated and competitive. In the past year, the market has consolidated with two significant issuers selling their portfolios to major Canadian banks. As the market competition increases, customer expectations are being redefined, which include good value, exceptional service and programs that reward them for their loyalty. PC Bank as the issuer of *President's Choice Financial MasterCard®* competes in this market. The unique value proposition of free groceries enables *President's Choice Financial MasterCard®* to compete with the dominant players in the market. Loblaw's inability to meet these customer expectations, predict market activity or compete effectively could adversely affect Loblaw's ability to achieve its objectives.

Loblaw's personal banking services and GIC program compete with comparable products offered by banks and other financial institutions and are issued on terms and conditions that are competitive with such other products.

<u>Customers</u>

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

<u>Control Label Products</u>

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

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

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

<u>Marketing</u>

Loblaw has extensive marketing programs, many of which are focused on scheduled events and on the promotion and advertising for various control-label products and services which are exclusive to 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.

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

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

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

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

Intellectual Property

Loblaw has established procedures to register or otherwise protect its intellectual property including the trademarks used in its store-trading or banner names and those associated with its control 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 value of Loblaw trademarks, banners or control brands, as a result of adverse events, changes to the branding strategies or otherwise, could weaken the demand for Loblaw's products or services or damage its reputation. Loblaw endeavours to have the appropriate contractual protections in its arrangements with control label vendors and suppliers of all marketing elements including, printing, flyers and advertising agencies. Loblaw actively monitors and manages its trademark portfolio. Despite these activities, adverse events could impact the value of Loblaw's trademarks, banners or brands and may negatively affect revenues and financial performance.

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

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

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

Supply Chain

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

Loblaw's Retail supply chain and distribution network is comprised of a total of 23 warehouses and distribution centres. Third-party logistics service providers are used at 11 distribution centres located in Pickering, Ajax, South Caledon, Moncton, Calgary, Vancouver, Regina, Scarborough, and New Jersey. 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 Retail operations as they relate to food, specifically inventory levels, sales volume and product mix, are impacted to some degree by certain holiday periods in the year. Certain general merchandise offerings are subject to more seasonal fluctuations.

Foreign Operations

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

Colleagues

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

Lending

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

Environmental, Health and Safety Matters

Loblaw maintains a large portfolio of real estate and infrastructure and is subject to environmental risks associated with the contamination of such properties and facilities, whether by previous owners or occupants, neighbouring properties or from its own operations.

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

In recent years, provincial and municipal governments have introduced legislation that imposes liabilities on retailers, brand owners and importers for costs associated with recycling and disposal of consumer goods packaging and printed materials distributed to consumers. This is a growing trend and Loblaw expects to be subject to increased costs associated with these laws.

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

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

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

Corporate Social Responsibility ("CSR")

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

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

Loblaw believes by making positive contributions in the community and minimizing negative impacts on the environment, it will become the preferred choice of its customers and the preferred partner of its suppliers. This in turn drives strong business performance and gives Loblaw the means to make the right contributions as a responsible corporate citizen. In addition, Loblaw believes that publishing its CSR objectives and progress in a public document helps keep colleagues engaged and enables others to get involved with its efforts.

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

Food Safety, Public Health and Labelling

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

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

Loblaw's incident management program identifies risks, provides clear procedures for communication to employees and consumers and is aimed at ensuring that potentially harmful products are expeditiously removed from inventory and are not available for sale. Loblaw also has extensive 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 and regulatory requirements. The ability of these programs and procedures to address such events is dependent on their successful execution. The existence of these procedures does not mean that 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.

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

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, which employees and directors of the Company are required to acknowledge on a regular basis, setting out the Company's expectations for ethical and appropriate behaviour. In addition, the Company has in place an Ethics and Conduct Committee, comprised of senior management, which monitors compliance with the Code of Business Conduct and determines how the Company can best ensure it is conducting its business in an ethical manner. The Company encourages reporting of unethical conduct and has established a toll-free anonymous response line, which can be used by employees to report suspected accounting, internal control or auditing irregularities and unethical behaviour impacting the Company.

Loblaw has adopted a Code of Business Conduct which colleagues and directors of Loblaw are required to acknowledge on a regular basis. Loblaw has also adopted a Vendor Code of Conduct which outlines its ethical expectations to its vendor community in a number of areas, including social responsibility.

The Company has a Privacy Code that sets out the Company's commitment to protecting the privacy of personal information. Loblaw is subject to various laws regarding the protection of personal information of its customers, cardholders and colleagues and has also adopted a Privacy Code setting out guidelines for the handling of personal information. 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.

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

VI. OPERATING AND FINANCIAL RISKS AND RISK MANAGEMENT

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

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

- promote a cultural awareness of risk management and compliance within the Company and Loblaw;
- facilitate corporate governance by providing a consolidated view of risks across the Company and Loblaw and insight into the methodologies for identification, assessment, measurement and monitoring of the risks;
- assist in developing consistent risk management methodology and tools across the organization;

- ensure that resources are acquired economically, used efficiently and adequately protected; and
- allow the Company and Loblaw to focus on its respective key risks in the business planning process and optimize financial performance through responsible risk management.

Risk identification and assessments are important elements to the ERM framework. Annual ERM assessments are completed to assist in the update and identification of financial, operational or reputational risks and to effectively prioritize the risks. The annual ERM assessments are primarily carried out through interviews and risk assessments with senior management. Risks are assessed and evaluated based on vulnerability to the risk and the potential impact that the underlying risk would have on the ability to execute strategies and achieve objectives. Risks are assigned to appropriate risk owners and metrics are developed as appropriate for quarterly monitoring. Each quarter, management provides an update to the GWL and Loblaw Audit Committee of the status of the top risks based on significant changes from the prior quarter, anticipated impacts in future quarters and significant changes in key risk metrics. In addition, the long-term (1-3 year) risk level is assessed in order to monitor potential long-term impacts on the risk which may assist in risk mitigation planning activities.

The Internal Audit and Risk Management groups of the Company and Loblaw manage the ERM programs through the development of the risk framework and methodologies, completion of the annual ERM assessments, continuous monitoring of the key risks and quarterly reporting to the respective Audit Committee. The accountability for oversight of the management of each risk is allocated by the GWL or Loblaw Audit Committee to either the full Board or to a Committee of the Board. At least once a year, management of specific business units 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. 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 speculative purposes.

The operating, financial and reputational risks and risk management strategies are discussed in the Company's MD&A and in Loblaw's MD&A. Any of these risks has the potential to negatively affect financial performance. The Company and Loblaw have risk management strategies including insurance programs, that 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 and Loblaw's financial condition or performance. The discussion regarding risks facing the Company is set forth on pages 36 through 47 of GWL's 2011 MD&A and for Loblaw on pages 22 through 31 of Loblaw's MD&A. This information is incorporated herein by reference and is available at www.sedar.com.

VII. SHARE CAPITAL AND MARKET FOR SECURITIES

Share Capital

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

Common Shares (authorized – unlimited)

Common Shares have voting rights of one vote per Common Share. The holders of Common Shares are entitled, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of GWL, to receive any dividend declared by GWL and to receive the remaining property of GWL upon dissolution. As at December 31, 2011 there were 128,188,843 Common Shares issued and outstanding, a decrease of 884,819 Common Shares from January 1, 2011. There are an unlimited number of authorized Common Shares.

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

As of December 31, 2011, there were 9,400,000 5.80% non-voting Preferred Shares, Series I outstanding, with a face value of $235,000,000, which entitle the holders to a fixed cumulative preferred cash dividend of $1.45 per share per annum which will, if declared, be payable quarterly. GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares at $25.00 per share, together with all accrued and unpaid dividends to the redemption date.

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

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

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, 2011, there were 8,000,000 5.20% non-voting Preferred Shares, Series III outstanding, with a face value of $200,000,000, which entitle the holders to a fixed cumulative preferred cash dividend of $1.30 per share per annum, which will, if declared, be payable quarterly. On or after July 1, 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, 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 holders of these preferred shares the right, at the option of the holders, to convert their preferred shares into preferred shares of a further series designated by GWL on a share-for-share basis on a date specified by GWL. Upon liquidation, dissolution or winding up of GWL, each Preferred Share, Series III holder, in preference to any payments to be made to holders of common shares, is entitled to $25.00 per share plus an amount equal to all dividends accrued thereon. Preferred Share, Series III holders will not be entitled to any further distribution of the assets of GWL.

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

As of December 31, 2011, there were 8,000,000 5.20% non-voting Preferred Shares, Series IV outstanding, with a face value of $200,000,000, which entitle the holders to a fixed cumulative preferred cash dividend of $1.30 per share per annum which will, if declared, be payable quarterly. On or after October 1, 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, 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 holders of these preferred shares the right, at the option of the holders, to convert their preferred shares into preferred shares of a further series designated by GWL on a share-for-share basis on a date specified by GWL. Upon liquidation, dissolution or winding up of GWL, each Preferred Share, Series IV holder, in preference to any payments to be made to holders of common shares, is entitled to $25.00 per share plus an amount equal to all dividends accrued thereon. Preferred Share, Series IV holders will not be entitled to any further distribution of the assets of GWL.

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

As of December 31, 2011, there were 8,000,000 4.75% non-voting Preferred Shares, Series V outstanding, with a face value of $200,000,000, which entitle the holders to a fixed cumulative preferred cash dividend of $1.1875 per share per annum which will, if declared, be payable quarterly. On or after July 1, 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 holders of these preferred shares the right, at the option of the holders, to convert the holders' preferred shares into preferred shares of a further series designated by GWL on a share-for-share basis on a date specified by GWL. Upon liquidation, dissolution or winding up of GWL, each Preferred Share, Series V holder, in preference to any payments to be made to holders of common shares, is entitled to $25.00 per share plus an amount equal to all dividends accrued thereon. Preferred Share, Series V holders will not be entitled to any further distribution of the assets of GWL.

Trading Price and Volume

The GWL Common Shares and Preferred Shares Series I, III, IV, and V are listed and posted for trading on the 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, the average daily volume and total volume by month for the Company's common shares for the year ended December 31, 2011, 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	$85.22	$70.12	310,577	6,211,536
February	$71.96	$67.21	126,786	2,408,932
March	$69.60	$64.59	114,507	2,633,659
April	$68.40	$65.37	110,295	2,205,909
May	$74.07	$67.60	83,695	1,757,604
June	$72.65	$68.21	68,809	1,513,789
July	$70.59	$65.70	69,152	1,383,049
August	$68.22	$63.80	95,699	2,105,381
September	$69.95	$64.65	107,692	2,261,528
October	$71.73	$65.84	92,262	1,845,231
November	$70.63	$64.10	80,503	1,771,059
December	$68.97	$64.01	132,216	2,644,312

The monthly high and low trading prices, the average daily volume and total volume by month for Preferred Shares, Series I, III, IV, and V for the year ended December 31, 2011, 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	$25.50	$24.80	11,702	234,043
February	$25.24	$24.68	7,332	139,313
March	$25.00	$24.68	7,323	168,421
April	$25.04	$24.63	5,833	116,669
May	$25.35	$24.85	14,765	310,070
June	$25.25	$24.88	9,910	218,014
July	$25.28	$25.00	6,418	128,360
August	$25.49	$25.10	11,504	253,094
September	$25.65	$25.15	3,070	64,480
October	$25.65	$25.01	10,294	205,889
November	$25.49	$25.20	6,524	143,518
December	$25.65	$25.27	6,393	127,854

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	$22.94	$22.05	11,332	226,636
February	$23.46	$22.45	9,961	189,263
March	$23.38	$22.50	6,741	155,035
April	$23.34	$22.76	8,187	163,733
May	$24.30	$22.75	7,099	149,070
June	$24.19	$23.25	7,026	154,563
July	$23.64	$23.13	8,298	165,968
August	$24.48	$23.25	11,775	259,060
September	$24.74	$24.10	8,805	184,904
October	$24.95	$24.15	7,268	145,368
November	$25.34	$24.56	7,068	155,489
December	$25.55	$25.00	7,640	152,800

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	$22.91	$22.05	12,571	251,410
February	$23.45	$22.45	11,019	209,364
March	$23.29	$22.45	4,219	97,034
April	$23.24	$22.75	4,594	91,884
May	$24.31	$22.84	3,929	82,500
June	$24.29	$23.01	3,958	87,069
July	$23.71	$23.09	12,511	250,214
August	$24.48	$23.05	13,526	297,582
September	$24.86	$24.19	3,868	81,232
October	$25.03	$24.02	8,155	163,097
November	$25.22	$24.80	3,901	85,818
December	$25.50	$24.79	4,710	94,202

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	$21.35	$20.52	15,175	303,498
February	$21.68	$20.75	12,888	244,869
March	$21.69	$20.40	6,218	143,003
April	$21.34	$20.90	6,485	129,697
May	$22.36	$21.04	11,404	239,480
June	$22.30	$21.65	7,125	156,743
July	$22.47	$22.00	7,425	148,505
August	$22.48	$21.75	8,859	194,902
September	$23.39	$22.16	6,852	143,898
October	$23.49	$22.51	6,644	132,876
November	$23.65	$23.00	6,661	146,537
December	$24.25	$23.28	6,069	121,388

Medium Term Notes and Debt Securities

The outstanding medium-term notes ("MTN") of GWL and Loblaw are not listed or quoted on a recognized exchange. On October 25, 2011, GWL issued $350 million principal amount of unsecured MTN, Series 2-A pursuant to its MTN, Series 2 program. The Series 2-A notes pay a fixed rate of interest of 3.78% payable semi-annually commencing on April 25, 2012 until maturity on October 25, 2016. The GWL Series 2-A notes are subject to certain covenants and are unsecured obligations of GWL and rank equally with all the unsecured indebtedness that has not been subordinated. The GWL Series 2-A notes may be redeemed at the option of GWL, in whole at any time or in part from time to time, upon not less than 30 days and not more than 60 days notice to the holders of the notes. During 2011, a $300 million unsecured GWL MTN matured and was repaid. As at December 31, 2011 there was $1,266 million of GWL notes and debentures outstanding (excluding Loblaw Companies).

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

Loblaw's Private Placement notes ("USPP") are not listed or quoted on a recognized exchange. These notes are subject to certain covenants and are unsecured obligations of the company and rank equally with all the unsecured indebtedness that has not been subordinated. As of December 31, 2011, there was US$300 million of USPP outstanding. This USD amount is unchanged from the previous year.

Credit Ratings

During the fourth quarter of 2011, DBRS and S&P reaffirmed GWL's credit ratings, trend and outlook. GWL's credit ratings for its securities are as follows:

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

During 2011, DBRS and S&P reaffirmed Loblaw's credit ratings, trend and outlook. Loblaw'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
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.

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

Dominion Bond Rating Service

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

DBRS' credit ratings for long-term debt range from AAA to D. All rating categories other than AAA and D also contain the subcategories "high" and "low". The absence of either a "high" or "low" designation indicates the rating is in the "middle" of the category.

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

Preferred Shares

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

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

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

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

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

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

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

Preferred Shares

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

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

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

CreditWatch. The "positive" designation means that a rating may be raised; "negative" means a rating may be lowered; and "developing" means that a rating may be raised, lowered, or affirmed.

VIII. DIVIDENDS

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 GWL from paying common dividends at historical levels. Dividends on the preferred shares rank in priority ahead of the common shares.

Historical Dividend Payments

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

Dividends declared per share ($)	2011	2010	2009
Common shares	1.44	9.19(1)	1.44
Preferred shares, Series I	1.45	1.45	1.45
Preferred shares, Series II	—	—	0.32(2)
Preferred shares, Series III	1.30	1.30	1.30
Preferred shares, Series IV	1.30	1.30	1.30
Preferred shares, Series V	1.19	1.19	1.19

(1) Includes the special one-time common share dividend of $7.74751 per common share which was declared in the fourth quarter of 2010 and subsequently paid on January 25, 2011.

(2) On April 1, 2009, GWL 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, GWL declared a quarterly dividend of $0.36 per common share, payable on April 1, 2012. Quarterly dividends were also declared for the preferred shares as follows: $0.3625 per Preferred Share, Series I, payable on March 15, 2012 and $0.3250 per Preferred Share, Series III and IV, and $0.2969 per Preferred Share, Series V, all payable on April 1, 2012.

Special Dividend

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

Normal Course Issuer Bid

During the second quarter of 2011, GWL filed a Normal Course Issuer Bid to purchase on the Toronto Stock Exchange, or enter into equity derivatives to purchase, up to 6,454,276 common shares, representing five percent of its common shares outstanding as of the date on which GWL renewed its Normal Course Issuer Bid. In accordance with the rules and by-laws of the Toronto Stock Exchange, GWL may purchase its common shares at the market price of such shares. In the event that the shares of the Company trade in a price range that the Company believes does not fully reflect their value, the purchase of shares of the Company may be an attractive use of available funds. GWL purchased 902,379 common shares pursuant to the Normal Course Issuer Bid in 2011.

IX. DIRECTORS AND OFFICERS

The following list of directors and senior officers is current to February 29, 2012.

Directors

Name, Province and Country of Residence	Principal Occupation	Director Since:
W. Galen Weston, O.C.[1*] Ontario, Canada	Executive Chairman, George Weston Limited	1967
A. Charles Baillie[2*,3] Ontario, Canada	Corporate Director	2003
Warren Bryant[2,5*] Washington, USA	Corporate Director	2010
Peter B. M. Eby[1,3*] Ontario, Canada	Corporate Director	2000
Darren Entwistle[2] British Columbia, Canada	President and Chief Executive Officer, TELUS Corporation	2011
Anne 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 Brookfield Special Situations Fund and Advisor to the Executive Chairman of George Weston Limited	2009
Allan Leighton Ontario, Canada	Chairman of the Board of PANDORA A/S.	2000
Isabelle Marcoux[5] Quebec, Canada	Chair of the Board, Transcontinental Inc. (printing and publishing company)	2007
J. Robert S. Prichard, O.C.[3,4] Ontario, Canada	Chair of Torys LLP (law firm) and of the Board of Metrolinx (transportation company)	2000
Thomas F. Rahilly[2,4,5] Ontario, Canada	Corporate Director	2007
Barbara Stymiest[2,4] Ontario, Canada	Corporate Director	2011

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

All directors hold office until the close of the next annual meeting of the shareholders of 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	Executive Chairman
Paviter S. Binning Ontario, Canada	President
Gordon A.M. Currie Ontario, Canada	Executive Vice President, Chief Legal Officer
Robert G. Vaux Ontario, Canada	Executive Vice President, Corporate Development
Robert A. Balcom Ontario, Canada	Senior Vice President, General Counsel – Canada and Secretary
Jeremy Roberts Ontario, Canada	Senior Vice President, Finance
J. Bradley Holland Ontario, Canada	Senior Vice President, Taxation
Khush Dadyburjor Ontario, Canada	Senior Vice President, Corporate Development
Geoffrey H. Wilson Ontario, Canada	Senior Vice President, Financial Control and Investor Relations

All the foregoing directors and senior officers have held their present occupations or other positions with the same or associated companies or organizations for the past five years except: Mr. Paviter S. Binning, who served as Chief Financial Officer of GWL until July 28, 2011 and prior to that as Chief Restructuring Officer of Nortel Networks Corporation until March of 2010; Mr. Allan Leighton, who served as Deputy Chairman of GWL and Deputy Chairman and President of Loblaw until July 31, 2011 and prior to that was the Chairman of Royal Mail Group; 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.) up to September of 2009; Mr. Khush Dadyburjor who held the position of Vice President & Global Head, M&A at Nortel Networks Canada until December 2010; Mr. J. Robert S. Prichard who held the position of President and CEO of Metrolinx and became Chair of Torys LLP in 2010; and Mr. Thomas F. Rahilly, who was Vice Chairman of RBC Capital Markets, a division of Royal Bank of Canada, until the end of 2006.

As at December 31, 2011, Mr. W. Galen Weston beneficially owned, directly or indirectly, 80,724,598 common shares or approximately 63% of the issued and outstanding common shares of GWL. Other directors and officers of GWL, as a group, beneficially owned, directly or indirectly, or exercised control over, less than 1% of the issued and outstanding common shares of GWL.

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

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

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 CCAA in June 1999. The Loewen Group Inc. emerged from Chapter 11 in January of 2003 and CCAA proceedings were held in November of 2006.

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

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.

Mr. Robert G. Vaux 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 reorganization under the CCAA*.*

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

X. LEGAL PROCEEDINGS

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

On March 7, 2007, pursuant to a transaction whereby Domtar was combined with the fine paper business of Weyerhaeuser Inc., Domtar common shares were exchanged for an equal number of either exchangeable shares of Domtar (Canada) Paper Inc. or common shares of Domtar Corporation, a Delaware Corporation. The Share Purchase Agreement governing the June 1998 sale by GWL of E.B. Eddy Paper, Inc. to Domtar (the "SPA") contains a price adjustment clause. The SPA provides, subject to certain limited exceptions, that if any person subsequently acquired more than 50% of the outstanding voting shares of Domtar, the price adjustment clause applies. The Company believes that a price adjustment in the amount of $110 million is payable to it by Domtar and the Company has demanded payment of such amount from Domtar. Domtar's position is that the price adjustment clause does not apply because of the application of an exception contained in the SPA. On June 12, 2007, the Company commenced an action against Domtar for $110 million in the Superior Court of Justice in the province of Ontario, Canada. The parties have exchanged legal pleadings.

XI. MATERIAL CONTRACTS

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 together, each party pays the appropriate portion of such costs. Net payments under this agreement in 2011 were $18 million. Fees paid under this agreement are reviewed each year by the Audit Committee.

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

XII. RELATED PARTY TRANSACTIONS

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, Wittington and its affiliates may enter into agreements to make elections that are permitted or required under applicable income tax legislation with respect to affiliated corporations. These elections and accompanying agreements did not have a material impact on the Company in 2011.

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.

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

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

Further information on related party transactions can be found on page 48 of GWL's Annual MD&A.

XIII. TRANSFER AGENTS AND REGISTRARS

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

XIV. EXPERTS

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

XV. AUDIT COMMITTEE INFORMATION

The Audit Committee Charter, as approved by the Company's Board on February 29, 2012, is included in Appendix A. The members of the Audit Committee are indicated above. All members of the Audit Committee are independent and financially literate (as those terms are defined in Multilateral Instrument 52-110 of the Canadian Securities Administrators) and have the following education and experience which is relevant to their roles as Audit Committee Members:

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

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

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

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

Ms. Stymiest is a former Group Head of strategy, treasury and corporate services at RBC and is also Chair of the board of Research in Motion Limited. She obtained a B.A. from Richard Ivey School of Business and is a Fellow of the Institute of Chartered Accountants of Ontario.

All members of the Audit Committee are independent and financially literate as required under applicable securities law rules.

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 2011 and 2010 are as follows:

	2011 $(000's)	2010 $(000's)
Audit fees[(1)]	3,690	3,941
Audit-related fees[(2)]	2,824	2,562
Tax-related fees[(3)]	0	76
All other fees[(4)]	2,189	2,218
Total Fees	$8,703	$8,797

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

(2) Audit-related fees are fees for 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-related fees are fees for tax compliance and advice.

(4) All other fees include risk management, internal control/compliance, legislative and/or regulatory compliance services and the Company's conversion to International Financial Reporting Standards.

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

XVII. ADDITIONAL INFORMATION

1. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans, where applicable, will be contained in GWL's Management Proxy Circular for the Annual Meeting of shareholders to be held on May 10, 2012. Additional financial information is also provided in the Company's consolidated financial statements and MD&A for its most recently completed financial year.

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

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

APPENDIX "A"

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

(h) Review of Annual Audited Financial Statements

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

In conducting their review, the Audit Committee should:

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

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

(i) Review of Interim Financial Statements

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

(j) Other Financial Information

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

(k) Review of Prospectuses and Other Regulatory Filings

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

(l) Review of Related Party Transactions

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

(m) Review of Internal Audit Services

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

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

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

(n) Relations with Management

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

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

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

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

(p) Legal Compliance

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

(q) Taxation Matters

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

(r) 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. RISK MANAGEMENT

The Audit Committee shall review the Company's 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 risk management reports from Risk Management and Internal Audit Services. The Chair of the Audit Committee shall periodically report to the Board on any major issues arising from the risk management program. The Audit Committee shall also receive periodic reports regarding any major issues arising from the risk management program at Loblaw Companies Limited. 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.

8. 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.

9. REPORTING

The Audit Committee shall report to the Board on:

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

10. 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.

11. 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.

12. 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.