Loblaw Companies Limited

ANNUAL INFORMATION FORM

(for the year ended December 30, 2023)

February 22, 2024

LOBLAW COMPANIES LIMITED

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(for the year ended December 30, 2023)

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DATE OF INFORMATION

All information in this Annual Information Form ("AIF") is current as of December 30, 2023, unless otherwise stated.

FORWARD-LOOKING STATEMENTS

This AIF 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, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in this AIF include, but are not limited to, statements with respect to the Company's anticipated future results, events and plans, strategic initiatives and restructuring, regulatory changes including further healthcare reform, future liquidity, planned capital investments, and the status and impact of information technology ("IT") systems implementation. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "should" and similar expressions, as they relate to the Company and its management.

Forward-looking statements reflect the Company's 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 those expressed, implied or projected in the forward-looking statements, including those described in the "Risks" section of this AIF. Such risks and uncertainties include:

- changes in economic conditions, including inflation, price increases from suppliers, levels of employment, costs of borrowing, household debt, political uncertainty and government regulation, the impact of natural disasters, war or acts of terrorism, pandemics, changes in interest rates, tax rates, or exchange rates, and access to consumer credit;
- inability of the Company's IT infrastructure to support the requirements of the Company's business, or the occurrence of any internal or external security breaches, denial of service attacks, viruses, worms and other known or unknown cybersecurity or data breaches;
- changes to any of the laws, rules, regulations or policies applicable to the Company's business;
- inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory or control shrink;
- failure to realize benefits from investments in the Company's new IT systems and related processes;
- failure to execute the Company's e-commerce initiatives or to adapt its business model to shifts in the retail landscape caused by digital advances;
- failure to attract and retain colleagues may impact the Company's ability to effectively operate and achieve financial performance goals;
- changes to the regulation of generic prescription drug prices, the reduction of reimbursements under public drug benefit plans and the elimination or reduction of professional allowances paid by drug manufacturers;
- failure to maintain an effective supply chain and consequently an appropriate assortment of available product at the store and digital retail level;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements;
- public health events including those related to food and drug safety;
- errors made through medication dispensing or errors related to patient services or consultation;
- failure to realize the anticipated benefits associated with the Company's strategic priorities and major initiatives, including revenue growth, anticipated cost savings and operating efficiencies, or organizational changes that may impact the relationships with franchisees and Associates (as defined below);
- failure to adapt to environmental and social risks, including failure to execute against the Company's climate change and social equity initiatives;
- reliance on the performance and retention of third party service providers, including those associated with the Company's supply chain and apparel business and located in both advanced and developing markets;
- adverse outcomes of legal and regulatory proceedings and related matters; and
- failure to effectively respond to consumer trends or heightened competition, whether from current competitors or new entrants to the marketplace.

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. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this AIF. Except as required by law, the Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

1. CORPORATE STRUCTURE

1.1 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 a certificate of continuance dated May 7, 1980. The registered office of the Company is located at 22 St. Clair Avenue East, Toronto, Ontario, Canada, M4T 2S5. The National Head Office and store support centre of the Company is located at 1 President's Choice Circle, Brampton, Ontario, Canada, L6Y 5S5.

1.2 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 businesses is set out below. The Company owns, either directly or indirectly, 100% of the voting and non-voting securities of these subsidiaries.

Subsidiary	Jurisdiction of Incorporation/Formation
Loblaws Inc.	Ontario
Shoppers Drug Mart Inc.	Canada
President's Choice Bank	Canada

Loblaw, George Weston Limited ("Weston") and Choice Properties Real Estate Investment Trust ("Choice Properties") are part of a common control group (the "Weston Group"). Although the entities making up the Weston Group each have their own strategies and, for the most part, focus on different businesses, the entities acknowledge that from time to time new corporate opportunities will arise that potentially could be of interest to more than one entity of the Weston Group. Accordingly, the entities making up the Weston Group have adopted a framework that facilitates the decision making process to allocate opportunities to the entity best suited to pursue the opportunity based on its existing businesses and other considerations.

2. DESCRIPTION OF THE BUSINESS

2.1 Overview

The Company has two reportable operating segments: Retail and Financial Services. The Retail segment consists primarily of corporate and franchise-owned retail food and Associate-owned drug stores, and includes in-store pharmacies, health care services, other health and beauty products, apparel and other general merchandise. The Company's Financial Services segment provides credit card and everyday banking services, the PC Optimum™ loyalty program, insurance brokerage services, and telecommunication services. The businesses are underpinned by the *PC Optimum* loyalty program, a customer loyalty program that provides more than a billion dollars in annual rewards and is unique to each consumer across their network-wide purchases.

2.2 Retail Segment

The Company is the nation's largest grocery, pharmacy and health and beauty retailers. It is also a leading provider of apparel and general merchandise. The Company offers one of Canada's strongest control label programs, including the President's Choice®, PC®, Life Brand™, no name®, Farmer's Market™ and Joe Fresh® brands. In addition, through the *PC Optimum* loyalty program, the Company rewards Canadian consumers for shopping in store or online, including through personalized offers on customers' online accounts. The Retail segment includes the following divisions, each operating as a distinct, but complementary, business.

I. Hard Discount

The Company's Hard Discount format stores, including No Frills and Maxi, are focused on delivering a fresh-led food shop with an offering of products and services aimed at keeping costs low and to continuously invest in price. Many of the Company's Hard Discount format stores also include in-store pharmacies. The Company's Hard Discount format stores operate across Canada and include franchised and corporate stores.

II. Market

The Company's full-service or Market format stores, including Loblaws, Zehrs, Your Independent Grocer, Real Canadian Superstore, Real Atlantic Superstore*, Dominion* (trademark used under license), Provigo, City Market and Valu-Mart*,* support the Company's vision by delivering a leading fresh offering, breadth of assortment, innovative and quality products, and customer-centric service with strong ties to the communities they operate in. The Market division consists of two primary formats: the Neighbour stores that provide a trusted and familiar full-service shopping experience, and the growing network of renovated and new Inspire stores that specialize in food discovery. Most of the Company's Market format stores also include in-store pharmacies. The Company's Market format stores operate across Canada and include franchised and corporate stores.

III. Shoppers Drug Mart

Shoppers Drug Mart operates stand-alone drug stores under the banners Shoppers Drug Mart and Pharmaprix. The majority of Shoppers Drug Mart stores are owned and operated by Associates. An "Associate" is a pharmacist-owner of a corporation that is licensed to operate a retail drug store at a specific location using the Company's trademarks. Many Shoppers Drug Mart stores also include a *BeautyBOUTIQUE* by Shoppers Drug Mart™ kiosk, a store-within-a-store concept with open-sell displays focused on prestige cosmetics.

In addition to full-service retail drug stores, the Shoppers Drug Mart banner includes other retail formats such as: *Shoppers Simply Pharmacy®* kiosks (*Pharmaprix Simplement Santé (MD)* kiosks in Quebec)*,* retail pharmacies located in medical buildings or clinics which provide pharmacy products and professional services and advice; and Wellwise by Shoppers™ locations*,* which sell a wide range of home-care, medical and mobility products and services to retail customers to help Canadians take charge of the way they age.

In addition to its retail store network, the Company owns Shoppers Drug Mart Specialty Health Network Inc., a provider of specialty drug distribution, pharmacy and comprehensive patient support services; MediSystem Technologies Inc., a provider of pharmaceutical products and services to long-term care facilities; and QHR Corporation, a leading provider of electronic medical records technology for physicians and other health care providers in Canada. The Company also operates the Health Solutions by Shoppers™ program, which provides wellness solutions to employers, and The Health Clinic by Shoppers™ medical clinic, which provides Canadians the quality, patient-centered healthcare they deserve.

The Company offers a broad scope of pharmacy services on-site including vaccinations, point-of-care testing, and other services such as medication reviews and prescribing for minor health issues in selected provinces. In 2023, the Company delivered millions of flu and COVID-19 vaccinations.

In 2022, Loblaw acquired Lifemark Health Group ("Lifemark"), the leading provider of outpatient physiotherapy, massage therapy, occupational therapy, chiropractic, mental health, and other ancillary rehabilitation services through its clinics across Canada.

The PC Health™ app, which has been downloaded by over 2 million Canadians since launching in 2020, is designed to empower Canadians with convenient access to healthcare resources and support when, where and how they want it. In 2021, the app went fully national and added multiple new features to support Canadians with improving their health and wellness. Loblaw provides Canadians with access to Lifemark's physiotherapy, massage, and other rehabilitation services and as well as booking services for all of its on-site pharmacy services. The *PC Health* app also expanded its library of educational health content, which is integrated with the *PC Optimum* loyalty program, in areas such as diabetes, cardiovascular health, and fitness.

2.2.1 Geographic and Banner Summary

As at December 30, 2023, the Company, through its subsidiaries, franchisees, and Associates, operated stores in the following jurisdictions[1]:

Jurisdiction	Corporate Stores	Franchised Stores	Associate-Owned Shoppers Drug Mart Stores	Healthcare Clinics
Newfoundland and Labrador	12	7	29	5
Prince Edward Island	4	5	5	—
Nova Scotia	31	17	35	32
New Brunswick	20	20	38	4
Quebec	168	43	174	39
Ontario	201	313	634	142
Manitoba	12	12	43	1
Saskatchewan	13	16	39	5
Alberta	53	56	173	57
Northwest Territories	—	2	1	—
Yukon	1	1	2	—
British Columbia	54	43	178	28
Total	**569**	**535**	**1,351**	**313**

1 Excluding liquor stores, affiliated independent grocery stores and independent accounts.

As at December 30, 2023, the Company, through its subsidiaries, franchisees and Associates, operated stores under the following banners[2]:

Banner	Corporate Stores	Franchised Stores	Associate-Owned Shoppers Drug Mart Stores	Healthcare Clinics
Market				
Loblaws	45	—	—	—
Provigo	2	33	—	—
Provigo Le Marche	2	9	—	—
Valu-mart	—	27	—	—
Independent	—	154	—	—
City Market	—	9	—	—
Zehrs	41	0	—	—
Dominion[3]	11	0	—	—
Atlantic Superstore	52	—	—	—
Real Canadian Superstore[4]	119	—	—	—
Hard Discount				
Maxi	153	—	—	—
Extra Foods	3	1	—	—
No Frills	—	278	—	—
Shoppers Drug Mart				
Wellwise by Shoppers	43	—	—	—
Beauty BOUTIQUE by Shoppers Drug Mart	1	—	—	—
Shoppers Drug Mart/Pharmaprix	—	—	1,322	—
Shoppers Simply Pharmacy	—	—	29	—
The Health Clinic by Shoppers	6	—	—	—
Lifemark	—	—	—	313
Other Retail				
T&T Supermarket	33	—	—	—
Fortinos	—	24	—	—
Other Retail - Wholesale				
Cash & Carry	5	—	—	—
Club Entrepot	4	—	—	—
Presto	6	—	—	—
Real Canadian Wholesale Club	41	—	—	—
Other Retail - Apparel				
Joe Fresh	2	—	—	—
Total	**569**	**535**	**1,351**	**313**

2 Excluding liquor stores, affiliated independent grocery stores and independent accounts.

3 Trademark used under license.

4 In January 2024, Real Canadian Superstore was reclassified as part of the Market division.

As at December 30, 2023, the total square footage of the Company's corporate, franchised and Associate-owned *Shoppers Drug Mart* stores was approximately 36.4 million square feet, 17.0 million square feet and 19.1 million square feet, respectively. The Company, directly or indirectly, owned 5% of the real estate on which its grocery stores are located and 3% of the real estate on which franchised grocery stores are located, as well as various properties under development or held for future development.

The majority of Associate-owned *Shoppers Drug Mart* stores are leased from a diverse group of lessors, and most are leased on a long-term basis with staggered maturity dates.

2.2.2 Control Brand Products

The Company has developed a line of control brand products and services that are sold or made available throughout its store and digital networks. The Company's product development team works closely with third party vendors to develop and manufacture products for its control brands. The Company is not dependent on any one source or third party vendor to produce its products.

The Company markets control brand products in the food, health and beauty and general merchandise categories under a number of brand names, including but not limited to: *President's Choice*, PC® Organics, PC® Blue Menu, PC® Black Label Collection, *no name, Farmer's Market*, Everyday Essentials®, Life at Home™, T&T®, Quo Beauty™ and *Life Brand.*

The Company also offers *Joe Fresh* branded apparel, accessories and footwear in many of its grocery stores (including in some stores through the PC Express™ service). In addition, the Company offers *Joe Fresh* products in stand-alone *Joe Fresh* stores in Canada, online at JoeFresh.com and in *Shoppers Drug Mart* stores (a limited assortment).

2.2.3 Loyalty Program

The Company rewards customers through the *PC Optimum* loyalty program when they shop at its stores or e-commerce sites and through select partners. The *PC Optimum* loyalty program offers a fully digital loyalty experience for its customers, in the form of personalized weekly offers on grocery, health and personal care, convenience and gas. Offers are designed to reward customers for the items they purchase most often while leveraging data to unlock meaningful value for those customers and give them the best possible shopping experience.

Customers can earn *PC Optimum* points by making qualifying purchases or through the use of a PC®Mastercard® or PC Money™ Account. *PC Optimum* points can then be redeemed for groceries and other products at participating stores within the Company's network, certain e-commerce sites and at Esso gas stations.

The *PC Optimum* loyalty program provides the Company with a significant opportunity to employ customer relationship management tools to improve its understanding of customer needs and design promotions that can be targeted to specific customers and customer segments, thereby driving increased customer engagement, sales and profitability.

2.2.4 Supply Chain

The Company's 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, goods flow directly to the Company's stores from the vendors. The Company continuously evaluates its methods of distribution, including its technology, facilities and modes of transportation, and its relationships with vendors and suppliers. When appropriate, the Company implements changes to its supply chain infrastructure to ensure a continued, reliable and cost-efficient system.

The Company's supply chain includes 25 distribution centres across Canada. Third party logistics service providers are used at several of these distribution centres. The Company uses various modes of transportation, including its own trucking fleet and third party common carriers, railways and ocean carriers. The Company is not dependent on any one of these third party providers.

The Company also strives to source its products in a responsible way. For further details please see "Environmental, Social and Governance" on page 11 of this AIF.

2.2.5 Retail Competitive Environment

The retail industry in Canada is highly competitive. The Company competes against a wide variety of retailers, including supermarket and retail drug store operators, as well as mass merchandisers, warehouse clubs, e-commerce retailers and businesses, mail order prescription drug distributors, limited assortment stores, discount stores, convenience stores and specialty stores. The Company is subject to competitive pressures from increases in the type and number of businesses that compete with it, including non-traditional competitors, and from the expansion or renovation of existing competitors. Loblaw faces competition from companies offering financial service products, particularly consumer credit and debit cards and their associated consumer loyalty programs. Additionally, as Loblaw expands its healthcare service offerings, it faces competition from other healthcare service providers, including physiotherapy and mental health practitioners, virtual healthcare services, and electronic medical records providers.

2.2.6 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 seasonality, including certain holiday periods in the year. Additionally, certain health care, health-related professional services and general merchandise offerings are subject to seasonal fluctuations.

2.3 Financial Services Segment

President's Choice Bank ("PC Bank") offers financial products and services to consumers under the *President's Choice Financial* brand, including the PC®Mastercard® and *PC Money* Account. PC Bank serves customers online, and through pavilions and ATMs throughout the Loblaw network of grocery stores located across Canada. PC Bank also offers guaranteed investment certificates through the broker channel.

PC®Mastercard® is PC Bank's longest standing product, a leading credit card that rewards customers with *PC Optimum* points on every dollar spent. The *PC Money* Account, is a simple no-fee way for consumers to do their everyday banking that also enables them to earn *PC Optimum* points on money they spend. As PC Bank enhances its products and services, it remains committed to offering customers innovative banking and payment solutions and value through the *PC Optimum* loyalty program.

Loblaw offers mobile products and services under The Mobile Shop™ brand, as well as prepaid cell phones and gift cards, through its network of grocery stores located across the country. In addition, through its insurance entities, the Company offers products such as auto and home insurance.

2.3.1 Financial Services Competitive Environment

The Canadian financial services market is highly competitive. The products offered by PC Bank compete with comparable products offered by banks and other financial institutions within Canada and are issued on terms and conditions that are competitive with such other products. As competition intensifies, customer expectations continue to increase as they look for great value and exceptional experiences in return for their loyalty. The value proposition of being able to earn free groceries through the *PC Optimum* loyalty program by using a PC®Mastercard® and *PC Money* Account is one of the key factors that enables PC Bank to compete with banks and other financial institutions offering comparable products.

2.3.2 Lending

PC Bank has established a risk appetite for credit risk within certain escalation thresholds. PC Bank's Board of Directors has approved PC Bank's risk appetite and established tolerance limits. PC Bank has risk management policies that provide governance and oversight to effectively manage and control existing and potential credit risks involved in extending credit to PC Bank customers as well as other risks. To manage the associated credit risk, PC Bank employs advanced credit scoring tools, stringent credit card portfolio monitoring, and strong tools and processes for effective account management and collections.

PC Bank's Board of Directors reviews and approves the securities portfolio management policy, which governs the Bank's investment risk appetite. PC Bank invests predominantly in government issued or guaranteed securities and cash deposits with regulated financial institutions.

2.4 Labour and Employment Matters

As at December 30, 2023, the Company, through its subsidiaries, franchisees and Associates, employed approximately 220,000 full-time and part-time employees. A majority of the Company's grocery store level and distribution centre colleagues are unionized.

2.5 Intellectual Property

The Company has established procedures to register or otherwise protect its intellectual property, including the trademarks used in its banner names and those associated with its loyalty program, credit card services, mobile services, control brand programs, online and digital platforms and apparel business. Store-trading or banner names are associated with specific retail concepts and are important to corporate, franchised and Associate-owned drug store and retail store operations. The Company's trademarks used in connection with its control brand program are discussed elsewhere in this AIF. Other intellectual property of the Company includes domain names, packaging designs, patents 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. When used in this AIF, trademarks owned by Loblaw or its affiliates are marked with the ™ or ® symbols, or written in italics.

2.6 Environmental, Social and Governance

Loblaw believes that its customers, investors, employees, and other stakeholders expect it to be a force for positive environmental and social change, and to demonstrate robust corporate governance practices. Environmental, Social and Governance ("ESG") considerations are central to decisions made across Loblaw, exhibited through the inclusion of ESG targets in Loblaw's short-term incentive program as well as the integration of ESG responsibilities in various committees. By integrating ESG considerations in its strategy and day-to-day business activities, and implementing robust compliance and ethics programs, Loblaw aims to continue its ESG leadership for generations to come.

Loblaw publishes various disclosure documents outlining how it is addressing ESG issues. This includes an annual ESG Report which makes disclosures in accordance with the Global Reporting Initiative standards (GRI) and the Sustainability Accounting Standards Board framework (SASB) and takes additional reporting guidance from the UN Sustainable Development Goals (UN SDG's), and the Task Force on Climate Related Financial Disclosures (TCFD). This report and other related information can be found on Loblaw's website, www.loblaw.ca. Loblaw monitors the global ESG disclosure environment and adjusts its disclosure strategy to include new disclosure standards as needed.

On or about February 28, 2024, in compliance with the Fighting Against Forced Labour and Child Labour in Supply Chains Act, Loblaw, certain of its subsidiaries, and Weston will publicly file their initial joint Modern Slavery Report for the 2023 fiscal year. This report and the other related information can be found on Loblaw's website at www.loblaw.ca.

The information on Loblaw 's website does not form a part of this Annual Information Form. Information regarding Loblaw's corporate governance practices is set out in Loblaw's Management Proxy Circular for the Annual Meeting of shareholders held on May 4, 2023, which is available on the System for Electronic Document Analysis and Retrieval ("SEDAR+") at www.sedarplus.ca.

3. GENERAL DEVELOPMENT OF THE BUSINESS – THREE YEAR HISTORY

3.1 Retail Segment

The Company's Retail segment represents the Company's national network of grocery, pharmacy and health and beauty retailers and service providers. Underpinned by its purpose to *Help Canadians Live Life Well®*, Loblaw meets the everyday essential needs of its customers through a portfolio of industry-leading assets. The framework centres around Loblaw's strategic three pillars of Delivering Retail Excellence, Driving Growth, and Investing for the Future, while embedding ESG initiatives into everything that Loblaw does. The framework is supported by colleagues with a shared set of CORE values and culture principles that encourages colleagues to be authentic, build trust and make connections. The Company has advanced a number of significant initiatives over the past three years, including those described below.

3.1.1 Delivering Retail Excellence

The Company is continuously enhancing its core operations to differentiate its customer offerings and deliver scale through its national retail and logistics network. Retail operations benefit from more than one billion customer touchpoints annually and deliver a unique customer experience through industry-leading control brands, healthy alternatives and multicultural foods, offered through a choice of in-store shopping, pick-up and delivery options. The Company's customer proposition is further strengthened by an ongoing emphasis on fresh product quality and assortment, customer service and competitive value.

Through a connected network of 25 distribution centres across the country, Loblaw delivers reliability, selection and economies of scale to support its grocery and pharmacy network. The Company is making ongoing investments to modernize its distribution network including increasing the use of automation.

Loblaw's expenditures on cost of goods sold, operating expenses and capital investments have totaled more than $51 billion annually in each of the last three years. Loblaw employs a robust targets-based approach to identifying and implementing processes to improve its operational efficiencies. The Company has pursued a number of multi-year initiatives to reduce complexity and cost using technology and automation-focused initiatives. For example, it expanded self-checkout options which are now available at 758 of its grocery stores and across 1042 pharmacies. Similarly, electronic shelf labels are currently being deployed to improve pricing accuracy and reallocate labour to more customer focused activities and have been introduced in over 850 grocery stores.

The Company continues to invest to bring innovative control brand products to consumers, including *President's Choice* Plant-Based animal protein alternatives, *President's Choice* Gluten-free, and PC® Planet First™. Additionally, it is expanding and enhancing its multicultural control brand product lines, including Rooster Brand™, Suraj®, Sufra® and *T&T*, which have been expanded from its flagship T&T Asian-focused food stores into many of its other grocery banners. Loblaw is a recognized global leader in control brand development and performance, with over a third of its grocery sales comprising control brand products. 2023 saw the launch of Loblaw's 40th PC® Insiders Report™ Holiday Edition, which showcases its innovative control brand products. Sales of private brands continue to outpace national brands with *no name* providing an average savings of 25 percent.

The Company also continues to improve the customer experience at its retail stores. Loblaw initiated a program in 2021 to optimize its retail store network, to better serve customers and improve its overall profitability. With rising inflation, more Canadians are turning to discount retailers. In response to this demand, Loblaw opened 23 discount stores in 2023, through new locations and conversions, bringing the option of shopping discount to additional communities across the country at substantially lower everyday prices.

Over the past three years, our market stores continue to perform well, delivering full service value and great products that customers expect from us, the Company has renovated 69 Market division stores, providing customers with an elevated shopping experience focused on innovative fresh food concepts, a breadth of assortment and food-focused customer service. Discount focused stores have been refreshed by bringing a wider selection of organics and healthier alternatives to value focused shoppers. Expanded multicultural offerings and the expansion of the T&T banner to a total of 33 stores has greatly increased the Company's multicultural offerings. In addition, there are 457 Shoppers Drug Mart stores with a *BeautyBOUTIQUE by Shoppers Drug Mart* department, which includes 26 enhanced-format *BeautyBOUTIQUE by Shoppers Drug Mart* locations, a market-leading destination for cosmetics and beauty products in Canada. Loblaw made approximately $213 million in one-time capital investments to further improve its store network, including 34 store conversions, and downsizing 5 stores.

Loblaw's efforts to reduce its environmental footprint is another area of progress over the past three years. In 2020, Loblaw set an ambitious target to convert all control brand and in-store plastic packaging to recyclable or reusable materials by 2025, with Loblaw now being more than halfway towards achieving that goal.

3.1.2 Driving Growth

Loblaw continues to drive growth in targeted areas to further differentiate its portfolio of assets, generate competitive advantages in products, services and price, and improve its operational efficiencies.

Loyalty Since the creation of the *PC Optimum* loyalty program in 2018, the Company continues to invest in developing insights into consumer trends and personalizing promotional offers and product recommendations to increase engagement and drive profitable sales growth.

E-Commerce Over the past three years, the Company has made significant investments in implementing a national omni-channel offering, allowing customers to shop in-store or on-line with pick-up or delivery through *PC Express* services, ShoppersDrugMart.ca, and JoeFresh.com. Loblaw now offers Canadians 783 pick-up locations and has partnered with delivery service providers to deliver groceries, front-shop and beauty products directly to Canadians' homes.

PC Financial® The Company's retail operations and customer engagement continue to be strengthened by initiatives within its *PC Financial* business. The *PC Money* Account was introduced to complement the PC®Mastercard® and both are supported by investments to develop and roll-out a new, on-line interface and app. In 2023, we expanded our portfolio launching the PC Insiders™ World Elite Mastercard®, our most rewarding card ever, providing unparalleled value for Canadians everyday needs.

Advance Powered by Loblaw™ Over the past three years, the Company has been developing the infrastructure and tools to unlock value from digital advertising opportunities and is now offering its vendor partners market-leading opportunities to engage customers in uniquely targeted ways. The business recently rebranded from Loblaw Media to Advance Powered by Loblaw™, as we take a more holistic approach to the growth solutions we bring our vendors consolidating media, insights, and loyalty offerings.

3.1.3 Investing in the Future

Connected Healthcare The Company's pharmacies provide convenience and care by serving as trusted healthcare partners to millions of Canadians every day. The Company is making targeted strategic investments to expand access to health services for Canadian families. In 2021, Loblaw introduced its *PC Health* app nationally, providing Canadians with a personalized front-door to health and wellness products and services. Since its launch, the app has had over 2 million downloads. In addition, Loblaw acquired Lifemark in 2022, bringing physiotherapy, massage, and other rehabilitation services into its healthcare ecosystem. In support of its Connected Healthcare strategy, Loblaw has been implementing new tools and technology to allow pharmacists to play an elevated role in the delivery of care by offering an expanded scope of services. In 2023, Loblaw also opened 74 Pharmacy Care Clinics to expand access to care for Canadians

3.2 Financial Services Segment

3.2.1 President's Choice Financial

Over the past three years, PC Bank has focused on expanding its customer base through two products, PC®Mastercard® and the *PC Money* Account. As at December 30, 2023, there were over two million active customers.

PC Bank continues to deliver best-in-class customer experience by consistently improving its digital and mobile products, increasing access to electronic documentation, automating customer-facing processes, as well as leveraging its nationwide network of pavilions to engage and advise customers in-store.

In 2020, PC Bank launched the *PC Money* Account, an innovative bank account alternative that enables customers to manage their everyday financial needs like receiving deposits, paying bills, sending or receiving money and spending online or in person. PC Bank continues to help Canadians save on banking fees, earn incremental *PC Optimum* points towards free groceries and creates a deeper integration with the store network and the *PC Optimum* loyalty program.

3.2.2 Mobile Phone Services

Through *The Mobile Shop* kiosk offerings, customers are able to purchase a range of mobile services from a full range of wireless carriers in convenient locations across the Company's grocery store network. As at December 30, 2023, there were 200 *The Mobile Shop* kiosk locations across the Company's grocery store network.

4. RISKS

4.1 Enterprise Risks and Risk Management

The Company is committed to maintaining a framework that ensures risk management is an integral part of its activities. The Company's Enterprise Risk Management ("ERM") program assists all areas of the business in managing risks within appropriate levels of tolerance by bringing a systematic approach and methodology 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 mitigation activities and develop a risk-based internal audit plan.

Risks are not eliminated through the ERM program, but rather, are identified and managed in line with the Company's Risk Appetite Statement and within approved risk tolerances. The Risk Appetite Statement articulates key aspects of the Company's businesses, values, and brands and provides directional guidance on risk taking.

RESPONSIBILITIES / OUTCOMES		KEY ACTIVITIES
Oversight of the ERM program and the alignment between strategy and risk	The Board	• Review of strategy plans, including capital allocation • Review enterprise risks and mitigation plans • Annual approval of the ERM policy and Risk Appetite Statement
Based on risk ownership assigned by the Board, responsible for managing risk and implementing risk mitigation strategies and operating within the approved risk appetite thresholds	Management	• Periodic updates to the Board by the ERM function on the status of key risks(1) • Long-term risk levels are assessed to monitor potential long-term risk impacts
The ERM Program • Facilitate effective corporate governance by providing a consolidated view of risks • Focus on key risks that could impact strategic objectives(2) • Ensure risk appetite and tolerances are defined and understood • Promote a culture of awareness of risk management and compliance • Assist in developing risk management tools and methodologies • Anticipate and provide early warnings of risks through key risk indicators	ERM Program	**ERM assessment:** • Continuous update and risk identification • Carried out in parallel with strategic planning • Includes interviews surveys, workshops with management and the Board • Monitor changes to enterprise risk • Mitigation plan updates and review key risk indicators against tolerances
Mitigation of risks(2)	Risk Owners	• Managing risk and implementation of risk mitigation strategies for Operating and Financial Risks

(1) 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 on its strategies and achieve its objectives.
(2) Any of the key risks have the potential to negatively affect the Company and its financial performance. The Company has risk management strategies in place for key risks. However, there can be no assurance that the risks will be mitigated or will not materialize or that events or circumstances will not occur that could adversely affect the reputation, operations or financial condition or performance of the Company.

The following discussion of risks identifies significant factors that could have a material adverse effect on the Company's business, operations, financial condition or future financial performance.

This information should be read in conjunction with the Company's Management's Discussion and Analysis ("MD&A") and the Consolidated Financial Statements and related notes. The following discussion of risks is not exhaustive, but is designed to highlight the key risks in the Company's business.

4.2 Operating Risks and Risk Management

Economic Conditions The Company's revenue, profitability, brand and reputation may be impacted by general economic conditions. These economic conditions include inflation, price increases from suppliers, levels of employment, costs of borrowing, household debt, political uncertainty and government regulation, the impact of natural disasters, war or acts of terrorism, pandemics, changes in interest rates, tax rates, or exchange rates, and access to consumer credit. A number of these conditions could negatively impact consumer spending. As a result, these economic conditions may adversely impact demand for the Company's products and services which could adversely affect the Company's operations, financial performance, brand or reputation.

Cybersecurity, Privacy and Data Breaches The Company depends on the uninterrupted operation of its IT systems, networks and services including internal and public internet sites, data hosting and processing facilities and cloud-based services and hardware, such as point-of-sale processing at stores, to operate its business.

In the ordinary course of business, the Company collects, processes, transmits and retains confidential, sensitive and personal information ("Confidential Information"), including payment card industry data and personal health and financial information regarding the Company and its employees, franchisees, Associates, vendors, customers, patients, credit card and *PC Money* Account holders and loyalty program members. Some of this Confidential Information is held and managed by third party service providers. As with other large companies, the Company is regularly subject to cyberattacks and such attempts are occurring more frequently, are constantly evolving in nature and are becoming more sophisticated.

The Company has implemented security measures, including employee training, monitoring and testing, maintenance of protective systems and contingency plans, to protect and to prevent unauthorized access of Confidential Information and to reduce the likelihood of disruptions to its IT systems. The Company continues to make strategic investments in this area in order to mitigate cyber threats. The Company also has security processes, protocols and standards that are applicable to its third party service providers.

Despite these measures, all of the Company's information systems, including its back-up systems and any third party service provider systems that it employs, are vulnerable to damage, interruption, disability or failures due to a variety of reasons, including physical theft, electronic theft, fire, power loss, computer and telecommunication failures or other catastrophic events, as well as from internal and external security breaches, denial of service attacks, viruses, worms and other known or unknown disruptive events.

The Company or its third party service providers may be unable to anticipate, timely identify or appropriately respond to one or more of the rapidly evolving and increasingly sophisticated means by which computer hackers, cyber terrorists and others may attempt to breach the Company's security measures or its third party service providers' information systems.

As cyber threats evolve and become more difficult to detect and successfully defend against, one or more cyber threats might defeat the Company's security measures or those of its third party service providers. Moreover, employee error or malfeasance, faulty password management or other irregularities may result in a breach of the Company's or its third party service providers' security measures, which could result in a breach of employee, franchisee, Associate, customer, patient, credit card or *PC Money* Account holder or loyalty program member privacy or Confidential Information.

If the Company does not allocate and effectively manage the resources necessary to build and sustain reliable IT infrastructure, fails to timely identify or appropriately respond to cybersecurity incidents, or the Company's or its third party service providers' information systems are damaged, destroyed, shut down, interrupted or cease to function properly, the Company's business could be disrupted and the Company could, among other things, be subject to: transaction errors; processing inefficiencies; the loss of or failure to attract new customers; the loss of revenue; the loss or unauthorized access to Confidential Information or other assets; the loss of or damage to intellectual property or trade secrets; damage to its reputation; litigation; regulatory enforcement actions; violation of privacy, security or other laws and regulations; and remediation costs. Any such occurrences could adversely affect the reputation, operations or financial performance of the Company.

Regulatory Compliance The Company is subject to a wide variety of laws, regulations and orders across all countries in which it does business, including those laws involving product liability, labour and employment, anti-trust and competition, pharmacy, food safety, intellectual property, privacy, environmental and other matters. The Company is subject to taxation by various taxation authorities in Canada and a number of foreign jurisdictions. Changes to any of the laws, rules, regulations or policies applicable to the Company's business, including tax laws, minimum wage laws, and laws affecting the production, processing, preparation, distribution, packaging and labelling of food, pharmaceuticals and general merchandise products, could adversely affect the operations, financial condition or performance of the Company.

Failure by the Company to comply with applicable laws, regulations and orders could subject the Company to civil or regulatory actions, investigations or proceedings, including fines, assessments, injunctions, recalls or seizures, which in turn could adversely affect the reputation, operations or financial condition or performance of the Company. In the course of complying with changes to laws, the Company could incur significant costs. Changing laws or interpretations of such laws or enhanced enforcement of existing laws could restrict the Company's operations or profitability and thereby threaten the Company's competitive position and ability to efficiently conduct business. The Company is subject to tax audits from various tax authorities on an ongoing basis. As a result, from time to time, tax authorities may disagree with the positions and conclusions taken by the Company in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments.

The Company is subject to capital requirements from the Office of the Superintendent of Financial Institutions ("OSFI"), the primary regulator of PC Bank. PC Bank's capital management objectives are to maintain a consistently strong capital position while considering the economic risks generated by its credit card receivables portfolio and to meet all regulatory capital requirements as defined by OSFI. PC Bank uses Basel III as its regulatory capital management framework which includes a target common equity Tier 1 capital ratio of 7.0%, a Tier 1 capital ratio of 8.5% and a total capital ratio of 10.5%. In addition to the regulatory capital ratios requirement, PC Bank is subject to the Basel III Leverage ratio and OSFI's Guideline on Liquidity Adequacy Requirements ("LARs"). The LARs guideline establishes standards based on the Basel III framework. PC Bank would be assessed fines and other penalties for non-compliance with these and other regulations. In addition, failure by PC Bank to comply, understand, acknowledge and effectively respond to applicable regulations could result in regulatory intervention and reputational damage.

Please refer to the “Regulatory Actions” section on page 32 of this AIF for more information.

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

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

Inventory Management and Shrink The Company is subject to risks associated with managing its inventory and controlling shrink. Failure to successfully manage such risks could result in shortages of inventory, excess or obsolete inventory which cannot be sold profitably or increases in levels of inventory shrink. Any of these outcomes could adversely affect the financial performance of the Company. Although the Company has implemented new IT systems, which are intended to provide increased visibility to integrated inventory and sales information at store level, the Company’s failure to effectively implement such new IT systems and applicable processes may increase the risks associated with managing inventory, including the risk that inaccurate inventory could result in inaccurate financial statements.

The Company’s Retail segment is also examining its fundamental processes related to article lifecycle management, with the goal of making existing processes more efficient. This will impact existing workflow and system processes across procurement, supply chain and merchandising. Such simplification and efficiency processes are critical to the organization’s ability to implement longer term system solutions and achieve efficiencies across the Retail divisions. Any failure to effectively deliver this enterprise core solution could negatively impact the Company’s operations or financial performance.

IT Systems Implementations and Data Management The operations of the Company are reliant on the continuous and uninterrupted operations of critical technology systems. Any technology failure/outage pertaining to the availability, capacity or sustainability of the Company’s IT systems may result in disruptions impacting the Company’s customers or financial performance, or may negatively impact the Company's reputation. The Company continues to make investments in new IT systems to improve the operating effectiveness of the organization. Failure to successfully migrate from legacy systems to new IT systems or a significant disruption in the Company’s current IT systems during the implementation of new systems could result in a lack of accurate data to effectively manage day-to-day operations of the business or achieve its operational objectives, causing significant disruptions to the business and potential financial losses.

Failure to successfully adopt or implement appropriate processes to support the new IT systems, or failure to effectively leverage or convert data from one system to another, may preclude the Company from optimizing its overall performance and could result in inefficiencies and duplication in processes, which in turn could adversely affect the reputation, operations or financial performance of the Company. Failure to realize the anticipated strategic benefits including revenue growth, anticipated cost savings or operating efficiencies associated with new IT systems could adversely affect the reputation, operations or financial performance of the Company.

The Company also depends on relevant and reliable information to operate its business. As the volume of data being generated and reported continues to increase across the Company, data accuracy, quality and governance are required for effective decision making. Failure by the Company to leverage data, including customer data, in a timely manner may adversely affect the Company’s ability to execute its strategy and therefore its financial performance. Moreover, lack of sensitive data classification, protection and use case approval may result in operational or reputational risk.

Electronic Commerce and Disruptive Technologies The Company's e-commerce strategy is a growing business initiative. Customers expect innovative concepts and a positive customer experience, including a user-friendly website, customer offerings that are integrated with the Company's loyalty program, reliable data, safe and reliable processing of payments and a well-executed merchandise pick up or delivery process. If systems are damaged or cease to function properly, capital investment may be required. The Company is also vulnerable to various additional uncertainties associated with e-commerce including website downtime and other technical failures, changes in applicable federal and provincial regulations, security breaches, and consumer privacy concerns. If these technology-based systems and related processes do not function effectively, or if the Company is unable to identify and adapt to technological efficiencies, such as artificial/cognitive intelligence or automation in a timely manner, the Company's ability to grow its e-commerce business could be adversely affected. The Company has increased its investment in improving the digital customer experience, but there can be no assurances that the Company will be able to recover the costs incurred to date.

Colleague Attraction, Development, and Succession Planning The Company's operations and continued growth are dependent on its ability to hire, retain and develop colleagues, including leaders. Any failure to effectively attract and retain colleagues and leaders, including those with scarce and/or specialized skills, and to establish adequate leadership succession planning, could result in a lack of requisite knowledge, skill and experience. This could erode the Company's competitive position or result in increased costs due to the competition for, or high turn-over of, colleagues. Any of the foregoing could negatively affect the Company's ability to operate its business, which in turn could adversely affect the Company's reputation, operations or financial performance.

Healthcare Reform The Company is reliant on prescription drug sales for a significant portion of its sales and profits. Prescription drugs and their sales are subject to numerous federal, provincial, territorial and local laws and regulations. Changes to these laws and regulations, including the potential implementation of a national pharmacare system, changes in the models used to fund prescription drugs such as the introduction of a pharmacare system, or non-compliance with these laws and regulations, could adversely affect the reputation, operations or financial performance of the Company.

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

Sales of prescription drugs, pharmacy reimbursement and drug prices may be affected by changes to the health care industry, including legislative or other changes that impact patient eligibility, drug product eligibility, the allowable cost of a prescription drug product, the mark-up permitted on a prescription drug product, the amount of professional or dispensing fees paid by payers or the provision or receipt of manufacturer allowances by pharmacies and pharmacy suppliers.

The majority of prescription drug sales are reimbursed or paid by three types of payers: (i) government or public, (ii) private insurers or employers, and (iii) out-of-pocket by the patient. These payers have pursued and continue to pursue measures to manage the costs of their drug plans. Canada and each of the provinces has implemented legislative and/or other measures directed towards managing pharmacy service costs and controlling increasing drug costs incurred by public drug plans and private payers, which impact pharmacy reimbursement levels and the availability of manufacturer allowances. Legislative measures to control drug costs include lowering of generic drug pricing. Additionally, the pan-Canadian Pharmaceutical Alliance continues its work regarding cost reduction initiatives for pharmaceutical products and services.

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

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

Distribution and Supply Chain The Company's ability to satisfy its customers' demands and achieve its cost objectives depends on its ability to maintain key logistic and transport arrangements. The Company's distribution and supply chain could be negatively affected by unforeseen disruptions due to fire, severe weather conditions, natural disasters or other catastrophic events, public health events, labour disagreements, or other transportation problems. The loss of or disruption to these types of arrangements could interrupt product supply, which in turn could adversely affect the assortment and product availability at the store and digital retail level. If not effectively managed or remedied, these events could negatively impact customer experience and the Company's ability to attract and retain customers, and could adversely affect the Company's operations or financial performance.

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

Business Continuity The Company's ability to continue critical operations and processes could be negatively impacted by adverse events resulting from various incidents, including severe weather, work stoppages, prolonged IT systems failure, terrorist activity, power failures, border closures or a pandemic or other national or international catastrophe. The Company has business continuity plans in place to manage any such events. Despite this, ineffective contingency planning, business interruptions, crises or potential disasters could adversely affect the reputation, operations or financial performance of the Company.

Food, Drug, Product and Services Safety The Company's products may expose it to risks associated with product safety and defects and product handling in relation to the manufacturing, design, packaging and labeling, storage, distribution, and display of products. The Company cannot be certain that active management of these risks, including maintaining strict and rigorous controls and processes in its manufacturing facilities and distribution systems, will eliminate all the risks related to food and product safety. The Company could be adversely affected in the event of a significant outbreak of food-borne illness or food safety issues including food tampering or contamination. 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. The Company is also subject to risk associated with the distribution of drug products, errors related to medication dispensing or compounding, injections, patient services or consultation. The occurrence of such events or incidents, as well as any failure to maintain the cleanliness and health standards at store level, could result in harm to customers, and negative publicity, could adversely affect the Company's brands, reputation, operations or financial performance and could lead to unforeseen liabilities from legal claims or otherwise.

Change Management, Process and Efficiency Many initiatives are underway to reduce the complexity and cost of the Company's business operations, ensuring a low cost operating structure that allows for continued investments in the Company's strategic growth areas. These efforts include initiatives focused on improving processes and generating efficiencies across the Company's administrative, store and distribution network infrastructures. The success of these initiatives is dependent on effective leadership and realizing intended benefits. Ineffective change management could result in a lack of integrated processes and procedures, unclear accountabilities and decision-making rights, decreased colleague engagement, ineffective communication and training or a lack of requisite knowledge. Any of the foregoing could disrupt operations, increase the risk of customer dissatisfaction, adversely affect the Company's reputation or financial performance or adversely affect the ability of the Company to implement and achieve its long-term strategic objectives.

Environmental and Social As a leading Canadian food and pharmacy retailer, Loblaw is committed to creating positive environmental and social change by focusing on issues that matter most to the Company's customers, employees, communities and other stakeholders, with a particular focus on combatting climate change and advancing social equity. Any failure or perceived failure to advance the environmental or social priorities of the Company or its stakeholders may negatively affect the Company's reputation, operations or financial performance.

Environmental

The Company faces environmental risks that could, directly or indirectly, negatively impact the Company's reputation, operations or performance over the short or long term.

In particular, the Company is confronted with issues relating to climate change. As a large company, Loblaw has the opportunity to make a significant positive impact on the environment. To address this opportunity, Loblaw is focused on several strategic initiatives, including reducing emissions, food and plastic waste. Federal and provincial governments are also striving to combat climate change, including through the consideration and/or implementation of carbon reduction targets and financial mechanisms to reduce carbon emissions, such as carbon taxes, carbon pricing and caps and trade. In addition to its own initiatives, the Company may be required to make operational changes and/or incur significant financial costs to comply with the various governmental reforms, which may differ across jurisdictions. Additionally, certain global climate change patterns (e.g. rising sea levels, changing rain fall) may impact sourcing of food and food ingredients. Any failure to meet its strategic objectives, adhere to climate change reforms or to adapt to the impacts of climate change, such as failure to reduce emissions, eliminate food and plastic waste or mitigate sourcing and supply chain disruptions, could result in fines or could adversely affect the Company's reputation, operations or financial performance.

The Company maintains a portfolio of real estate and other facilities and is subject to environmental risks associated with the contamination of such properties and facilities, whether by previous owners or occupants, neighbouring properties or by the Company itself. In particular, the Company has a number of underground fuel storage tanks, the majority of which are used for its supply chain transport fleets. Contamination resulting from leaks from these tanks is possible. Additional environmental issues relating to matters or sites may require the Company to incur significant additional costs. The Company also operates refrigeration equipment in its stores and distribution centres to preserve perishable products as they pass through the supply chain and ultimately to consumers. 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. Failure to properly manage any of these environmental risks could adversely affect the reputation, operations or financial performance of the Company.

The Company is subject to legislation that imposes liabilities on retailers, brand owners and importers for costs associated with recycling and disposal of consumer goods packaging and printed materials distributed to consumers. There is a risk that the Company will be subject to increased costs associated with these laws. In addition, the Company could be subject to increased or unexpected costs associated with environmental incidents and the related remediation activities, including litigation and regulatory related costs, all of which could adversely affect the reputation or financial performance of the Company.

Social

The Company faces risks associated with social issues and has established certain priorities in response, including achieving adequate representation of traditionally under-represented groups in management positions and the colleague population as a whole, building a culture of inclusion and investing in communities, particularly by supporting women's and children's health. In the event that the Company is not perceived to have robust diversity and inclusion programs, its ability to attract, develop and retain colleagues could be compromised. The Company recognizes its responsibility to respect and protect the human rights of all people who support and intersect with the business, and is committed to not tolerating abuse, discrimination or harassment in any form. Ineffective action or inaction in response to social matters, including a failure or perceived failure to adequately address its priorities, could adversely affect the Company's reputation or financial performance.

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

The Company relies on service providers including transport carriers or other delivery service providers, logistic service providers and operators of warehouses and distribution facilities. Ineffective selection, contractual terms or relationship management could impact the Company's ability to source products (both national brand and control brand products), to have products available for customers, to market to customers or to operate efficiently and effectively. Disruption in services from suppliers could interrupt the delivery of merchandise to stores or customers, which in turn could adversely affect the operations or financial performance of the Company.

PC Bank uses third party service providers to process credit card transactions, operate call centres and operationalize certain risk management strategies for the PC®Mastercard® and *PC Money* Account. A significant disruption in the services provided by third party service providers could adversely affect the financial performance of PC Bank and the Company.

The Company has outsourced certain administrative functions of its business to service providers including account payments, payroll services, IT support, investment management and custodial relationships, and benefit plan administration. Any disruption in the services provided by these suppliers could adversely affect the return on these assets or liquidity of the Company.

Legal Proceedings In the ordinary course of business, the Company is involved in and potentially subject to legal proceedings. The proceedings may involve suppliers, customers, patients, Associates, franchisees, regulators, tax authorities or other persons. The potential outcome of legal proceedings and claims is uncertain. Please refer to the "Legal Proceedings" section on page 31 of this AIF for more information.

Franchisee Relationships The Company has entered into agreements with third party franchisees that permit the franchisees to own and operate retail stores in accordance with prescribed procedures and standards. A substantial portion of the Company's revenues and earnings comes from amounts paid by franchisees in connection with their store operations and leased property. Franchisees are independent operators and their operations may be negatively affected by factors beyond the Company's control. If franchisees do not operate their stores in accordance with the Company's standards or otherwise in accordance with good business practices, franchisee fees and rent paid to the Company could be negatively affected, which in turn could adversely affect the Company's reputation, operations or financial performance. In addition, 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, fees or rent.

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 adversely affect operations and could add administrative costs and burdens, any of which could affect the Company's relationship with its franchisees.

Supply chain or system changes by the Company could cause or be perceived to cause disruptions to franchised store operations and could result in negative effects on the financial performance of franchisees. Relationships with franchisees could pose significant risks if they are disrupted, which could adversely affect the reputation, operations or financial performance of the Company.

Associate-owned Drug Store Network and Relationships with Associates The success of the Company and the reputation of its brands are closely tied to the performance of the Shoppers Drug Mart Associate-owned drug stores. Accordingly, the Company relies on Associates to successfully operate, manage and execute retail programs and strategies at their respective drug store locations. Associates are independent business operators that have entered into agreements with the Company to own and operate retail stores in accordance with prescribed procedures and standards. The success of the operations and financial performance of their respective drug stores may be beyond the Company's control. In addition, Associates are subject to franchise legislation. Disruptions to the Company's relationships with Shoppers Drug Mart Associate-owned drug stores or changes in legislation could negatively affect revenue from Associates, which in turn could adversely affect the reputation, operations or financial performance of the Company.

Competitive Environment and Strategy The retail industry in Canada is highly competitive. The Company competes against a wide variety of retailers including supermarket and retail drug store operators, as well as mass merchandisers, warehouse clubs, online retailers, mail order prescription drug distributors, limited assortment stores, discount stores, convenience stores and specialty stores. Many of these competitors offer a selection of food, drug and general merchandise, while others remain focused on supermarket-type merchandise. In addition, 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 and retail drug markets and those offering e-commerce retail platforms. The Company's loyalty program is a valuable offering to customers and provides a key differentiating marketing tool for the business. The marketing, promotional and other business activities related to the Company's loyalty program must be well managed and coordinated to preserve positive customer perception. The Company has made significant investments in support of its strategic growth areas of Everyday Digital Retail, Payments and Rewards and Connected Healthcare, which are all subject to competitive pressures. Failure to achieve these or other strategic priorities could adversely affect the Company's financial position and its competitiveness.

The Company's inability to effectively predict market activity, leverage customer preferences and spending patterns and respond in a timely manner to trends, or compete effectively with its current or future competitors could result in, among other things, reduced market share and reduced profitability. If the Company is ineffective in responding to consumer trends or in executing its strategic plans, its financial performance could be adversely affected. The failure to effectively respond to customer trends may adversely impact the Company's relationship with its customers. The Company closely monitors market developments and market share trends. Failure by the Company to sustain its competitive position could adversely affect the Company's financial performance.

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

Ethical Business Conduct The Company has a Code of Conduct that reflects the Company's long-standing commitment to high standards of ethical conduct and business practices. Any violation of law or failure to comply with the Company's policies, including the Code of Conduct, could adversely affect the Company's brands, reputation, operations or financial performance.

Trademark and Brand Protection The Company's brands and other intellectual property are very important to its success and competitive position. The Company relies on a combination of trademarks, copyrights, trade secrets and other intellectual property rights to protect its brands and its control branded products. The Company depends on its continued ability to use its intellectual property in order to increase brand awareness and further develop brands and products. The Company has taken steps to protect certain of its intellectual property rights in Canada and elsewhere. However, the Company's proprietary rights could be challenged, circumvented, infringed, misappropriated or invalidated by third parties. There can be no assurance that the processes and resources invested by the Company to protect its intellectual property from third party infringement or misappropriation will be sufficient. The Company may be required to institute litigation to enforce its intellectual property rights.

At the same time, third parties may assert or prosecute infringement claims against the Company for its use of intellectual property allegedly owned by third parties. If the Company is unable to successfully defend against these claims, it could be liable to such third parties or the Company's intellectual property could be invalidated.

Any such litigation could result in substantial costs, diversion of resources and could negatively affect the Company's revenue, profitability and prospects regardless of whether it is successful in the litigation. A decrease in value of the Company's trademarks, banners or control brands as a result of adverse events, including third party infringement, could adversely affect the reputation, operations or financial performance of the Company.

Defined Benefit Pension Plan Contributions The Company manages the assets in its registered defined benefit pension plans by engaging professional investment managers who operate under prescribed investment policies and procedures in respect of permitted investments and asset allocations. Future contributions to the Company's registered defined benefit pension plans are impacted by a number of variables, including the investment performance of the plans' assets and the discount rate used to value the liabilities of the plans. The Company regularly monitors and assesses plan performance and the impact of changes in participant demographics, changes in capital markets and other economic factors that may impact funding requirements, net defined benefit costs and actuarial assumptions. If capital market returns are below assumed levels, or if discount rates decrease, the Company could be required to make contributions to its registered funded defined benefit pension plans in excess of those currently expected, which in turn, could adversely affect the financial performance of the Company.

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

The Company, together with its franchisees, is the largest participating employer in the Canadian Commercial Workers Industry Pension Plan, with approximately 57,000 employees as members.

4.3 Financial Risks and Risk Management

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

Discussion of Financial Risks

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

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

Commodity Prices The Company is exposed to increases in the prices of commodities in operating its stores and distribution networks, as well as to the indirect effect of changing commodity prices on the price of consumer products. Rising commodity prices could adversely affect the financial performance of the Company. To manage a portion of this exposure, the Company uses purchase commitments and derivative instruments in the form of exchange traded futures contracts and forward contracts to minimize cost volatility related to commodities.

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

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

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

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

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

Interest Rates The Company is exposed to interest rate risk from fluctuations in interest rates on its floating rate debt and from the refinancing of existing financial instruments. An increase in interest rates could adversely affect the operations or financial performance of the Company. The Company manages interest rate risk by monitoring the respective mix of fixed and floating rate debt and by taking action as necessary to maintain an appropriate balance considering current market conditions, with the objective of maintaining the majority of its debt at fixed interest rates.

Credit Ratings Credit ratings assigned to the Company and any of its securities may be changed at any time based on the judgment of the credit rating agencies and may also be impacted by a change in the credit rating of Weston, Choice Properties and their respective affiliates. In addition, the Company, Weston, Choice Properties and their respective affiliates may incur additional indebtedness in the future, which could impact current and future credit ratings. A reduction in credit ratings could materially adversely affect the market value of the Company's outstanding securities and the Company's access to and cost of financing.

Further information on the Company's business can be found in the annual MD&A dated February 22, 2024. This information is incorporated herein by reference and is available at www.sedarplus.ca or www.loblaw.ca.

5. CAPITAL STRUCTURE AND MARKET FOR SECURITIES

5.1 Share Capital

The Company's authorized share capital is comprised of common shares, First Preferred Shares, Second Preferred Shares, Series A, and Second Preferred Shares, Series B.

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 30, 2023, there were 310,526,379 common shares issued and outstanding, a decrease of 13,536,229 common shares from January 1, 2023. 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 2023, 984,923 options were exercised resulting in the corresponding issuance of 984,923 common shares. As at December 30, 2023, there were 5,496,224 options outstanding, a decrease of 286,391 options from January 1, 2023.

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 with respect to the 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 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. Holders of the Second Preferred Shares are not entitled to vote.

The Second Preferred Shares, Series B have been redeemable by the Company since June 30, 2020. The Company may, at its option, redeem at any time all or from time to time any of the outstanding Second Preferred Shares, Series B provided that if less than all of such Second Preferred Shares, Series B are to be redeemed, the shares to be redeemed shall be pro rata to the number of Second Preferred Shares, Series B registered in the name of each holder, or in any other manner as the Board or the transfer agent for the Second Preferred Shares, Series B may determine and as may be acceptable to any relevant regulatory authority.

The redemption price per share at which any Second Preferred Share, Series B is or was redeemable shall be:

- $25.25 if redeemed on or after June 30, 2023 and prior to June 30, 2024; and
- $25.00 if redeemed on or after June 30, 2024.

in each case, with an amount equal to all dividends, if any, accrued thereon and unpaid.

As at December 30, 2023, the Second Preferred Shares, Series B in the aggregate amount of $221 million, net of $4 million of after-tax issuance costs, are presented as a component of equity in the consolidated balance sheet.

Normal Course Issuer Bid

In the second quarter of 2023, the Company re-filed its Normal Course Issuer Bid ("NCIB") to purchase up to 16,055,686 common shares on the Toronto Stock Exchange ("TSX") or through alternative trading systems, representing approximately 5% of the issued and outstanding common shares as of the date on which the Company renewed its NCIB. In accordance with the rules and by-laws of the TSX, the Company may purchase its common shares at the market price of such shares.

Pursuant to an automatic share repurchase plan, on any day that the Company repurchases common shares pursuant to the NCIB, it is required to purchase such number of common shares from Weston at the closing price of the common shares on the TSX in order for Weston to maintain its proportionate ownership in the Company. The maximum number of common shares that may be purchased by the Company under the NCIB will be reduced by the number of common shares purchased by the Company from Weston. The automatic share repurchase plan was approved, and operates in accordance with an exception granted by the TSX, which exemption will expire at the end of the current NCIB.

In 2023, the Company executed share repurchases of 15,180,345 common shares (14,521,152 of which were canceled and 625,000 of which were placed into trusts for future settlement of the Company's restricted share unit (RSU) and performance share unit (PSU) obligations and 34,193 of which were purchased and settled for US employees and former directors) under its NCIB during the year. 7,388,573 common shares were purchased on the open market pursuant to the NCIB and 7,132,579 common shares were purchased from Weston pursuant to the automatic share repurchase plan. Under the NCIB, the volume weighted average price per share of shares repurchased was $119.37 and under the automatic share repurchase plan, the volume weighted average price per share repurchased was $118.81.

From time to time, when the Company was not in possession of any material, non-public information about itself or its securities, the Company has entered into Automatic Share Purchase Plans with a broker in order to facilitate repurchases of the Company's common shares at times when the Company would not otherwise be active in the market due to its own internal blackout periods, insider trading rules or otherwise.

The Company intends to re-file its NCIB in 2024 and may also apply to the TSX to extend the term of the automatic share repurchase plan to cover the renewed NCIB term.

5.2 Share Trading Price and Volume

The Company's common shares and Second Preferred Shares, Series B are listed and posted for trading on the TSX and trade under the share symbols "L" and "L.PR.B", respectively. The monthly highs and lows and average daily volumes by month for the Company's common shares and Second Preferred Shares, Series B for the period beginning January 1, 2023 to December 30, 2023 were as follows:

Common Shares

Month	High ($ per share)	Low ($ per share)	Average Daily Volume by Month (shares)	Total Volume by Month (shares)
January	$121.81	$115.30	457,864	9,615,140
February	$120.81	$113.99	482,527	9,168,006
March	$124.23	$112.11	445,195	10,239,491
April	$128.49	$122.21	389,057	7,392,078
May	$129.25	$118.44	458,660	10,090,514
June	$121.70	$114.75	453,741	9,982,300
July	$121.59	$116.00	308,356	6,167,121
August	$120.65	$113.70	369,991	8,139,806
September	$119.85	$111.47	431,323	8,626,460
October	$118.74	$110.52	322,043	6,762,900
November	$124.59	$113.14	442,749	9,740,478
December	$128.44	$117.14	571,880	10,865,714

Second Preferred Shares, Series B

Month	High ($ per share)	Low ($ per share)	Average Daily Volume by Month (shares)	Total Volume by Month (shares)
January	$23.99	$21.34	4,551	91,020
February	$24.10	$22.12	5,550	99,904
March	$22.80	$21.55	1,861	42,795
April	$23.01	$22.01	3,926	74,593
May	$22.88	$22.01	3,591	71,829
June	$22.46	$21.21	2,261	47,485
July	$21.50	$20.90	6,306	126,125
August	$21.72	$20.55	1,919	36,464
September	$21.15	$20.09	4,984	99,687
October	$20.87	$19.84	3,750	78,748
November	$21.20	$20.35	4,198	88,148
December	$21.50	$20.40	10,728	203,828

5.3 Debt Securities

The Company's notes are not listed or quoted on a recognized exchange. As at December 30, 2023, there were $4.3 billion of the Company's notes outstanding.

All of the Company's notes are direct senior unsecured obligations of the Company and rank equally and ratably with one another and with all other unsecured and unsubordinated indebtedness of the Company. At its option, the Company may redeem the notes at any time, in whole or in part, on payment of a redemption price equal to the greater of (i) the applicable Canada Yield Price (as defined in the applicable supplemental indenture), and (ii) par, together in each case with accrued and unpaid interest to, but excluding, the date fixed for redemption. In addition, certain series of notes also provide the Company with certain "par call" rights to early redeem the applicable notes at par following certain prescribed dates. For full details of the provisions of the notes, readers should refer to the trust indenture dated April 10, 1996 between the Company and Montreal Trust Company of Canada, as amended, and the relevant supplemental indentures thereto, all of which are available on SEDAR+ at www.sedarplus.ca.

Further information on the Company's debt securities can be found in the MD&A.

5.4 Credit Facilities

The Company has a $1.50 billion unsecured syndicated revolving credit facility agreement (the "Revolving Facility"), which was amended December 14, 2023 to expand the size from $1.0 billion with no change to the maturity date of July 15, 2027. The proceeds of the Revolving Facility are used for general corporate purposes. As at December 30, 2023, there were no drawings under the Revolving Facility. Under the Revolving Facility, the Company must maintain a ratio of net debt (as of the last day of each fiscal quarter) to EBITDA (earnings before interest, income taxes, depreciation and amortization calculated in the manner prescribed by the Revolving Facility agreement) for the last four quarters then ended of not more than 4.0:1, and a ratio of EBITDA to interest expense (subject to certain exclusions identified in the Revolving Facility agreement) for the last four quarters then ended of at least 2.75:1.

5.5 Credit Ratings

In 2023, S&P Global Ratings ("S&P") reaffirmed the credit ratings and outlook of the Company and its securities as part of an annual review.

In 2023, DBRS Morningstar ("DBRS") confirmed the credit ratings of the Company at BBB (high) with a stable trend.

Accordingly, as at December 30, 2023, the credit ratings for the various classes of securities of the Company were as follows:

	S&P		DBRS	
	Rating	Outlook	Rating	Trend
Issuer Credit Rating	BBB	Stable	BBB (high)	Stable
Medium Term Notes	BBB	-	BBB (high)	Stable
Other Notes and Debentures	BBB	-	BBB (high)	Stable
Preferred Shares	P-3 (High)	-	Pfd-3 (high)	Stable

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

A definition of the categories of each rating of DBRS and S&P has been obtained from the respective rating organization's website relating to the Companies' securities and is outlined below:

S&P

Issuer Credit Rating

S&P's issuer credit rating is a forward-looking opinion about an obligor's overall creditworthiness. 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. Long-term issuer credit ratings focus on the obligor's capacity and willingness over the long-term to meet all of its financial commitments, both long-term and short-term, as they come due. Short-term issuer credit ratings focus on the obligor's capacity and willingness over the short-term to meet all of its financial commitments as they come due.

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 weaken the obligor's capacity 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 commitments on the obligation.

Rating Outlook

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

A CreditWatch highlights S&P's opinion regarding 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 actions, performance deterioration of securitized assets or anticipated operating developments. Ratings may be placed on CreditWatch when S&P believes that there has been a material change in performance of an issue or issuer but the magnitude of the rating impact has not been fully determined and S&P believes a rating change is likely in the short-term. A CreditWatch listing, however, does not mean a rating change is inevitable, and when appropriate, a range of potential 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.

DBRS

Issuer Credit Rating

DBRS corporate rating analysis begins with an evaluation of the fundamental creditworthiness of the issuer, taking into account its business and financial risks. Based on an analysis using the relevant methodologies and criteria, DBRS assigns an issuer rating that indicates its assessment of the likelihood of default. Issuer ratings address the overall credit strength of the issuer. Unlike ratings on individual securities or classes of securities, issuer ratings are based on the entity itself and do not include consideration for security or ranking. Ratings that apply to actual securities (secured or unsecured) may be higher, lower or equal to the issuer rating for a given entity. DBRS typically assigns issuer ratings on a long-term basis using its long-term obligations rating scale.

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

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

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

Preferred Shares

DBRS' credit 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 generally 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 issuers with a BBB category or higher issuer rating.

Rating Trends

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

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

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

6. DIVIDENDS

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

In the second quarter of 2023, the Board declared a 10% increase in the quarterly dividend, from $0.405 to $0.446 per common share, commencing with the quarterly dividend payable on July 1, 2023. This increase followed an11% increase in the quarterly dividend in the second quarter of 2022.

The Second Preferred Shares, Series B are entitled to preference 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 B entitle the holder to a fixed cumulative preferred cash dividend of $1.325 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:

	2023	2022	2021
Dividends declared per common share	$ 1.743	$ 1.580	$ 1.400
Dividends declared per Second Preferred Share, Series B	$ 1.325	$ 1.325	$ 1.325

7. DIRECTORS AND OFFICERS

The following list of directors and executive officers is current to February 22, 2024.

7.1 Directors

Name, Province and Country of Residence	Principal Occupation	Director Since
Galen G. Weston Ontario, Canada	Chairman of Loblaw Companies Limited and Chairman and Chief Executive Officer of George Weston Limited	2006
Scott B. Bonham [1, 4] California, USA	Corporate Director	2016
Shelley Broader [1, 4] Florida, USA	Corporate Director	2022
Christie J.B. Clark [1*, 3, 4] Ontario, Canada	Corporate Director	2011
Daniel Debow [2, 4] Ontario, Canada	Vice President, Product, Shopify	2020
William A. Downe, C.M. [2*] Illinois, United States	Corporate Director	2018
Janice Fukakusa, C.M. [1, 4*] Ontario, Canada	Corporate Director	2019
M. Marianne Harris [1, 2, 3] Ontario, Canada	Corporate Director	2016
Kevin Holt [1, 4] Massachusetts, United States	Corporate Director	2023
Claudia Kotchka [2, 4] California, United States	Corporate Director	2016
Sarah Raiss [2, 3*] Alberta, Canada	Corporate Director	2014
Cornell Wright [4] Toronto, Canada	President of Wittington Investments, Limited	2022

1. Audit Committee
2. Governance, Employee Development, Nominating and Compensation Committee
3. Pension Committee
4. Risk and Compliance Committee

* Chair 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.

7.2 Officers

Name, Province and Country of Residence	Principal Occupation
Per Bank Ontario, Canada	President and Chief Executive Officer
Richard Dufresne Ontario, Canada	Chief Financial Officer
Frank Gambioli Ontario, Canada	President, Market Division
Melanie Singh Ontario, Canada	President, Hard Discount Division
Jeffery Leger Ontario, Canada	President, Shoppers Drug Mart
Tina Lee Ontario, Canada	Chief Executive Officer, T&T
Barry K. Columb Ontario, Canada	President, President's Choice Financial
Ian Freedman Ontario, Canada	President, Joe Fresh
Mark Wilson Ontario, Canada	Executive Vice President and Chief Human Resources Officer
Robert Wiebe Ontario, Canada	Chief Administrative Officer
Nicholas Henn Ontario, Canada	Executive Vice President, Chief Legal Officer and Secretary
David Markwell Ontario, Canada	Executive Vice President and Chief Technology and Analytics Officer
Mary MacIsaac Ontario, Canada	Senior Vice President, Marketing
Lauren Steinberg Ontario, Canada	Senior Vice President, Loyalty, Media & Digital
Mike Rinaldi Ontario, Canada	Senior Vice President, Business Enablement & Enterprise Procurement

As at December 30, 2023, the directors and executive officers of the Company, as a group, excluding Mr. Galen G. Weston, beneficially owned, directly or indirectly, or exercised control over 123,054 common shares, which represented approximately 0.04% of the outstanding common shares of the Company.

As at December 30, 2023, Mr. Galen G. Weston, through the entities he controls, owned approximately 58.0% of the common shares of Weston, which owned approximately 52.6% of the Company's outstanding common shares. In addition, Mr. Weston beneficially owned, directly or indirectly, or exercised control over 473,636 common shares, which represented approximately 0.2% of the outstanding common shares of the Company.

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: Ms. Shelley Broader, who was the former President and Chief Executive Officer of Chico's FAS, Inc.; Mr. Daniel Debow, who was the former Chief Executive Officer of Helpful.com; Mr. Kevin Holt, who was Chief Executive Officer of Ahold Delhaize USA; and Mr. Cornell Wright, who was a former partner at Torys LLP.

8. LEGAL PROCEEDINGS

In the ordinary course of business, the Company is involved in and potentially subject to legal proceedings which could have a material adverse effect on the Company's reputation, operations or financial condition or performance. The following is a description of the Company's significant legal proceedings:

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

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

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

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

9. REGULATORY ACTIONS

The following is a description of the Company's significant regulatory actions:

In 2017, the Company and Weston announced actions taken to address their role in an industry-wide price-fixing arrangement involving certain packaged bread products. The arrangement involved the coordination of retail and wholesale prices of certain packaged bread products over a period extending from late 2001 to March 2015. Under the arrangement, the participants regularly increased prices on a coordinated basis. The Company and Weston have been cooperating with the Competition Bureau as an immunity applicant since March 2015 and will not face criminal charges or penalties. Class action lawsuits have been commenced against the Company and Weston as well as a number of other major grocery retailers and another bread wholesaler. Please refer to the "Legal Proceedings" section on page 31 of this AIF for more information.

10. MATERIAL CONTRACTS

Other than certain agreements entered in the ordinary course of business, the Company does not have any material agreements.

11. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Related party transactions between the Company and Weston include inventory and asset purchases, cost sharing agreements, real estate matters, borrowings and lendings, income tax matters, management agreements and administrative services agreements.

Related party transactions between the Company and Choice Properties include rental expenses and property management and administrative fees paid to Choice Properties.

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

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

Further information on related party transactions can be found in Section 13 "Related Party Transactions" of the Company's 2023 MD&A.

12. TRANSFER AGENT AND REGISTRAR

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

13. EXPERTS

The Company's independent auditors are PricewaterhouseCoopers LLP, Chartered Professional Accountants, who have prepared an independent auditor's report dated February 21, 2024 in respect of the Company's consolidated financial statements as at December 30, 2023 and December 31, 2022 and for years then ended. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Company within the meaning of the CPA Code of Professional Conduct.

14. AUDIT COMMITTEE INFORMATION

The Mandate of the Audit Committee, as approved by the Board on February 21, 2024, is included in Appendix "A". The members of the Audit Committee are indicated in "Directors and Officers" section of this AIF. All members of the Audit Committee are independent and financially literate (as those terms are defined in National Instrument 52-110 - *Audit Committees* of the Canadian Securities Administrators) and have the following education and experience which is relevant to their roles as Audit Committee members:

Mr. Scott B. Bonham, B.Sc., M.B.A. is a Co-Founder of Intentional Capital Corp., a real estate asset management company, a former co-founder of GGV Capital, a venture capital firm and former Vice President, Capital Group Companies. He currently serves on the Audit and Conduct Review Committee of The Bank of Nova Scotia. Mr. Bonham holds an M.B.A. from Harvard Graduate School of Business and a B.Sc. (Honours) in electrical engineering from Queen's University.

Ms. Shelley Broader, is the former President and Chief Executive Officer of Chicos FAS, Inc. She previously served in executive positions at Walmart Inc., including President and Chief Executive Officer of Walmart EMEA Ltd. and Walmart Canada, and is the former President and Chief Operating Officer of The Michaels Companies, Inc. Ms. Broader was previously a member of the Audit and Risk Committee of Raymond James Financial and the former chair of the Audit and Risk Committee of Dutch Bros Inc.

Mr. Christie J.B. Clark, C.M., M.B.A. is a Fellow Chartered Accountant and a Fellow Chartered Professional Accountant, and the former Chief Executive Officer and senior partner of PwC in Canada. He also held various senior management positions at PwC and served on the audit committees of Choice Properties, Air Canada and AtkinsRéalis Canada Inc.(formerly SNC-Lavalin Group Inc.). He has a Bachelor of Commerce degree from Queen's University and an M.B.A. from the University of Toronto.

Ms. Janice Fukakusa, F.C.P.A, F.C.A., M.B.A. is the former Chief Financial Officer and Chief Administrative Officer of Royal Bank of Canada and currently serves on the boards of corporate and not-for-profit organizations, including serving on the audit committees of Cineplex Inc., Brookfield Corporation (formerly Brookfield Asset Management Inc.) and RioCan Real Estate Investment Trust. Ms. Fukakusa holds a B.A. from the University of Toronto, an M.B.A from the Schulich School of Business and an Honorary Doctorate of Laws from York University.

Ms. M. Marianne Harris, B.Sc., M.B.A., J.D. is the former Managing Director and President, Corporate and Investment Banking for Merrill Lynch Canada Inc. and the former Head of Financial Institutions Group Americas, Merrill Lynch Pierce Fenner & Smith. She serves on the audit committees of Sun Life Financial Inc., Public Sector Investment Board, and George Weston Limited and formerly served on the audit committee of Agrium Inc. Ms. Harris holds an M.B.A. from the Schulich School of Business, a J.D. (Juris Doctor) degree from Osgoode Hall Law School and a B.Sc. (Honours) from Queens University.

Mr. Kevin Holt, B.Sc. is the former Chief Executive Officer of Ahold Delhaize USA. He previously served as Chief Operating Officer of Ahold USA, Chief Operating Officer of Delhaize America, Executive Vice President of Delhaize Group, and Chief Executive Officer of Delhaize America. Mr. Holt holds a B.Sc. (Business Economics) from Ferris State University.

15. EXTERNAL AUDIT FEES

The following table sets forth the aggregate fees billed for professional services rendered by the independent external auditors, PwC, for the fiscal years 2023 and 2022, respectively:

	2023 ($000's)	2022 ($000's)
Audit fees(1)	7,335	6,759
Audit-related fees(2)	1,088	418
Tax-related fees(3)	26	87
All other fees(4)	2,182	2,543
Total Fees	**10,631**	**9,807**

(1) Audit fees include fees for services related to the audit of the Company's consolidated financial statements, including its subsidiaries. Audit fees also include fees for services related to the review of quarterly reports, the interpretation of accounting and financial reporting standards and auditor involvement with regulatory filings.

(2) Audit-related fees include fees for French translation services associated with the Company's financial and regulatory filings, specified procedures and for the audits of pension plans and charitable foundations.

(3) Tax-related fees include fees for tax compliance services. The Company was also billed $1,000,000 in 2022 for work performed in 2021, prior to PwC becoming the Company's auditor.

(4) All other fees include permissible advisory and support services for ongoing project work commenced prior to PwC becoming the Company's auditor.

As part of the Company's corporate governance practices, the Audit Committee has adopted a policy prohibiting the external auditors from providing non-audit services to the Company or its subsidiaries unless the services are approved in advance by the Chair of the Audit Committee. The external auditors are required to report directly to the Audit Committee.

16. 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 held on May 4, 2023. 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 SEDAR+ available online at www.sedarplus.ca, and with OSFI as the primary regulator for the Company's subsidiary, PC Bank.

The Company's website is available at www.loblaw.ca.

Appendix "A"

Mandate of the Audit Committee

1. RESPONSIBILITY

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

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

2. MEMBERS

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

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

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

3. CHAIR

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

4. TENURE

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

5. QUORUM, REMOVAL AND VACANCIES

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

6. DUTIES

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

<u>Financial Statements, Disclosure and Other Regulatory Filings</u>

a. Review of Annual Audited Financial Statements

The Audit Committee shall review the annual audited financial statements, together with the Auditor's report thereon, the related Management's Discussion & Analysis ("MD&A") and any accompanying news releases, before recommending them for approval by the Board, to assess whether or not it is reasonable to conclude, based on its reviews and discussions, that the annual audited financial statements present fairly in all material respects in accordance with GAAP (which includes International Financial Reporting Standards) the financial condition, results of operations and cash flows of the Company.

In conducting their review, the Audit Committee should:

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

b. Review of Interim Financial Statements

The Audit Committee shall also engage the Auditor to review the interim financial statements prior to the Audit Committee's review of such financial statements. The Audit Committee should discuss the interim financial statements, related MD&A and any accompanying news releases with management and the Auditor and, if satisfied that it is reasonable to conclude, based on its reviews and discussions, that the interim financial statements present fairly in all material respects in accordance with GAAP the financial condition, results of operations and cash flows, recommend the interim financial statements, the related MD&A and any accompanying news releases to the Board for approval.

c. Legal Compliance Regarding Financial Statements

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

d. Other Financial Information

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

e. Review of Prospectuses and Other Regulatory Filings

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

f. Environmental, Social and Governance ("ESG") Matters

At least annually, the Audit Committee will review with management the adequacy and effectiveness of applicable controls related to the Company's ESG disclosures. The Audit Committee shall review the Company's ESG disclosures prior to publication, including disclosure in the Company's interim and annual MD&A and in respect of disclosure aligned with applicable ESG reporting frameworks, and make recommendations to the Board in respect of the approval of such disclosure.

g. Taxation Matters

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

h. Timely Disclosure, Confidentiality and Securities Trading Policy

The Committee shall monitor the effectiveness of the Company's policies addressing the timely disclosure of material information, the confidentiality of material undisclosed information and the prohibitions against trading in securities of the Company and other issuers while in possession of undisclosed information that is material to the Company or other such issuers. The Audit Committee shall also review and recommend to the Board for approval the Securities Trading Policy annually.

i. Review of Related Party Transactions

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

<u>Internal Control Over Financial Reporting and Disclosure Controls and Procedures</u>

j. Oversight of Internal Control over Financial Reporting and Disclosure Controls and Procedures

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

The Audit Committee shall receive quarterly reports from the Company's Disclosure Committee and the group responsible for internal control compliance with respect to the Company's system of disclosure controls and procedures and internal control over financial reporting, including annual plans as applicable.

The Audit Committee shall also review and recommend to the Board for approval the Company's Disclosure Policy at least annually.

Oversight of External Auditors

k. Appointment and Review of Auditor

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

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

l. Confirmation of Independence of Auditor

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

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

m. Rotation of Engagement Partner/Lead Partners

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

n. Pre-Approval of Non-Audit Services

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

o. Communications with Auditor

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

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

p. Approval of Audit Plan

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

q. Approval of Audit Fees

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

r. Hiring Policies

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

Oversight of Internal Audit Matters

s. Review of Internal Audit Function

The Audit Committee shall:

i. review and approve the mandate and planned activities of the Internal Audit function annually.

ii. review and approve the budget and organizational structure of the Internal Audit function annually.

iii. Appoint the senior officer in charge of the Internal Audit function as the Corporation's Chief Audit Executive

iv. confirm that the Internal Audit function is independent of management and has sufficient resources to carry out its mandate.

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

- significant resolved and any unresolved issues between auditors and management have been brought to its attention;
- the engagements of Internal Audit Services and the corresponding Management Action Plans are being completed in a timely and effective manner; and
- the integrity of the Company's internal control and management information systems are satisfactory.

t. Fraud Control

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

Relations with Management

The members shall meet privately with management to discuss any concerns of the Audit Committee or management, as frequently as the Audit Committee feels is appropriate, to fulfil its responsibilities.

Complaints Procedure

The Audit Committee shall monitor the effectiveness of the Company's procedures for the receipt, retention and follow-up of complaints received by the Company regarding accounting, internal controls, disclosure controls or auditing matters and for the confidential, anonymous submission of concerns by employees of the Company regarding accounting, internal controls, or auditing matters. The Audit Committee shall also determine whether management's response to any such complaints has been satisfactory or whether further actions or investigations are required. The Audit Committee shall review and annually approve the Company's Accounting, Auditing and Internal Controls Complaints Procedures. The Committee shall review with management periodic reports in this regard.

7. REPORTING

The Audit Committee shall report to the Board on:

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

8. FREQUENCY OF MEETINGS AND *IN CAMERA* SESSIONS

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

9. RETENTION OF EXPERTS

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

10. REVIEW AND DISCLOSURE

This Mandate shall be reviewed by the Audit Committee at least annually and be recommended to the Board for consideration and approval with such amendments as the Audit Committee proposes.

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