Loblaw
COMPANIES LIMITED

2012

ANNUAL INFORMATION FORM

February 21, 2013

LOBLAW COMPANIES LIMITED

2012 ANNUAL INFORMATION FORM

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FORWARD-LOOKING STATEMENTS

This Annual Information Form for Loblaw Companies Limited and its subsidiaries (collectively, the "Company" or "Loblaw") contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, prospects and opportunities. Forward-looking statements are typically identified by words such as "expect", "anticipate", "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.

Forward-looking statements reflect the Company's current estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The Company's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and as such, are subject to change. The Company can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

Numerous risks and uncertainties could cause the Company's actual results to differ materially from the estimates, beliefs and assumptions expressed or implied in the forward-looking statements, including, but not limited to:

- failure to realize anticipated results, including revenue growth, anticipated cost savings or operating efficiencies from the Company's major initiatives, including those from restructuring;
- failure to realize benefits from investments in the Company's information technology ("IT") systems, including the Company's IT systems implementation, or unanticipated results from these initiatives;
- the inability of the Company's IT infrastructure to support the requirements of the Company's business;
- heightened competition, whether from current competitors or new entrants to the marketplace;
- changes in economic conditions including the rate of inflation or deflation, changes in interest and currency exchange rates and derivative and commodity prices;
- public health events including those related to food safety;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements, which could lead to work stoppages;
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrink;
- the impact of potential environmental liabilities;
- failure to respond to changes in consumer tastes and buying patterns;
- 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 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;
- the inability of the Company to collect on its credit card receivables; and
- failure to execute the Initial Public Offering ("IPO") of the Company's proposed Real Estate Investment Trust ("REIT") could adversely affect the reputation, operations and financial performance of the Company.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the Enterprise Risks and Risk Management section of the Management's Discussion and Analysis ("MD&A") on pages 23 to 31 of the 2012 Annual Report – Financial Review ("Annual Report"). Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this Annual Information Form. Except as required by law, the Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

CORPORATE STRUCTURE

Incorporation

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

Intercorporate Relationships

Loblaw Companies Limited is a holding company which carries on its business through its subsidiaries. A list of the subsidiaries of the Company that carry on its principal business is given below. In each case, the Company owns 100% of the voting securities either directly or indirectly.

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

GENERAL DEVELOPMENT OF THE BUSINESS

The Company is Canada's largest food retailer and a leading provider of drugstore, general merchandise and financial products and services. Through its national network of corporate and franchise stores, the Company serves over 14 million customers per week.

Over the past three years, economic uncertainty and heightened industry competition have translated into a challenging environment for Canadian food retailers. During this time, the Company has worked to strengthen its customer proposition with an emphasis on fresh product quality, presentation and assortment, customer service and competitive value. The Company has also taken measures to improve the appearance of many of its retail stores. It has sought to reinforce competitive differentiation by: providing innovative control brand products; expanding its selection of international and health and wellness products; exploring opportunities to add new capabilities to meet the evolving needs of Canadian consumers; and progressively rationalizing its general merchandise selection to better align with its core food offering. In addition, the Company's supply chain renewal project has improved product availability and led to higher levels of efficiency. The implementation of the Company's IT system is ongoing and during 2012, the first distribution centre and first store went live on the integrated system.

On December 6, 2012, the Company announced its intention to create a REIT to acquire a significant portion of the Company's real estate assets and for the REIT to sell trust units to the public by way of an IPO. The Company estimates that it will initially sell to the REIT real estate with a current market value exceeding $7 billion and it intends to retain a significant majority interest in the REIT. The Company expects the IPO to be completed in mid-2013. However, completion of the IPO and the purchase of certain of the Company's real estate assets will be subject to prevailing market conditions and receipt of required regulatory approvals, including approval to list the trust units on the Toronto Stock Exchange. In addition, the execution and implementation of the REIT's IPO will have a significant impact on the Company's management and operations as a result of the time and attention required of management to complete the offering.

In 2013, the Company expects to advance a number of the strategic initiatives that were introduced in 2012. The Company plans to continue to explore innovative products, services and channels in order to maintain its competitive position. It expects to advance efficiency initiatives during the year, with a focus on the ongoing IT system implementation. The Company also plans to launch a loyalty program that will include personalized offers, which will be available to participating customers through digital channels.

Same-store sales decreased by 0.2% in 2012 (compared to 2011); in 2011, same-store sales increased by 0.9% (compared to 2010); and in 2010, same-store sales decreased by 0.6% (compared to 2009). Total retail square footage, including corporate and franchise stores, increased to 51.5 million from 50.7 million in 2010. The total number of corporate and franchise stores increased to 1,053 in 2012 from 1,027 in 2010.

A comprehensive list of the enterprise risks and related risk management activities can be found in Section 12 of the MD&A included in the Company's 2012 Annual Report.

Retail

Traditional food offerings are the core of the Company's business. The Company's Retail segment consists primarily of food and also includes drugstore, gas bars, apparel and other general merchandise.

Customer Proposition

The Company's customer proposition is the combination of value, experience and product assortment that it offers to its customers. Over the last three years the Company has progressively worked to strengthen its customer proposition by enhancing focus on fresh product quality, presentation and assortment, customer service and competitive value.

In 2010, the Company endeavoured to improve its customer proposition by enhancing focus on product freshness, assortment and customer service. In addition, the program of store network renovations that started in 2009, continued. During 2011, targeted sourcing enhancements were implemented to support a broader product offering. The retail business was also separated into conventional and discount divisions in order to better address the distinct needs of its customers.

During 2012, the Company invested in its competitive value position as well as in product assortment in a number of fresh areas and related colleague training. Continued conversion to labour agreements ratified in 2010, as well as the roll out of an improved Store Time and Attendance System ("STAS") enabled the Company to leverage additional scheduling efficiencies. During the year, the Company also began a process of developing and implementing category reviews across the conventional and discount divisions with the objective of improving the competitiveness, profitability and relevance of individual categories.

In 2013, the Company plans to roll out additional category reviews while continuing to focus on areas such as: product assortment, fresh food quality, customer service and competitive value.

The Company could have goods and services that customers don't want or need, are not reflective of current trends in customers' tastes, habits, or regional preferences, are priced at a level customers are not willing to pay or are late in reaching the market. Innovation is critical if the Company is to respond to customer demands and stay competitive in the marketplace. If merchandising efforts are not effective or responsive to customer demand, the operations and financial performance of the Company could be negatively affected.

Store Renovations

The Company regularly updates its stores in order to improve the customer shopping experience. In 2009, the Company began an intensive program of network-wide store updates that it expects to conclude in 2014. Following this renovation program, it is anticipated that the Company will return to a more regular renovation cycle, with each store receiving an update approximately every eight years. In the past three years, over 450 stores representing more than 60% of the Company's sales were renovated.

In 2010, the Company touched over 200 stores of which 160 were considered major renovations. 16 *Real Canadian Superstore* locations were renovated to provide a better shopping experience for the customer. In Quebec, 110 *Maxi* and *Maxi & Cie* stores were repositioned with an improved offering focused on meeting customer needs and increasing volume. In Ontario, 16 *Zehrs* and seven *Fortinos* locations were renovated. In 2011, the Company continued its store renewal plan and completed 121 store renovations, including 78 major renovations that enhanced the customers' in-store experience across various banners and divisions.

During 2012, the Company completed 181 major renovations. Approximately 50 of the renovations were dedicated to updates in select *Maxi* and *Provigo* stores to improve the in-store shopping experience. In addition, 78 of the renovations were conducted to support the strategic transition of the Right Hand Side, or general merchandise, areas of the Company's stores to offer an enhanced selection of merchandise in four key areas: Apparel, Beauty, Home and Kids. Five *T&T Supermarket* store renovations took place during the year.

In 2013, the Company will continue to update its network of stores and expects to substantially complete its program of Right Hand Side resets.

Health and Wellness

Health and Wellness is a core component of the Company's business. Anchored by a growing network of over 500 in-store drugstores, the Company offers a full range of health and wellness products and services.

In 2010, the Company conducted an IT infrastructure renewal within its pharmacy network as a foundation for future growth. In addition, its small-format pharmacy pilot launched during the year. During 2011, the Company launched the "Get Checked Now" campaign in partnership with the Canadian Diabetes Association to provide Canadians with personalized, computerized diabetes risk assessments under the direction of a Company pharmacist. The Company also pilot tested the Guiding Stars program, a nutrition navigation tool that rates food based on its nutritional value, in select corporate stores.

During 2012, the Company acquired prescription files from 106 Zellers stores. In addition, 14 medical clinics and 18 optical departments were added to the Company's stores. The Company's successful program of placing dieticians in stores was expanded with 50 additional stores better equipped to assist customers with their nutrition concerns. The Guiding Stars nutrition navigation program was further expanded during 2012 with over 40 stores participating by the end of the year.

In 2013, the Company plans to add medical clinics to additional stores as well as to continue to offer differentiated services that bridge the gap between food and health.

During 2012, the majority of provincial governments announced or enacted amendments to the regulation of generic prescription drug prices paid by provincial governments pursuant to public drug benefit plans. Subsequent to the end of the year, all provinces and territories, with the exception of Quebec, announced that reimbursement rates on six common generic prescription drugs would be significantly reduced. All provinces have now announced various forms of amendments to regulation of generic drug pricing. Under these amendments, the prices paid by the provincial drug plans for generic drugs are being reduced. The amendments also reduce out-of-pocket and private employer drug plan payments for generic drugs. The amendments impact pharmacy sales and therefore could have an adverse effect on the financial performance of the Company. The Company continues to identify opportunities to mitigate the impact of these amendments, including the introduction of programs to add new services and enhance existing services to attract customers, but despite these efforts, the amendments could have an adverse effect on the financial performance of the Company.

International Products

The Company serves the diverse Canadian population both through its standalone *T&T Supermarket* stores as well as through a comprehensive in-line assortment of international products in the Company's other banner stores. The Company strengthened its existing foothold in this growing segment through its purchase of T&T Supermarket Inc. ("T&T") in September, 2009.

Over the past three years, the Company has continued to emphasize the international products segment as a driver of future growth. In 2010, the Company established strategic synergies between itself and T&T to expand its understanding of this market. During 2011, the Company also expanded its fresh halal, meat and South Asian bakery offerings. In 2011, T&T launched an expanded lineup of *T&T* control brand products in its stores. As part of T&T's growth plans, one new store was opened in Ontario during 2011.

In 2012, T&T's footprint continued to expand with two new *T&T Supermarket* stores in Ontario. South and East Asian product assortment was also introduced in the Company's self-serve wholesale banner stores. A collection of *T&T* control brand products were piloted in select conventional and discount stores. T&T also launched the *Be Beauty by T&T* concept in one of its stores during 2012 to offer its customers familiar branded beauty products as well as pharmacy services in Chinese.

In 2013, the Company expects to expand the selection of control brand international products as well as roll out *T&T* control brand products to the rest of the national store network. T&T also plans to introduce the *Be Beauty by T&T* concept to additional stores during the year.

Control Brand – Food

The Company offers a control brand program that serves to encourage customer loyalty and price competitiveness. Over the past three years, the Company has increased its focus on profitability and innovation in its food-related control brand program.

In 2010, the Company undertook a number of initiatives to improve the profitability of its control brand offering, focusing on innovation, including the launch of the very successful Ice Cream Shop program, with 14 new flavours and an integrated national advertising campaign featuring store parking lot events across the country. In 2011, the Company continued to innovate its control brand products, including the introduction of its new *PC* black label line of products, a collection of fine foods sourced from around the world. This was the first new line launched by the Company since 2005. 162 *PC* black label products were launched into 140 conventional stores in the fourth quarter of 2011. In addition, the Company successfully redesigned over 400 *Blue Menu* products to make it easier for consumers to understand the attributes of the products. To further enhance its offerings for health-conscious customers, the Company also launched 13 new *PC Organics* baby food products and 20 new peanut-free products, which brought the offerings in these two areas to over 60 and 80 products, respectively. T&T also launched an expanded lineup of *T&T* control brand products in *T&T Supermarket* stores.

During 2012, the Company continued to expand its control brand selection with a broad focus on innovation and additional products in areas such as health and wellness and international products. During the year, eight gluten-free items, under the *President's Choice* brand were introduced by the Company. The *President's Choice* brand was the first control brand line in Canada to meet the Canadian Celiac Association's Gluten-Free Certification Program requirements to display the GFCP trademark. The Company's *PC Free From* product line was extended into frozen boxed and processed meats to offer a greater range of alternatives for consumers seeking antibiotic and hormone-free products. The packaging of 235 *PC Organics* products was redesigned and additional in-store signage was introduced to make it easier for consumers to shop natural and organic products. The Company's *PC* black label line was expanded to over 250 products with a focus on additions to existing categories such as pasta and cheese. During the year, *PC* black label products were rolled out to over 240 additional stores; by the end of 2012, *PC* black label was stocked in over 380 stores.

In 2013, the Company plans to continue developing innovative products and leveraging its leading brands to grow in target areas such as: health and wellness, fresh and ethnic. During the year, control brands will continue to play an integral role in the ongoing category review process.

Apparel and General Merchandise

The Company offers a broad selection of apparel and general merchandise in a number of its banner stores and also offers apparel in free standing *Joe Fresh* stores in Canada and the United States. The Company's primary objective is to provide a suite of apparel and general merchandise products that complement its core food offering.

In 2010, the Company worked to rationalize underperforming general merchandise categories such as electronics and furniture. In 2011, the Company began to execute its Right Hand Side strategy, which centers on enhancing the selection of merchandise in four key areas: Apparel, Beauty, Home and Kids. This strategy was implemented in order to better align the Company's general merchandise selection with its core food offering. The Company also launched a number of new control brand product lines including *Jogi™, J+/-, Tera Gear* and *Everyday Essentials.*

During 2012, the Company continued to reset the general merchandise sections of its stores and conducted 78 Right Hand Side related projects, bringing the total number to approximately 100 to date. As part of the renewal program, the beauty areas of approximately 80 stores were revitalized with a new look, concept and feel. The *Jump Kids World* brand was introduced in 2012, offering a colourful line of kids' products in categories such as: tabletop, décor, storage, organization, bath and closet.

In 2010, the Company expanded awareness of the *Joe Fresh* brand through major media campaigns, making it a leading apparel brand. During the year, the Company grew the *Joe Fresh* retail footprint by opening the first standalone store in Vancouver. In 2011, the Company expanded the brand by adding 10 new standalone stores, including five locations in the United States, and expanding total apparel retail space by 10%.

In 2012, the Company announced a relationship with J.C. Penney Corporation, Inc. ("JC Penney") to introduce *Joe Fresh* women's apparel to almost 700 JC Penney stores in the United States. The launch is expected to take place in March 2013.

In 2013, the Company plans to continue resetting its general merchandise selection. It is anticipated that additional merchandising space will be allocated to brands such as *Jump Kids World* as the focus on categories that are complimentary to the core food offering continues to grow. The Company expects to continue focusing on building the *Joe Fresh* brand as well as on optimizing performance at the existing U.S. standalone stores and supporting the JC Penney roll out.

Retail Square Footage

In 2011, the Company returned to square footage growth after relative stability in 2010; it expanded its retail square footage to 51.2 million square feet from 50.7 million square feet in 2010. In 2012, the Company expanded its retail square footage to 51.5 million square feet.

The Company has focused on growing its *nofrills* banner over the past three years both in its well-established Ontario market as well as in Western and Atlantic Canada. In Western Canada, the Company opened nine new *nofrills* stores in 2010 and five in 2011. In Atlantic Canada, the Company opened seven *nofrills* stores in 2010 and one in 2011. During 2011, the 200th *nofrills* store was opened in Woodstock, Ontario. The Company opened three new conventional stores in 2011, including the *Loblaws* store at Maple Leaf Gardens, the Company's new flagship store and blueprint for the next generation grocery store.

In 2012, the Company opened four *nofrills* locations in Western Canada, six in Ontario and two in Atlantic Canada; the Company also added one *The Real Canadian Superstore* location in Western Canada. One *Zehrs* store was opened in Ontario during the year as well as four *Your Independent Grocer* stores, primarily in Western Canada. In addition, two *T&T Supermarket* stores were opened in Ontario during the year.

In 2013, capital spending is expected to support square footage growth of approximately one percent.

Financial Services

The Company's Financial Services segment is focused on offering cost-effective alternatives to traditional banking, including credit card offerings, as well as insurance, gift card and mobile products. The segment is also home to the *PC* Points Loyalty Program. Over the past two years, the objective of the Financial Services business has been to expand its offerings, including mobile products, while building loyalty across the Company's businesses, particularly through growth in the Company's *President's Choice Financial* MasterCard® portfolio.

The Company has focused on expanding its *President's Choice Financial* MasterCard® portfolio over the past two years. In 2011, approximately one million new applications were successfully acquired. In 2012, the Company acquired 1.1 million new applications, approximately double the number of applications that were acquired in 2010. Since 2010, the Company has gained over 1.5 million new *President's Choice Financial* MasterCard® cardholders.

In 2010, the Company launched over 500 prepaid cellular end caps in stores across the country. In 2011, *The Mobile Shop*, a full service mobile kiosk, was launched in 75 stores. *The Mobile Shop* was introduced to give Loblaw customers the ability to shop a range of rate plans and handsets from a full range of carriers in one convenient location. In 2012, the Company introduced 87 additional *The Mobile Shop* kiosks, bringing the total number to 162 nationally.

In 2013, the Financial Services division plans to assist in the launch of the standalone retail loyalty program while continuing to grow its *President's Choice Financial* MasterCard® portfolio as well as driving increased customer awareness and improving operating performance at its *The Mobile Shop* locations.

Supply Chain

In 2007, the Company implemented a significant initiative to invest in and improve its supply chain. This initiative, which was largely completed during 2011, 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 2010, the Company completed the implementation of its transport management system ("TMS"). The new warehouse management system ("WMS") was implemented in 10 distribution centres. Over 50 suppliers were converted from direct store delivery to shipping through distribution centres, reducing deliveries to stores and improving availability. In addition, the Company continued to progress with its integrated planning, forecasting and replenishment system ("IPFR") integration, and introduced new retail-ready packaging to its supply chain, leading to a faster replenishment process and an improved shopping experience for customers. With the completion of many of the supply chain implementations, the Company started to see transportation efficiencies and improvements in service levels and availability in 2011. In addition, during 2011, the Company implemented the WMS in five more distribution centres. The Company also completed six deployments of the IPFR system and continued to increase the number of products being shipped in retail-ready packaging.

In 2012, the focus was on the continued roll out of systems. The Company went live on the WMS at four distribution centres during the year. In addition, an end-state IPFR solution was enabled for the one distribution centre and one store that went live on the IT system. As a result, at the end of the year, forecasting for the first store was being determined primarily by point of sale ("POS") history, with store replenishment instructions driving distribution centre and vendor orders. The Company continued to optimize its IPFR, WMS and TMS solutions during the year.

In 2013, the Company plans to continue optimizing its supply chain systems. The roll out of the IT system to a portion of the Company's retail stores will be a priority during the year, with many of the system optimizations, including IPFR, requiring integration into the IT system.

Employment Matters

In 2010, the Company continued to invest in colleague development through the launch of the "Best Store Leader" program. Over 300 colleagues went through rigorous assessments in development centres and were trained in key store management skills and practices. Progress also continued in the effort to retain colleagues, with reduced turnover compared to 2009. In 2011, the Company continued to focus on the "Best Store Leader" and "Best Category Leader" programs, and launched 16 Leadership Development Centres with 240 colleagues participating. These colleagues were supported with individual assessments and development plans, which directly resulted in a number of assistant store managers and merchants being identified as ready for promotion. In addition, the first cohort of High Potential colleagues completed a seven month program that seeks to develop the leadership capability of high performing and high potential Loblaw colleagues. The Company continued to develop programs supporting colleague attraction and retention, colleague development, succession planning, diversity and inclusion and health, safety and wellness.

In 2012, the Company continued its focus on leadership assessment and development. An online leadership assessment tool was pilot tested during the year and the output of this online assessment was the creation of individual development plans for the Company's middle management leadership group. The focus on identifying and developing High Potential colleagues continued and the second cohort graduated from the High Potential Program.

In 2012, the Company redefined and communicated its corporate values. Colleague-centric focus groups held across Canada generated four values: CUSTOMERS matter most; We RESPECT each other; Getting BETTER every day; and Care for COMMUNITY and environment. The focus during the latter part of 2012 was on recognizing and celebrating colleagues living these values day to day.

Over the past three years, the Company's efforts have been recognized in a number of ways, including by being designated one of Canada's Top 100 Employers, one of Canada's Best Diversity Employers and one of Canada's Most Admired Corporate Cultures.

For 2013, the Human Resources function plans to continue to build a responsive and performance-oriented culture that ensures that colleagues are focused on customers and that they understand and reflect the Company's values. Initiatives to support colleague retention, succession planning, recognition and development will be continued in order to drive colleague engagement and achieve the Company's goal to "Be a Great Place to Work".

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

Labour Relations

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

Failure to renegotiate collective agreements could result in work stoppages or slowdowns, which could negatively affect the Company's financial performance, depending on their nature and duration. There can be no assurance as to the outcome of these negotiations or the timing of their completion. Although the Company attempts to mitigate work stoppages and disputes through early negotiations, work stoppages or slowdowns remain possible, which could negatively affect the reputation, operations and financial performance of the Company.

In the past three years, 184 collective agreements were successfully negotiated by the Company and its franchisees. Significant labour negotiations took place across the Company in 2012 as 69 collective agreements expired and 49 collective agreements were successfully negotiated, which included agreements that expired in prior years.

In 2011 and 2012, to drive labour productivity, the Company successfully transitioned certain of its Ontario conventional stores to more cost effective and efficient collective agreements ratified in 2010. These transitions are expected to continue into 2013 and beyond.

Information Technology

IT System

The Company is currently conducting a major upgrade of its IT infrastructure. This is one of the largest technology infrastructure programs ever implemented in the retail marketplace and is fundamental to the Company's long term growth strategies. It is anticipated that the implementation of the IT system will drive ordering and inventory efficiencies by initiating store orders to distribution centres and vendors based on POS data and facilitating perpetual inventory in most product categories. As the integrated system is connected to the store network, it is expected to provide the business with additional insight, which will drive operational rigor and ultimately improve efficiency and the customer experience.

In 2010, the Company successfully implemented the first and second phases of its IT system, which involved integrating the general ledger and related reporting for finance across the business and launching additional functionality including corporate accounts payable and marketing procurement processes. The system was rolled out successfully to Loblaw Properties Limited, PC Bank and all administrative functions during the year. In addition, beginning in September 2010, pilots for the next major IT system release related to the merchandising management module were rolled out. The Company used the IT system functionality to close its third and fourth quarter reporting periods. In 2011, the Company made additional progress on the implementation of the IT system with the successful transition of all merchandising category product listings on to the system. This transition involved the cleansing of master data with no significant impact on its customers.

During 2012, the first distribution centre and first store went live on end-to-end systems, from ordering products to taking payment from customers. The complex transition was successfully executed with no significant impact on customers. Additional master data was also introduced to the system during the year and cleansing continued.

In 2013, the Company will continue to roll out the IT system to a portion of its distribution centres and store network.

Store Time and Attendance System and National Point of Sale System

In 2010, the Company began implementing a new STAS to drive proper colleague scheduling during key times as well as reduce administrative costs. In 2011, the Company implemented the new STAS in approximately 150 stores and by the end of 2012, all corporate stores were live on the system.

The roll out of STAS will continue during 2013 with the majority of the Company's franchise stores expected to be live by the end of the year.

The Company began to implement its National Point of Sale system during 2010, to provide a standardized infrastructure and application landscape as the foundation for the roll out of the IT system and other new capabilities across the enterprise. Over 240 stores were converted to the National Point of Sale system during 2011 and the roll out was completed during 2012.

Financial Performance

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

DESCRIPTION OF THE BUSINESS

Operations

Loblaw Companies Limited, a subsidiary of George Weston Limited ("Weston"), is Canada's largest food retailer and a leading provider of drugstore, general merchandise, and financial products and services. For over 50 years, the Company has supplied the Canadian market with innovative products and services through corporate, franchised and affiliated stores. The Company has two reportable operating segments. Retail consists primarily of food and also includes drugstore, gas bars, apparel and other general merchandise. Financial Services includes credit card services, a retail loyalty program, insurance brokerage services, personal banking services provided by a major Canadian chartered bank, deposit taking services, and telecommunication services.

Retail

The Retail segment is composed of two primary divisions: conventional and discount. The Company's conventional banners offer a broad assortment across a variety of food and complementary categories, with a focus on service and value. The Company's discount banners are focused on delivering the lowest price coupled with service when and where it matters most. The Hard Discount format offers a straightforward food shop, while the Superstore business offers a one stop shop with a broad product selection of fresh foods, health, apparel, and home needs. Corporate owned store banners include *Atlantic Superstore, Dominion*[(1)] (in Newfoundland and Labrador), *Extra Foods, Loblaws, Maxi, Maxi & Cie, Provigo, The Real Canadian Superstore, T&T Supermarket* and *Zehrs* and wholesale outlets operating as *Cash & Carry, Presto* and *The Real Canadian Wholesale Club.* The Company's franchised and affiliated stores operate under trade names including *Atlantic SaveEasy, Fortinos, Extra Foods, nofrills, SuperValu, valu-mart, Provigo* and *Your Independent Grocer.* The store network is supported by 21 warehouse facilities located across Canada, as well as third party warehouses and temporary storage facilities when required.

Financial Services

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

(1) Trademark used under license

Geographic and Banner Summary

Retail

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

	Corporate Stores	Franchised Stores	Affiliated Independents	Independent Accounts	Warehouses
Newfoundland and Labrador	12	8	14	100	1
Prince Edward Island	5	4	7	27	–
Nova Scotia	31	18	22	255	1
New Brunswick	21	22	19	99	2
Quebec	176	56	148	979	3
Ontario	167	292	65	–	5
Manitoba	27	1	14	–	1
Saskatchewan	29	6	21	–	–
Alberta	54	30	8	–	2
Northwest Territories	2	–	2	–	–
Yukon	1	1	1	–	–
British Columbia	49	35	20	–	6
USA	6	–	–	–	–
Total	**580**	**473**	**341**	**1,460**	**21**

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

	Corporate Stores	Franchised Stores	Affiliated Independents
Conventional			
Atlantic SaveEasy	2	41	–
Fortinos	2	19	–
Loblaws	76	–	–
Provigo	22	56	–
SuperValu	1	10	11
T&T Supermarket	22	–	–
valu-mart	3	57	–
Your Independent Grocer	2	57	–
Zehrs	44	–	–
Other	–	3	330
Discount			
Extra Foods	48	18	–
Maxi	89	–	–
Maxi & Cie	21	–	–
nofrills	1	212	–
Atlantic Superstore	50	–	–
Dominion(1) (in Newfoundland and Labrador)	11	–	–
The Real Canadian Superstore	112	–	–
Cash & Carry	17	–	–
Presto	11	–	–
The Real Canadian Wholesale Club	33	–	–
Apparel	–	–	–
Joe Fresh	7	–	–
Joe Fresh US	6	–	–
Total	**580**	**473**	**341**

(1) Trademark used under license

The average store size at year end 2012 for corporate stores and franchised stores was 64,800 and 29,400 square feet, respectively. Over the last three years, the average store size for corporate stores has increased by approximately 4.0%, while the average store size for franchised stores has declined by approximately 1.0%.

The Company's preferred strategy is to purchase land for future store locations. At year-end 2012, the Company owned 72% of the real estate on which its corporate stores are located, 45% of the real estate on which franchised stores are located, as well as various properties under development or held for future development. The Company's owned properties are largely unencumbered, with $93 million in mortgage debt on total fixed assets including real estate and investment properties having a net book value of approximately $9.1 billion at year end 2012. 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.

Franchisee Independence and Relationships

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

Financial Services

The Company operates 176 *President's Choice Financial* services kiosks in retail stores across the country. In addition, the Company operates *PC* Mobile prepaid cellular end caps in over 500 of its stores across the country. *The Mobile Shop* full service kiosks, operated by third party providers are located in 162 of the Company's stores across the country.

Competitive Environment

Retail

The retail industry in Canada is highly competitive. If the Company is ineffective in responding to consumer trends or in executing its strategic plans its financial performance could be negatively affected.

The Company's competitors include traditional supermarket operators, as well as mass merchandisers, warehouse clubs, drugstores, limited assortment stores, discount stores, convenience stores and specialty stores. Many of these competitors now offer a selection of food, drugstore and general merchandise. Others remain focused on supermarket-type merchandise. The Company is subject to competitive pressures from new entrants into the marketplace and from the expansion or renovation of existing competitors, particularly those expanding into the grocery market. The Company's inability to effectively predict market activity or compete effectively with its current or future competitors could result in, among other things, reduced market share and lower pricing in response to its competitors' pricing activities. Failure by the Company to sustain its competitive position could negatively affect the financial performance of the Company.

Financial Services

The Canadian bank card market is highly regulated and competitive. In the past few years, two significant issuers sold their portfolios to major Canadian banks, a major Canadian telecommunications provider has applied to the federal government for a banking license and a major Canadian bank has announced partnerships with two large Canadian retailers. 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 other players in the market. The Company's inability to meet these customer expectations, predict market activity or compete effectively could adversely affect the Company's ability to achieve its objectives.

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

President's Choice Financial banking services are provided by a major Canadian chartered bank. PC Bank uses third party service providers to process credit card transactions, operate call centres and operationalize certain risk management strategies for the *President's Choice Financial* MasterCard®. PC Bank and the Company actively manage and monitor their relationships with all third party service providers and PC Bank has an outsourcing risk policy and a vendor governance team that provides regular reports on vendor governance and annual vendor risk assessments. Despite these activities, a significant disruption in the services provided by the chartered bank or third party service providers would negatively affect the financial performance of PC Bank and the Company.

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

Customers

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

Control Brand Products

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

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

The Company's goal is to provide iconic leading brands to its customers, to drive customer loyalty through its control brand products and differentiate through innovation. Aligned with these goals, the Company offers over 420 *Blue Menu* products, more than 250 *PC* black label products and over 320 products under the *PC Organics* label.

A selection of control brand general merchandise items has been developed as part of the Company's general merchandise offering. These products are sourced world-wide and cater to all areas of the home including bed, bath, kitchen, home décor and seasonal categories. In recent years, the Company has reset the general merchandise offerings in it stores in favour of offering an enhanced selection of merchandise in four key areas: Apparel, Beauty, Home and Kids. This strategy was implemented in order to better align the general merchandise selection with the Company's core food offering and the needs of its primary customers.

The Company relies on vendors, including offshore vendors, that provide the Company with goods and services. Although contractual arrangements, sourcing guidelines, supplier audits and Corporate Social Responsibility ("CSR") guidelines are in place, the Company has no direct influence over how the vendors are managed. Negative events affecting any vendors or inefficient, ineffective or incomplete vendor management strategies, policies and/or procedures could adversely impact the Company's ability to meet customer needs or control costs and quality, which could in turn negatively affect the reputation, operations and financial performance of the Company.

Marketing

The Company has extensive marketing programs, many of which are focused on scheduled events and on the promotion and advertising for various control brand products and services which are exclusive to the Company. These programs are supported by research activity, including consumer insight and brand awareness measures.

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

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

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

Over the last few years, the Company has placed a greater emphasis on public relations campaigns and event marketing. In 2011 and 2012, the Food Network Canada reality television series "Recipe to Riches" featured the *President's Choice* brand. As part of the show, at-home chefs presented innovative recipes to a panel of judges for the chance to have their recipes developed into products sold under the *President's Choice* brand. During 2012, the Company also introduced its *President's Choice* BBQTown event, where Canadians nominated their own communities for a chance to win a *President's Choice* BBQTown Grand Prize Event for up to 5,000 people in their community. Also available were 9 secondary prizes of a stop on the *PC* BBQTown Tour. The town of Chatham, Ontario was the grand prize winner and during the event, the Company set a new Guinness World Records® title for assembling 1,053 hamburgers in one hour.

The Company also promotes its products and engages its consumers through its websites such as pc.ca and joefresh.com and through social media such as Facebook and Twitter, which allow consumers to participate in contests, rate and review food products, and create a personal wardrobe. The Company also uses social networking sites in its marketing efforts.

Intellectual Property

The Company has established procedures to register or otherwise protect its intellectual property including the trademarks used in its store-trading or banner names and those associated with its control brand programs. Store-trading or banner names are associated with specific retail concepts and are important to both corporate store and franchised store operations. Franchisees use the banner names associated with their franchise program pursuant to licensing arrangements. The Company's trademarks used in connection with its control brand program are discussed under the sections Retail and Financial Services. Other intellectual property of the Company includes domain names, packaging designs and product formulations and specifications. The intellectual property rights associated with and used in connection with the Company's business are important assets and are defended vigorously. Certain of the Company's trademarks are licensed to third party service providers, primarily in connection with *President's Choice Financial* services. When used in this Annual Information Form, the trademarks of the Company are presented in italics.

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

Information Technology

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

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

The Company maintains a secure, chain-wide network that transmits data between its stores, distribution centres and corporate offices and carries debit and credit transactional information from stores to the Company's provider of credit card clearing services. The Company also uses outsourced services for a number of IT requirements as well as for pharmacy and *President's Choice Financial* services.

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

Management depends on relevant, reliable and accessible information for decision making purposes, including key performance indicators and financial reporting. Lack of relevant, reliable and accessible information that enables management to effectively manage the business could preclude the Company from optimizing its overall performance. Any significant loss of data or failure to maintain reliable data could negatively affect the reputation, operations and financial performance of the Company.

The Company is reliant on the continuous and uninterrupted operations of IT systems. POS availability, 24/7 user access and security of all IT systems are critical elements to the operations of the Company. Any IT failure pertaining to availability, access or system security could result in disruption for the customer, lost revenue and could negatively impact the Company's operations, reputation or financial performance.

Supply Chain

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

The Company's Retail supply chain and distribution network is comprised of a total of 21 warehouses and distribution centres. Third party logistics service providers are used at 11 distribution centres. The Company uses various modes of transportation including its own trucking fleet and third party common carriers, railways and ships. The Company is not dependent on any one third party transport provider.

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

The Company also uses third party suppliers, carriers, logistic service providers and operators of warehouses and distribution facilities, including the product development, design and sourcing of the Company's control brand apparel products. Ineffective selection, contract terms or relationship management could impact the Company's ability to source control brand products, to have products available for customers, to market to customers or to operate efficiently and effectively. The Company maintains a strategy of multiple sources for logistics providers so that in the event of a disruption of service from one supplier another supplier can be used. However, disruption in these services is possible, which could interrupt the delivery of merchandise to stores, thereby negatively affecting the operations and financial performance of the Company.

Seasonality

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

Foreign Operations

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

Colleagues

As of December 31, 2012, the Company and its franchisees together employed approximately 134,000 full-time and part-time employees. A majority of the Company's store level and distribution centre colleagues are unionized. Currently, the unionized workforce employed by the Company and its franchisees is covered by a total of 360 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 Matters

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

The Company has a number of underground storage tanks, the majority of which are used for the retailing of automotive fuel or for its supply chain transport fleets. Contamination resulting from leaks from these tanks is possible. The Company also operates refrigeration equipment in its stores and distribution centres to preserve perishable products as it passes through the supply chain and ultimately into the hands of the consumer. These systems contain refrigerant gases which could be released if equipment fails or leaks. A release of these gases could have adverse effects on the environment.

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

The Company has environmental management programs and has established assessment, compliance, monitoring and reporting policies and procedures aimed at ensuring compliance with applicable environmental legislative requirements and protecting the environment. Despite these mitigation activities, the Company could be subject to increased or unexpected costs associated with environmental incidents and the related remediation activities, including litigation and regulatory related costs, all of which could negatively affect the reputation and financial performance of the Company.

Consumer trends are increasingly demanding that retailers sell products with less impact on the environment and that their operations demonstrate environmentally responsible practices. As set out in its annual CSR Report, the Company sets environmental goals and monitors its progress towards their achievement. If the Company fails to meet consumer demand in this area or otherwise fails to adequately address the environmental impact of its business practices, its reputation and financial performance could be negatively affected.

Corporate Social Responsibility

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

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

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

The Company will issue its sixth CSR Report in the spring of 2013.

Food Safety and Public Health

The Company is subject to risks associated with food safety and general merchandise product defects. These risks could arise as part of the procurement, distribution, preparation or display of products, including the Company's control brand products. The Company could be adversely affected in the event of a significant outbreak of food-borne illness or other public health concerns related to food products. The occurrence of such events or incidents could result in harm to the Company's customers, negative publicity or damage to the Company's brands and could lead to unforeseen liabilities from legal claims or otherwise. In addition, failure to trace or locate any contaminated or defective products could affect the Company's ability to be effective in a recall situation. Any of these events, as well as the failure to maintain the cleanliness and health standards at store level, could negatively affect the reputation, operations and financial performance of the Company.

The Company has an incident management process in place to manage such events, should they occur. The existence of these procedures does not mean that the Company will, in all circumstances, be able to mitigate the underlying risks, and any event related to these matters has the potential to negatively affect the reputation, operations and financial performance of the Company.

Privacy and Information Security

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

Enterprise Risks and Risk Management

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

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

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

Risk identification and assessments are important elements to the Company's ERM framework. An annual ERM assessment is completed to assist in the update and identification of internal and external risks, which are both strategic and operational in nature. Key risks affecting the Company are prioritized under five categories: financial, operational, regulatory, human capital and reputational risks. The annual ERM assessment is carried out through interviews, surveys and facilitated workshops with management and the Board. Risks are assessed and evaluated based on the Company's vulnerability to the risk and the potential impact that the underlying risks would have on the Company's ability to execute its strategies and achieve its objectives. Risk owners are assigned relevant risks and key risk indicators are developed. Management provides a semi-annual update to a Committee of the Board on the status of the top risks based on significant changes from the prior update, anticipated impacts in future quarters and significant changes in key risk indicators. In addition, the long term (3-5 year) risk level is assessed to monitor potential long term risk impacts, which may assist in risk mitigation planning activities. Accountability for oversight of the management of each risk is allocated by the Board either to the full Board or to a Committee of the Board.

The Company has risk management strategies, including insurance programs, however, there can be no assurance that the associated risks will be mitigated or will not materialize or that events or circumstances will not occur that could negatively affect the Company's financial condition or performance.

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

CAPITAL STRUCTURE AND MARKET FOR SECURITIES

Share Capital

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

Common shares have voting rights of one vote per common share. The holders of common shares are entitled, subject to the rights, privileges, restrictions and conditions attached to any other class of shares of the Company, to receive any dividend declared by the Company and to receive the remaining property of the Company upon dissolution. As at December 29, 2012 there were 281,680,157 common shares issued and outstanding, an increase of 294,839 common shares from December 31, 2011. There are an unlimited number of authorized common shares.

Options confer upon the holder the right to purchase one common share at a price specific to each option and described upon option issuance. Over the course of fiscal 2012, 718,544 options were exercised resulting in the corresponding delivery of 718,544 common shares. As at December 29, 2012 there were 12,538,928 options outstanding, an increase of 1,787,935 options from December 31, 2011.

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

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

The Second Preferred Shares, Series A rank after the First Preferred Shares. Holders of the Second Preferred Shares, Series A are not entitled to vote. On and after July 31, 2013, 2014 and 2015 the Company may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares for $25.75, $25.50 and $25.00 respectively. On and after July 31, 2013, the Company may, at its option, convert these preferred shares into that number of common shares of the Company determined by dividing the then applicable redemption price, together with all accrued and unpaid dividends to but excluding the date of conversion, by the greater of $2.00 and 95% of the then current market price of the common shares. On and after July 31, 2015, these outstanding preferred shares are convertible, at the option of the holder, into that number of common shares of the Company determined by dividing $25.00, together with accrued and unpaid dividends to but excluding the date of conversion, by the greater of $2.00 and 95% of the then current market price of the common shares. This option is subject to the Company's right to redeem the preferred shares for cash or arrange for their sale to substitute purchasers. Second Preferred Shares, Series A are limited in number to 12,000,000. As at December 29, 2012 there were 9,000,000 Second Preferred Shares, Series A outstanding with a face value of $225 million.

Share Trading Price and Volume

Loblaw Companies Limited's common shares and Second Preferred Shares, Series A are listed and posted for trading on the Toronto Stock Exchange and trade under the share symbols "L" and "L.PR.A", respectively. The monthly highs and lows and average daily volumes by month for Loblaw Companies Limited's common shares and Second Preferred Shares, Series A for 2012 were as follows:

Common Shares

Month	**High** ($ per share)	**Low** ($ per share)	**Average Daily Volume by Month** (in shares)
January	38.59	36.34	407,348
February	37.54	33.94	473,142
March	34.96	32.61	513,103
April	34.41	32.25	618,896
May	33.61	31.11	402,140
June	33.33	31.31	353,613
July	33.70	31.15	387,618
August	35.36	32.40	563,598
September	35.29	33.19	480,049
October	34.85	33.52	217,207
November	34.96	32.77	338,613
December	42.09	33.20	1,330,629

Second Preferred Shares, Series A

Month	**High** ($ per share)	**Low** ($ per share)	**Average Daily Volume by Month** (in shares)
January	27.50	26.77	15,152
February	27.30	27.00	2,993
March	27.25	26.50	1,940
April	27.12	26.60	6,663
May	26.76	26.60	11,382
June	27.05	26.30	5,038
July	27.15	26.60	1,614
August	26.97	26.80	1,695
September	26.95	26.80	3,819
October	27.05	26.48	31,030
November	27.15	26.55	1,787
December	26.96	26.58	12,774

Medium Term Notes and Debt Securities

Loblaw Companies Limited's notes are not listed or quoted on a recognized exchange. These notes may be subject to certain covenants and are unsecured obligations of the Company and rank equally with all the unsecured indebtedness that has not been subordinated. During 2012, the Company did not have any notes mature and did not issue any new notes. As at December 29, 2012 there was $3,631 million of notes outstanding.

Loblaw Companies Limited's Private Placement notes ("USPP") are not listed or quoted on a recognized exchange. These notes are subject to certain covenants and are unsecured obligations of the Company and rank equally with all the unsecured indebtedness that has not been subordinated. As of December 29, 2012 there was $300 million United States Dollars ("USD") of USPP outstanding. This USD amount is unchanged from the previous year.

Credit Ratings

During the second quarter of 2012, Standard & Poor's ("S&P") reaffirmed the Company's credit rating and outlook. During the fourth quarter of 2012, Dominion Bond Rating Service ("DBRS") and S&P reaffirmed the Company's credit ratings and trend and outlook, respectively, following the Company's announcement of its intention to create the REIT.

As at February 21, 2013 Loblaw Companies Limited's corporate credit ratings for various classes of securities were as follows:

	Dominion Bond Rating Service		Standard & Poor's	
	Rating	**Trend**	**Rating**	**Outlook**
Issuer Credit Rating	BBB	Stable	BBB	Stable
Medium Term Notes	BBB	Stable	BBB	Stable
Preferred Shares	Pfd-3	Stable	P-3 (high)	Stable
Other Notes and Debentures	BBB	Stable	BBB	Stable

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

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

Dominion Bond Rating Service

Issuer Credit Rating

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

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

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

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

Preferred Shares

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

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

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

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

Standard & Poor's

Issuer Credit Rating

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

Long Term Debt (Medium Term Notes, 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's rating outlook assesses the potential direction of a long term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or future CreditWatch action. A Negative outlook means that a rating may be lowered whereas a Stable outlook means that a rating is not likely to change.

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.

DIVIDENDS

The Company has paid quarterly dividends on its common shares for over 50 years. During the fourth quarter of 2012, the Company amended its dividend policy to state: the declaration and payment of dividends on the Company's common shares and the amount thereof are at the discretion of the Board, which takes into account the Company's financial results, capital requirements, available cash flow, future prospects of the Company's business and other factors considered relevant from time to time. Over the long term, it is the Company's intention to increase the amount of the dividend while retaining appropriate free cash flow to finance future growth.

During the fourth quarter of 2012, the Board declared a 4.8% increase in the quarterly dividend from $0.21 to $0.22 per common share, commencing with a quarterly dividend payable December 30, 2012.

The Second Preferred Shares, Series A rank after the First Preferred Shares to the extent that there is a conflict between the preferences, priorities and rights attaching to the two classes of preferred shares, and shall be entitled to preferences over the common shares with respect to the priority in the payment of dividends. Other than the foregoing, there is currently no restriction that would prevent the Company from paying dividends at current levels. The Second Preferred Shares, Series A entitle the holder to a fixed cumulative preferred cash dividend of $1.49 per share per annum which will, if declared, be payable quarterly.

The amount of cash dividends declared in each of the three most recently completed years is as follows:

	2012	2011	2010
Dividends declared per common share	**$ 0.85**	$ 0.84	$ 0.84
Dividends declared per Second Preferred Share, Series A	**$ 1.49**	$ 1.49	$ 1.49

Subsequent to year end 2012, the Board declared a quarterly dividend of $0.22 per common share, payable April 1, 2013 and a quarterly dividend of $0.37 per Second Preferred Share, Series A payable April 30, 2013.

DIRECTORS AND OFFICERS

The following list of directors and officers is current to February 21, 2013.

Directors

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

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

* Chairman of the Committee

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

Officers

Name, Province and Country of Residence	Principal Occupation
Galen G. Weston Ontario, Canada	Executive Chairman
Vicente Trius Ontario, Canada	President
Sarah R. Davis Ontario, Canada	Chief Financial Officer
Gordon A.M. Currie Ontario, Canada	Executive Vice President, Chief Legal Officer
Peter K. McMahon Ontario, Canada	Executive Vice President, Chief Operating Officer
Barry K. Columb Ontario, Canada	President, President's Choice Bank
Jocyanne Bourdeau Quebec, Canada	Executive Vice President, Maxi et Maxi et Cie.
Mark C. Butler Ontario, Canada	Executive Vice President, Conventional Division
Gordon Chem British Columbia, Canada	Executive Vice President, Extra Foods and Superstore, West and Ontario
Grant Froese Ontario, Canada	Executive Vice President, Hard Discount and Superstore
S. Jane Marshall Ontario, Canada	Executive Vice President, Loblaw Properties Limited and Business Strategy
Judy A. McCrie Ontario, Canada	Executive Vice President, Human Resources and Labour Relations
Peter McLaughlin Ontario, Canada	Executive Vice President, Emerging Business
Sylvain Prud'homme Ontario, Canada	Executive Vice President, Conventional Grocery
Garry Senecal Ontario, Canada	Executive Vice President, Division Support and Brands

Officers

Name, Province and Country of Residence	Principal Occupation
Vince Scorniaenchi Ontario, Canada	Executive Vice President, Fortinos & Fresh Food Development
Andrew Iacobucci Ontario, Canada	Executive Vice President, Grocery, Hard Discount, Superstore and Concept Rollout
Robert A. Balcom Ontario, Canada	Senior Vice President and Secretary
Dean Henrico Ontario, Canada	Senior Vice President, Loss Prevention and Risk Management
Robert Chant Ontario, Canada	Senior Vice President, Corporate Affairs and Communications
J. Bradley Holland Ontario, Canada	Senior Vice President, Taxation
Michael Lovsin Ontario, Canada	Senior Vice President, Health and Wellness
Evangelia (Litsa) Popowich Ontario, Canada	Senior Vice President, Controller
Jason Toledano Ontario, Canada	Senior Vice President, Internal Audit and Enterprise Risk Management

As a group, the directors and executive officers of the Company hold approximately 0.17% of the outstanding common shares.

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

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

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

As director of Research in Motion Limited ("RIM") (also known as Blackberry), Mr. Wetmore was subject to a management cease trade order issued by the Ontario Securities Commission on November 7, 2006 as a result of RIM not having filed its second quarter financial statements for fiscal 2007 before the statutory filing deadline. That order ceased to be in effect as of May 23, 2007 as result of RIM making all of the filings it was required to make pursuant to Ontario securities laws.

LEGAL PROCEEDINGS

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

MATERIAL CONTRACTS

The Company has an agreement with its parent and majority shareholder Weston to provide certain administrative services by each company to the other. The services to be provided under this agreement include those related to commodity management, pension and benefits, tax, medical, travel, information system, risk management, treasury and legal. Payments are made quarterly based on the actual costs of providing these services. Where services are provided on a joint basis for the benefit of the Company and Weston together, each party pays the appropriate portion of such costs. Net payments under this agreement in 2012 were $17 million. Fees paid under this agreement are reviewed each year by the Audit Committee.

TRANSFER AGENTS AND REGISTRARS

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

EXPERTS

The Company's auditors are KPMG LLP, who has prepared the Independent Auditors' Report to Shareholders in respect of its audited annual consolidated financial statements. KPMG LLP have confirmed that they are independent with respect to the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada.

AUDIT COMMITTEE INFORMATION

The Audit Committee Charter, as approved by the Company's Board on February 22, 2012 is included in Appendix A. The members of the Audit Committee are indicated above. All members of the Audit Committee are independent and financially literate (as those terms are defined in Multilateral Instrument 52-110 of the Canadian Securities Administrators) and have the following education and experience which is relevant to their roles as Audit Committee Members:

> Mr. Beeston is an FCA, the CEO of Toronto Blue Jays Baseball Club, and the former President and CEO of Major League Baseball. He received a B.A. from the University of Western Ontario.
>
> Mr. Clark is an FCA and the former Chief Executive Officer and senior partner of PricewaterhouseCoopers LLP. He also held various senior management positions at PricewaterhouseCoopers LLP. He has a Bachelor of Commerce degree from Queens University and a Masters of Business Administration from the University of Toronto.
>
> Mr. Wetmore is the former President and Chief Executive Officer of IBM Canada. He also held various senior finance positions at IBM Americas. He has a Bachelor of Mathematics from the University of Waterloo and graduated from the Advanced Executive Program at the Kellogg School, Northwestern University.

EXTERNAL AUDIT FEES

The aggregate fees of KPMG LLP for professional services rendered for the audit of the Company's financial statements and other services for the fiscal years 2012 and 2011 are as follows:

($000's)		2012 Actual		2011 Actual
Audit fees(1)	**$**	**2,563**	$	2,603
Audit-related fees(2)		**1,660**		1,748
All other fees(3)		**39**		1,076
Total Fees(1)	**$**	**4,262**	$	5,427

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

(2) Audit-related fees include assurance and related services that are performed by the Company's auditor. These services include the review of quarterly reports to shareholders, audit of pension plans, comfort letters and the interpretation of accounting and financial reporting standards. Fees also include professional services associated with audit procedures performed related to the Company's IT system conversion.

(3) Other fees for services related to legislative and/or regulatory compliance and the Company's conversion to International Financial Reporting Standards.

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

ADDITIONAL INFORMATION

1. Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Company's Management Proxy Circular for the Annual Meeting of shareholders to be held May 2, 2013. Additional financial information is also provided in the Company's consolidated financial statements and MD&A for its most recently completed financial year.

2. Additional information has been filed on the System for Electronic Document Analysis and Retrieval (SEDAR) available online at www.sedar.com, and with the Office of the Superintendent of Financial Institutions (OSFI) as the primary regulator for the Company's subsidiary, PC Bank.

   The Company's internet address is: www.loblaw.ca